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If you have sold or transferred all of your Ordinary Shares in the Company, please pass this document and Form of Proxy to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. If you have sold or transferred only part of your holding of Ordinary Shares you should retain these documents.

Shareholders will find enclosed a Form of Proxy for use at the General Meeting. To be valid, the Form of Proxy should be completed and returned to the Company's registrars, Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham BR3 4TU, in accordance with the instructions printed on it as soon as possible and, in any event, so as to be received no later than 11:00 a.m. on 2 December 2013. Completion and return of Forms of Proxy will not preclude Shareholders from attending and voting in person at the General Meeting should they so wish.

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# ViaLogy PLC

*(Incorporated in England and Wales under the Companies Act 1985 with registered number 3971582)*

## **Proposed Restructuring and Notice of General Meeting**

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Your attention is drawn to the letter from the Chairman of ViaLogy Plc set out on pages 5 to 9 of this document which provides details of the Proposed Restructuring and recommends that you vote in favour of the Resolution to be proposed at the General Meeting referred to below.

A notice convening a General Meeting of the Company to be held at the offices of BDO LLP, 55 Baker Street, London W1U 7EU at 11:00 a.m. on 4 December 2013 is set out at the end of this document. A Form of Proxy accompanies this document. **To be valid, Forms of Proxy for use at the meeting must be completed and returned so as to be received at the offices of the Company's Registrars, Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, BR3 4TU not later than 11:00 a.m. on 2 December 2013.**

The completion and depositing of the Form of Proxy will not preclude you from attending and voting in person at the General Meeting should you wish to do so.

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## DEFINITIONS

“Act”	the Companies Act 2006 (as amended)
“AIM”	AIM, a market operated by London Stock Exchange plc
“AIM Rules”	the AIM Rules for Companies issued by London Stock Exchange plc as amended from time to time
“CFE”	Cantor Fitzgerald Europe, the Company’s Nominated Adviser and Broker
“Company” or “ViaLogy”	ViaLogy PLC
“Directors” or “Board” or “ViaLogy Board”	the directors of the Company as set out on page 4 of this document
“Existing Ordinary Shares”	the 1,039,640,244 Ordinary Shares in issue at the date of this document
“Form of Proxy”	the form of proxy enclosed with this document for use by Shareholders in connection with the General Meeting
“General Meeting”	the general meeting of the Company convened for 11:00 a.m. on 4 December 2013, notice of which is set out on page 10 of this document
“Group”	the Company and its subsidiary undertakings
“Independent Directors”	Terry Bond, Robert Dean and Peter Reynolds
“Ordinary Shares”	ordinary shares of 1 penny each in the share capital of the Company
“Proposed Restructuring”	the proposed restructuring of ViaLogy on the terms set out in this document
“Resolution”	the resolution contained in the notice of General Meeting set out at the end of this document
“Shareholders”	holders of Existing Ordinary Shares
“ViaLogy Energy Corp” or “VEC”	ViaLogy Energy Corp., a company newly incorporated in the State of Delaware under registration number 5414828
“ViaLogy LLC”	ViaLogy LLC, the Company’s wholly-owned US subsidiary

## **DIRECTORS, OFFICERS AND ADVISERS**

<b>Directors:</b>	Terry Bond, <i>Executive Chairman</i> Dr. Robert W. Dean, <i>President and CEO</i> Dr. Sandeep Gulati, <i>Vice President Product Development &amp; CTO</i> Peter Reynolds, <i>Non-executive Director</i>
<b>Company Secretary:</b>	Mark Collingbourne
<b>Registered Office:</b>	Ashcombe Court Woolsack Way Godalming Surrey GU7 1LQ
<b>Nominated Adviser and Broker:</b>	Cantor Fitzgerald Europe One Churchill Place London E14 5RB
<b>Solicitors to the Company:</b>	Faegre Baker Daniels LLP 7 Pilgrim Street London EC4V 6LB
<b>Registrars:</b>	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

## LETTER FROM THE CHAIRMAN

# ViaLogy PLC

*(Incorporated in England and Wales with registered number 3971582)*

### *Directors*

Terry Bond, *Executive Chairman*  
Dr. Robert W. Dean, *President and CEO*  
Dr. Sandeep Gulati, *Vice President Product Development & CTO*  
Peter Reynolds, *Non-executive Director*

### *Registered Office*

Ashcombe Court  
Woolsack Way  
Godalming  
Surrey GU7 1LQ

18 November 2013

*To Shareholders and, for information purposes only, to the holders of options over Ordinary Shares.*

Dear Shareholder,

### **Introduction**

On 29 October 2013, ViaLogy announced details of a proposed restructuring of its operational organisation.

