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20 December 2018

DeepMatter Group plc
("DeepMatter" or the "Company")

Market Update,
Conditional Acquisition and
Proposed Placing

DeepMatter, the AIM-listed company focusing on digitizing chemistry, is pleased to announce that it has agreed to acquire from global publisher Springer Nature the entire issued share capital of Infochem GmbH (the "Acquisition" or "Infochem"), a specialist in cheminformatics, for a total consideration of approximately €2.0 million to be satisfied as to €0.36 million in cash and 68,400,000 new ordinary shares in the capital of the Company ("New Ordinary Shares"). The Company also announces that it intends to raise a minimum of £3.0 million by way of a proposed placing of New Ordinary Shares at a price of 2.5 pence per share.

Market update

Since the Company's Interim Results announcement on 6 September 2018, it has continued to makegood progress against its stated growth strategy. In May 2018, the Company initiated its Pioneer Programme, entering into a select number of trial agreements with target users for its DigitalGlassware™ platform across a range of companies and institutions, allowing observation of technology performance in different operating environments and locations. In the last two months, the programme has expanded from five to seven partners, each of whom are entitled to multiple instances of the platform, deployed across three continents.

To date, across the Pioneer Programme, the DigitalGlassware™ platform has been used to collect data from over 650 days (1.8 years) of chemistry across over 700 individual experimental runs. Data has been collected and structured, comprising nearly 3.7 billion sensor readings over 90 million samples. Of the most frequently used synthetic reaction types in medicinal chemistry, as reported in the frequently cited publication by Brown and Boström of pharmaceutical company AstraZeneca in the Journal of Medicinal Chemistry*, more than 50% are now represented in the DigitalGlassware™ platform.
 * *J. Med. Chem. 59, 4443 (2016*)

These data will be subjected to deep learning methodologies in the quest for unique chemical insights. To that end, the Company is in the process of filing its first patent application where it has demonstrated the ability of its platform to use virtual sensors to collect chemical measurements and outcomes of interest. In the early part of 2019, the Company will be directing a proportion of its data science resources to create new IP to help research a better understanding of chemical trajectory, in particular, looking to monitor real-time reaction completion.

On the back of the successful Pioneer Programme, the Company is now gearing up for deployment of its DigitalGlassware™ platform to a broader user community.

Acquisition highlights

- The Company has agreed conditionally to acquire the entire issued share capital of Infochem, a specialist in cheminformatics, for a total consideration of approximately €2.0 million to be satisfied as to €0.36 million in cash and 68,400,000 New Ordinary Shares. The Acquisition is conditional, *inter alia*, on completion of the Proposed Placing, details of which are set out below.
- Founded in 1989, Infochem is based in Munich, Germany, is owned by Springer-Verlag GmbH, part of the Springer Nature and has 25 employees. It has extensive scientific expertise and a long tradition in developing successful software solutions for handling retrieval, structures and reactions.
- Its established base of users is in the same industries as those being targeted by the Company.
- In the Directors' opinion, the Acquisition will accelerate the Company's strategy by providing cost effective access to established data sources and chemical information software tools, assisting in the accelerated development of the DigitalGlassware™ platform, as well as providing specialist staff, recurring revenues and an additional sales channel.
- The total consideration payable for the Acquisition of approximately €2.0 million comprises a payment in cash of €0.36 million and the issue of the Consideration Shares (comprising 25,600,000 Initial Consideration Shares and 42,800,000 Deferred Consideration Shares). Given that Infochem will have €0.48 million of cash on its balance sheet, the Acquisition will be a net cash positive deal for DeepMatter.
- The Enlarged Group will be strengthened both technically, operationally and financially as it focuses on building credibility, awareness and understanding of the DigitalGlassware™ platform before rolling it out in full to the broader scientific community.
- Bettina Goerner, Managing Director Database Research Group at Springer Nature, will be appointed to the DeepMatter board as a Non-Executive Director, with effect from Completion, strengthening the relationship between the two companies.

