

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT AS TO THE CONTENTS OF THIS DOCUMENT OR THE ACTION YOU SHOULD TAKE, YOU ARE RECOMMENDED TO SEEK ADVICE FROM YOUR BANK MANAGER, STOCKBROKER, SOLICITOR, ACCOUNTANT OR OTHER INDEPENDENT FINANCIAL ADVISER DULY AUTHORISED UNDER THE FINANCIAL SERVICES AND MARKETS ACT 2000.

IF YOU HAVE SOLD OR TRANSFERRED ALL OF YOUR SHARES IN THE COMPANY YOU SHOULD SEND THIS DOCUMENT ALONG WITH THE FORM OF PROXY AT ONCE TO THE PURCHASER OR TRANSFEREE OR THE STOCKBROKER OR OTHER AGENT THROUGH WHOM THE SALE OR TRANSFER WAS EFFECTED FOR TRANSMISSION TO THE PURCHASER OR TRANSFEREE.

The Directors, whose names appear on page 3 of this document, accept responsibility for the information contained in this document including individual and collective responsibility for compliance with AIM Rules. 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.

The Placing Shares will rank *pari passu* in all respects with the Existing Ordinary Shares.

CYPROTEX PLC

(Incorporated in England and Wales under the Companies Act 1985 with registered number 4311107)

Proposed Placing of 30,000,000 new Ordinary Shares at 10 pence per share Notice of Extraordinary General Meeting Board Changes

A notice convening an Extraordinary General Meeting of the Company to be held at the Institute of Directors, 116 Pall Mall, London SW1Y 5ED on 16 January 2004 at 11 a.m. is set out on pages 6 to 7 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, Proxy Department, P O Box 25, Beckenham, Kent, BR3 4TU not later than 11 a.m. on 14 January 2004.**

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

MacArthur & Co. Limited ("MacArthur & Co"), which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for the Company and no-one else in connection with the proposed Placing and will not be responsible to anyone other than the Company for providing the protections afforded to clients of MacArthur & Co or for providing advice in relation to the Placing. MacArthur & Co will not regard any other person as its customer or be responsible to any other person for providing the protections afforded to investors of MacArthur & Co nor for providing advice in relation to the transactions detailed in this Circular. MacArthur & Co is not making any representation or warranty, express or implied, as to the content of this document.

Durlacher Ltd. ("Durlacher"), which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for the Company and no-one else in connection with the proposed Placing and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Durlacher or for providing advice in relation to the Placing. Durlacher will not regard any other person as its customer or be responsible to any other person for providing the protections afforded to investors of Durlacher nor for providing advice in relation to the transactions detailed in this Circular. Durlacher is not making any representation or warranty, express or implied, as to the content of this document.

DEFINITIONS

AIM	the Alternative Investment Market of the London Stock Exchange Plc
Act	the Companies Act 1985 (as amended)
Company or Cyprotex	Cyprotex PLC
Board or Directors	the board of directors of the Company as set out on page 3 of this document
EGM or Extraordinary General Meeting	the extraordinary general meeting of the Company convened for 11 a.m. on 16 January, 2004 notice of which is set out on pages 6 to 7 of this document
Enlarged Issued Share Capital	the 124,913,793 Ordinary Shares in issue following completion of the Placing
Existing Ordinary Shares	the 94,913,793 Ordinary Shares in issue at the date of this document
Group	the Company and its subsidiary undertakings
Interim Report	the Interim Report of the Group for the six months ended 30th June, 2003
New Ordinary Shares	the 30,000,000 new ordinary shares to be issued at the Placing Price pursuant to the Placing
Ordinary Shares	ordinary shares of 0.1p each in the capital of the Company
Placing	the conditional placing of the Placing Shares at the Placing Price
Placing Price	10p per Placing Share
Proposals	the proposals set out in this document
Resolutions	the resolutions set out in the notice of the Extraordinary General Meeting on pages 6 to 7 of this document
Shareholders	holders of Existing Ordinary Shares
Durlacher	Durlacher Ltd. which is authorised and regulated by the Financial Services Authority and is the nominated adviser and broker to the Company
MacArthur & Co.	MacArthur & Co. Limited which is authorised and regulated by the Financial Services Authority and is the financial adviser to the Company