The Company is issuing this circular to Shareholders setting out the background to and reasons for the Proposed Restructuring and is seeking Shareholders' approval of such proposals. A notice convening the General Meeting to consider the Resolution is set out at the end of this circular.

### **Background to and reasons for the Proposed Restructuring**

As outlined in the report and accounts announced on 30 September 2013, the Board has been reviewing a number of options with the objective to fully realize the commercial opportunities of Quantum Resonance Interferometry (QRI), the patented technology that identifies and interprets ultra-weak signals; Sensor Policy Manager (SPM<sup>®</sup>), the patented sensor interoperability and integration engine, and to enable the business to secure financial partnerships that will provide a robust basis for future growth.

To date, ViaLogy has centred all its operational activities relating to its QuantumRD<sup>®</sup> software, which provides seismic data analysis to more accurately detect and de-risk oil and gas deposits for global clients, at its headquarters in Pasadena, California. ViaLogy has managed the finance and administration functions and provision of services to support ViaLogy's obligations as a public company and investor relations in the UK.

Following extensive consideration, the Board has concluded that its growth objectives can be best achieved through a comprehensive restructuring and refocusing of ViaLogy. The Directors believe that this restructuring will better facilitate funding and the introduction of additional expertise to exploit the opportunities presented in the oil and gas services business; reduce ViaLogy's overall working capital requirements as it considers funding opportunities, and potentially open new markets to the Company. By doing so, and with additional funding, the Board further believes that ViaLogy will be able to focus more of its efforts on other opportunities including the potential to use its QRI technology in other sectors.

The Company therefore proposes to:

- (i) grant an exclusive, perpetual, royalty-free, worldwide licence to VEC to use all ViaLogy technology developed to date, including all issued patents and patents pending, and in-house developed software ("the Technology") solely for use in the provision of services, products and solutions to the oil and gas industry; in the search for ground water; and in relation to electromagnetic spectrum data processing ("the Applications");
- (ii) transfer the oil and gas contracts already entered into by ViaLogy (save for the Atascosa Galba Oilfield working interest agreement) to VEC;
- (iii) transfer the IT, commercially purchased 3rd-party software licenses and office fixed assets of ViaLogy LLC to VEC; and

(iv) transfer the US-based employees of ViaLogy LLC to VEC.

(together, “the VEC Transfer”). As consideration for the VEC Transfer, ViaLogy will receive such number of preferred shares as represents 75 per cent. of the issued and outstanding share capital of VEC at the date of the transfer. The remaining 25 per cent. of the company will be held by Dr. Sandeep Gulati (19.5 per cent.) and certain members of the US-based technical team (5.5 per cent.).

VEC has agreed that ViaLogy will have joint ownership of any new intellectual property, technology or software created by VEC, limited to ViaLogy’s core QRI signal processing technology, including any updates, upgrades and improvements, for use in areas other than the Applications.

In addition, as part of the broader restructuring and refocusing of the Company, if Shareholders pass the Resolution at the General Meeting, Adam Reynolds will be appointed as an Executive Director of ViaLogy with immediate effect. At that time, both Peter Reynolds and I will stand down as directors of the Company. Further details on Mr Adam Reynolds proposed appointment and other board changes are set out in detail below under the section entitled “*ViaLogy Board*”.

## **Terms of the Proposed Restructuring**

### *VEC overview*

VEC is a US company, newly incorporated in the State of Delaware, with plans to operate in Pasadena and Houston, USA. If Shareholder approval is obtained, the VEC Transfer will be undertaken and ViaLogy will be issued with preferred shares representing 75 per cent. of the issued and outstanding share capital of VEC. The balance of VEC’s issued share capital, being common stock, will be held by Dr. Sandeep Gulati, ViaLogy’s founder, who will, at the date of the VEC Transfer, have an interest of 19.5 per cent., and the remaining 5.5 per cent. will be held, in aggregate, by Dr. Dan Mandutianu and Vijay Daggumati, who are key members of the current ViaLogy technical team. As such, the VEC Transfer is deemed to be a related party transaction under AIM Rule 13.

If Shareholder approval is obtained at the General Meeting, it is anticipated that the VEC Transfer will take effect on or before 31 December 2013.

### *VEC Funding*

It is the intention of VEC to raise external funding of at least US\$5 million in VEC at not less than a pre-money valuation of VEC of US\$20 million, in one or more tranches (“the VEC Funding”).