Proposed Placing

The Company also announces that it intends to raise a minimum of £3.0 million by way of a proposed placing of New Ordinary

Shares to institutional and other investors at a price of 2.5 pence per share (the "Placing Price") (the "Proposed Placing"). To date, the Company has secured conditional irrevocable undertakings from each of IP Venture Fund II LP, IP2IPO Portfolio LP, and Ora Limited an entity controlled by Richard Griffiths, and a letter of comfort from an IP Group entity in relation to a co-investment partner, to subscribe, in aggregate, for at least £3.0 million in the Proposed Placing. This would take the IP Group Concert Party's percentage interest in the enlarged issued share capital of the Company to 36.1 per cent. The Proposed Placing is conditional on the Panel on Takeovers and Mergers (the "Panel") granting a waiver of the obligation that would otherwise arise for the IP Group Concert Party to make an offer under Rule 9 of the City Code on Takeovers and Mergers (the "Rule 9 Waiver"). The Panel Executive has confirmed that it will grant the waiver if it is approved by way of an ordinary resolution passed on a poll by the Independent Shareholders of the Company at a general meeting. The Company's directors currently have the authority to allot shares for cash on a non pre-emptive basis equivalent to one third of the Company's issued share capital at 2.5 pence per share.

The net proceeds of the Proposed Placing will be used to further finance ongoing DigitalGlassware™ technology development, including integration of cheminformatics capabilities, user and partner support, marketing, data science, manufacture and for working capital requirements of the Enlarged Group.

The Company intends in due course to publish a circular containing details of the Acquisition, the Proposed Placing, the Rule 9 Waiver and a notice convening a general meeting to approve the Rule 9 Waiver (the "Circular"). Further announcements will be made as appropriate. Further information and details of the Acquisition will be included in subsequent announcements and the Circular in compliance with Rule 12 and Schedule Four of the AIM Rules for Companies.

Related Party Transaction

It is likely that the participations of IP Venture Fund II LP and IP2IPO Portfolio LP in the Proposed Placing will be classified as related party transactions for the purpose of Rule 13 of the AIM Rules for Companies.

Commenting on the Acquisition, Mark Warne, CEO of DeepMatter, said:

"*Our aim is to integrate chemistry with technology, thereby enabling a greater use of machine learning and artificial intelligence and reaching a point where chemicals can be autonomously synthesised through robotics. Our first step towards this was the launch of our DigitalGlassware™ Pioneer Programme in 2018 and we have been delighted with its success. The platform is now deployed across seven Pioneer partners in three continents, providing valuable insight into the power of the platform and the benefits it can bring to the scientific community.*

"*The acquisition of Infochem will accelerate our strategy, bringing additional expertise, software tools and an existing sales channel, strengthening and accelerating the commercialisation of our platform. The net proceeds of the Proposed Placing will enable further technology development, including integration of Infochem's cheminformatics capabilities into DigitalGlassware^{TM} and an increase in our marketing activities, as we seek to expand our user base in 2019.*

"*We look forward to being able to welcome the Infochem team to the enlarged group and look to the future with confidence.*"

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement via Regulatory Information Service, this inside information is now considered to be in the public domain.

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About DeepMatter:

DeepMatter's long term strategy is to integrate chemistry with technology, thereby enabling a greater use of artificial intelligence and reaching a point where chemicals can be autonomously synthesised through robotics. In the near term this involves the provision of an integrated software, hardware and artificial intelligence enabled platform, DigitalGlassware™, to scientists across research and process development sectors.

The DigitalGlassware™ platform allows chemistry experiments to be accurately and systematically recorded, coded and entered into a shared data cloud. The platform is designed to enable chemists to work together effectively; sharing the details of their experiments from anywhere and in real-time, so that work is not needlessly duplicated, time and money wasted, and ultimately so new discoveries may be made faster.

More information is available here: http://www.deepmattergroup.com

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