If the VEC Funding is not completed by the first anniversary of the VEC Transfer, the grant of the Technology licence and the transfers of the assets referred to above (including the associated oil and gas service contracts) will revert to ViaLogy. Please note, however, that it is not possible to guarantee that the US employees of ViaLogy LLC who will transfer to VEC as part of the VEC Transfer (including Dr. Sandeep Gulati) will agree to return to ViaLogy LLC in the event that the VEC Funding does not complete and the VEC Transfer is, effectively, reversed.

If the VEC Funding is not completed by the first anniversary of the VEC Transfer, but some funding at that date has been raised by VEC from external investors at a valuation of not less than US\$20 million, ViaLogy shall be required to return to VEC its entire shareholding in VEC for nominal value, conditional only upon revocation of the Technology licence and transfer back to ViaLogy (or ViaLogy LLC) of the assets that were transferred pursuant to the VEC Transfer.

In the event the VEC Funding milestone is completed by VEC within the first twelve months of the VEC Transfer:

- (i) The Technology license for the Applications granted to VEC automatically becomes non-revocable;
- (ii) VEC automatically receives the unrestricted right to sub-license the Technology for the Applications on a worldwide basis; and
- (iii) title transfer of the other assets referred to above becomes permanent.

Dr. Sandeep Gulati has agreed not to sell, transfer or in any other way encumber his shares in VEC until such time as VEC signs a binding term sheet for a first fundraising with investors who commit to invest in VEC at not less than a pre-money valuation of VEC of US\$20 million.

Preliminary discussions are currently taking place with a number of US based institutions as well as with certain existing ViaLogy customers who have indicated interest in possible participation in the funding of VEC.

Under the terms of the VEC Transfer, under its first fundraising, VEC has the right to raise more than \$5 million of new capital and may do so in one or more tranches which may be at different valuations at or above a minimum valuation of \$20 million. Valuation at subsequent fundraisings will be at the sole discretion of VEC Board of which ViaLogy shall be represented.

Any such funding of VEC will naturally dilute the retained interest in VEC of both ViaLogy and the VEC founding team. The level of dilution will be dependent on both the scale of funding and the valuation ascribed to VEC immediately prior to that funding.

#### *Working capital*

Under the terms of the VEC Transfer, the costs associated with VEC operations will be fully borne by VEC and not ViaLogy. This would substantially reduce ViaLogy's working capital requirements as the Board continues to consider how best to provide for the Company's funding requirements. Under current International Financial Reporting Standards, unless and until its shareholding in VEC falls below 20 per cent., ViaLogy should be able to consolidate VEC revenues to its share of equity ownership.

In addition to VEC bearing its cost of operations, the ViaLogy Board is cognisant of the need to preserve cash until such time as ViaLogy is on a more stable financial footing. Therefore the ViaLogy Board has undertaken certain cost reduction measures including a voluntary reduction in each of the directors' salary by some 50 per cent., effective from 15 July 2013. Furthermore, it is intended that upon Shareholder approval of the Resolution, Dr. Sandeep Gulati and Dr. Robert W. Dean will each, voluntarily, with effect from January 1 2014, further reduce their respective salaries to a nominal amount of £1 until completion of the VEC Funding, at which point the ViaLogy Board will review the appropriate level of compensation. By reducing overall costs, the ViaLogy Board hopes to minimise its working capital requirements in the short term. Following the General Meeting, it is the intention of the newly constituted ViaLogy Board to recapitalise ViaLogy which is likely to entail the issue of new equity. If the ViaLogy Board did determine that an equity issue was appropriate, it would be the intention to ensure Shareholders would be able to participate.

#### *Financials*

For the year ended 31 March 2013, ViaLogy reported a loss before taxation of £4.96 million (2012: loss £5.39 million) on turnover of £257,681 (2012: £51,256). As at 31 March 2013, ViaLogy's net assets were approximately £2.84 million.

The ViaLogy Board believes that, whilst progress has been made on further revenue growth, revenue for the year will be below market expectations, off-set by cost savings to be made as more fully described in this circular.

#### *VEC Board*

Under the terms of the VEC Transfer, ViaLogy has the right to appoint one representative board member to VEC. Dr. Sandeep Gulati will represent the VEC common shareholders on the VEC board.

#### *ViaLogy holding in VEC*

Under the terms of the VEC Transfer, ViaLogy has the right, but not the obligation, to co-invest in any future VEC fundraisings for a period of five years from the date of the VEC Transfer to maintain a position up to 20 per cent. of the fully diluted capital.

ViaLogy's interest in VEC cannot be transferred, sold, assigned, encumbered or distributed before the earlier of:

- (i) a period of 36 months from the VEC Transfer; or

- (ii) a change of control event in VEC where all, or substantially all, of VEC or its assets are acquired or transferred to a third party; or
- (iii) the liquidation of VEC;

without the prior approval of a majority of VEC's shareholders at the time (other than ViaLogy).

In the event of any liquidation, dissolution or change of control of ViaLogy, VEC will have the first right to acquire ViaLogy's interest in VEC at fair market value ("Right of Purchase"). VEC will be obligated to inform its decision to exercise this Right to Purchase within seven business days of receiving notification of the relevant trigger event.

In the event that ViaLogy holds less than 50 per cent. of the issued and outstanding share capital of VEC and the holders of not less than 50 per cent. of the issued and outstanding share capital of VEC at that time wish to sell their shares to a bona fide third party purchaser on arm's length terms, ViaLogy may be required to sell its shares to such purchaser on terms no less favourable than those offered to the other shareholders.

The Board believes that the proposed VEC Funding will better reflect the value of ViaLogy's oil & gas business and QuantumRD technology. It is anticipated that such sources of funding will also potentially add management expertise and strategic industry relationships to enhance VEC's operations. It is emphasised that the intellectual property of QRI and QuantumRD® will remain the wholly-owned property of ViaLogy's US subsidiary ViaLogy LLC, but will be exclusively licensed out to VEC for the Applications, as described above.

ViaLogy, through ViaLogy LLC, will seek to license the Technology in other areas of application such as mining, pharmaceuticals, security and surveillance.

The ViaLogy Board will also consider establishing a resources asset ownership operation with the remit of having the right to use QuantumRD® analysis as the basis for selective commercial participation in specific assets owned by resources companies. Any such QuantumRD® analysis would be provided to ViaLogy by VEC on normal commercial terms to be agreed between ViaLogy and VEC. If ViaLogy sells the services of VEC to third parties introduced by ViaLogy, ViaLogy will be compensated by VEC on normal commercial terms. In the event ViaLogy does not establish an oil & gas and other natural resources asset ownership operation, under the terms of the VEC Transfer, VEC would have the right to invest directly (or seek alternative partners to do so with) in oil & gas and natural resource assets.

As part of the VEC Transfer, VEC will undertake to provide to ViaLogy all such support and other services as ViaLogy may reasonably require from time to time for the operation of its business and to exploit its technology beyond the areas licensed to VEC on commercial terms to be agreed between them.

#### *ViaLogy Board*

If the Resolution is passed at the General Meeting, Adam Reynolds will be appointed as Executive Director of ViaLogy.

Adam began his career in the City in 1980 with stockbrokers Rowe Rudd before joining John Siddall & Son in 1983 where he became a partner in 1984. In 1988 he sold his interest in John Siddall to Branston & Gothard before joining a public relations firm. In 2000 he established and listed on AIM his own public relations and corporate finance firm. In 2004, through a reverse takeover, he sold the business, providing a significant return on investment.

In 2005 Adam was instrumental in the rescue of Incite Technology Plc which subsequently acquired Curidium in 2006. The combined business was then acquired by Avacta Plc in 2009. Adam listed Table Mountain Minerals Plc on AIM in 2005 with a market capitalization of £6 million. The company (subsequently renamed Plectrum Petroleum) was acquired by Cairn Energy Plc in 2007 for £23 million.

Adam was approached in 2005 by the largest shareholder in International Brand Licensing Plc ("IBL"), the owner of the Admiral sports' brand, to become Executive Chairman. At the time, IBL was in financial difficulty with bank debt of some £3 million. Adam, alongside the major shareholder, re-financed the business and over the next four years sold off the worldwide rights to the Admiral brand to various licensees for over £7 million. Adam then introduced a new management team, being David Evans and Julian Baines, to IBL

which, following an acquisition was renamed EKF Diagnostics Plc (“EKF”). Adam is a non-executive director of EKF which has a market capitalization of approximately £90 million.

Adam has also been involved in the refinancing and refocusing of Medavinci Plc into a gold exploration company, Orogen Gold plc, which is quoted on AIM, and led the take-private of Autoclenz Plc where turnover and profits have grown strongly since his involvement.

Adam has been named as one of the fifty most influential people in the City by Growth Company Investor.

Immediately following the General Meeting, for personal reasons, I will step down as chairman and a director of ViaLogy. Peter Reynolds will also step down as a non-executive director immediately following the General Meeting in order to focus on his other business interests.

Dr. Sandeep Gulati will remain a board director of the Company and will work with the rest of the ViaLogy Board to seek opportunities to extract maximum value from its technology for Shareholders. This will include helping to obtain technical services from VEC and elsewhere to support QRI licensing and development of ViaLogy’s business beyond the areas licensed to VEC; overseeing maintenance and prosecution of ViaLogy’s patent portfolio and patents pending, to be managed through its wholly owned subsidiary ViaLogy LLC (USA); reporting to the ViaLogy Board on VEC’s technical progress and that of other adjacent markets; seeking other QRI-based business opportunities for ViaLogy and, over time, developing technical expertise within ViaLogy to allow it to maximise value creation opportunities.

The Board will continue to consider further senior appointments to strengthen the management team and provide the expertise to exploit the opportunities presented by the Proposed Restructuring.

#### *AIM Rule 13*

Dr. Sandeep Gulati is a director of ViaLogy and, as such, the VEC Transfer is deemed to be a related party transaction for the purposes of the AIM Rules. The Independent Directors consider, having consulted with Cantor Fitzgerald Europe, that the terms of the Proposed Restructuring are fair and reasonable insofar as the Shareholders are concerned.

#### **General Meeting**

A general meeting of the Company has been convened for 11:00 a.m. on 4 December 2013 at the offices of BDO LLP, 55 Baker Street, London W1U 7EU. The notice convening the General Meeting is set out at the end of this document.

The Resolution seeks to approve the Propose Restructuring.

#### **Action to be taken by Shareholders**

Shareholders will find enclosed with this document a Form of Proxy for use at the General Meeting. The Form of Proxy should be completed and returned in accordance with the instructions printed on it so as to arrive at the Company’s Registrars, Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, BR3 4TU no later than 11:00 a.m. on 2 December 2013. Return of the Form of Proxy will not prevent Shareholders from attending and voting at the General Meeting should they so wish.

#### **Recommendation**

**The Independent Directors believe that the Proposed Restructuring is in the best interests of the Company and its Shareholders and unanimously recommend Shareholders to vote in favour of the Resolution, as they intend to do in respect of their aggregate shareholding of 25,926,716 Ordinary Shares, equivalent to approximately 2.5 per cent. of the Ordinary Shares.**

Yours faithfully

**Terry Bond**

*Executive Chairman*

# ViaLogy PLC

*(Incorporated in England and Wales with registered number 3971582)*

## NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a general meeting of ViaLogy Plc (the “Company”) will be held at the offices of BDO LLP, 55 Baker Street, London W1U 7EU on 4 December 2013, at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following ordinary resolution:

**THAT** the Proposed Restructuring, as such term is defined in the circular to shareholders dated 18 November 2013 (“the Circular”) – including, without limitation, the proposed transfer to ViaLogy Energy Corp. (“VEC”) of certain assets of the Company and the proposed licensing to VEC of certain intellectual property rights of the Company (each on terms more particularly described in the Circular) – is hereby approved, the connection of Dr. Sandeep Gulati, a director of the Company, with VEC having been noted.

*Registered office:*

Ashcombe Court  
Woolsack Way  
Godalming  
Surrey GU7 1LQ

By order of the Board

**Mark Collingbourne**  
*Company Secretary*

Dated: 18 November 2013

### *Notes*

- (1) A member entitled to attend and vote at the General Meeting is entitled to appoint a proxy or proxies to attend and vote, on a poll, instead of him. A proxy need not be a member of the Company.
- (2) A Form of Proxy is enclosed for your use if desired. Please read carefully the instructions on how to complete the form. For a proxy to be effective, the instrument appointing a proxy together with the power of attorney or such other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or other authority must reach the Company’s Registrars, Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, BR3 4TU not less than 48 hours, before the time of holding of the General Meeting. Completion of a proxy does not preclude a member from subsequently attending and voting at the meeting in person if he or she so wishes.
- (3) Pursuant to Regulation 41 of The Uncertificated Securities Regulations 2001, the Company specifies that only those Shareholders on the register at 11:00 a.m. on 2 December or, in the event that the above meeting is adjourned, on such register on the date which is two working days before the time of the adjourned meeting, shall be entitled to attend or vote at the meeting in respect of the number of Existing Ordinary Shares registered in their name at the time. Changes to the register of members after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.
- 4) You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different Existing Ordinary Shares. You may not appoint more than one proxy to exercise rights attached to any one Existing Ordinary Share. If you wish to appoint more than one proxy, please contact the Company’s Registrars, Capita Registrars on 0871 664 0300 (calls to this number cost 10p per minute from a BT landline: other providers costs may vary) or +44 (0)20 8639 3399 from outside the UK. Lines are open from 8:30 a.m. to 5:30 p.m. Monday to Friday. Alternatively you may write to Capita Registrars, The Registry, PXS, 34 Beckenham Road, Beckenham, BR3 4TU for additional proxy forms and for assistance.
- 5) Any corporation which is a member of the Company can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same Existing Ordinary Share.