LETTER FROM THE CHAIRMAN

CYPROTEX PLC

(Incorporated in England and Wales with registered number 4311107)

Directors

Robert Morrisson Atwater *(Chairman and Chief Executive)*

John Andrew Nicholson *(Chief Operating Officer)*

Dr David Edward Leahy *(Chief Scientific Officer)*

Registered Office

100 Barbirolli Square,

Manchester,

M2 3AB

23 December, 2003

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

Dear Shareholder,

Introduction

It was announced today that the Company proposed to raise £3.0 million (before expenses) by way of the Placing. The purpose of this document is to explain the reasons for and the details of the Placing, which is being carried out on a non pre-emptive basis and to seek your approval to the resolutions to be proposed at the forthcoming Extraordinary General Meeting, notice of which is set out at the end of this document.

Background and reasons for the Placing

In the Interim Report sent to shareholders in September 2003, it was stated that the Group had made significant progress in its development as an ADME focussed drug discovery and information company and had achieved its key strategic milestones for the half year under review.

In 2003 the Group has delivered on a total of 24 revenue generating contracts with 17 companies and the Board expects further contracts to be delivered in the near future. A number of positive discussions with blue chip life science companies are underway alongside the further development and sale of both the Cloe Screen™ and Cloe PK™ products. The Group has demonstrated the effectiveness of the technology, validation from major pharmaceutical and biotech companies and that it can deliver high quality products effectively to customers whilst at the same time controlling costs within budget.

The Company raised approximately £5.5 million net in the original AIM placing in February 2002 and this has, to date, provided working capital for the Group and enabled it to implement its product development, sales and marketing strategy. Your Directors have recognised for some time that additional equity capital would be necessary to pursue the Company's objectives and to enable full advantage to be taken of the opportunities described above. It was announced on 16 December 2003 that the Company had raised £810,000 by the issue of 4,500,000 New Ordinary Shares at a price of 18p per share. This issue of shares was made under the Directors' existing authority to allot up to 5% of the existing share capital for cash under section 95 of the Companies Act and was made to ensure that the Company had sufficient funds in the short term to continue to trade.

It is intended that the Placing will broaden the Company's institutional shareholder base and enhance its financial strength, particularly when being viewed as a supplier to major pharmaceutical companies. The net proceeds of the Placing will provide working capital for the Group which, in particular, will enable the Group to accelerate its marketing and sales activities in relation to its Cloe Screen™ and Cloe PK™ products including the acquisition of new equipment and employment of new personnel to deal with the anticipated growth in turnover. Despite the placing which raised £810,000 announced on 16 December 2003, the Company remains cash restricted and the Directors believe that the Placing is essential to safeguard the future of the Company.

The Placing

The Company is proposing to raise £3.0 million gross by the issue of 30,000,000 new Ordinary Shares at the Placing Price (representing approximately 24 per cent. of the Enlarged Issued Share Capital) to institutional investors. The Placing Price represents a discount of approximately 48.7 per cent. to the closing mid-market price of the Ordinary Shares on 22 December 2003. The net proceeds of the Placing will amount to approximately £2.94 million. The Placing is not underwritten and is conditional on the passing of the Resolutions.

The New Ordinary Shares will not be offered generally to shareholders, whether on a pre-emptive basis or otherwise. The Directors believe that the additional cost and delay which a rights issue or an open offer would entail, would not be in the best interests of the Company in the circumstances, given the financial position of the Company and the relative size of the Placing.

Application will be made for the Placing Shares to be admitted to trading on AIM and dealings are expected to commence on 21 January, 2004.

Increase in authorised share capital and Directors' authority to allot shares

Resolution 1 seeks Shareholder approval to increase the authorised share capital of the Company from £160,000 to £200,000 by the creation of an additional 40 million Ordinary Shares.

Resolution 2 seeks Shareholder approval to renew the Directors' general authority to allot shares. If approved, this authority is limited to issuing shares with a maximum nominal value of £71,637, (71,637,000 Ordinary Shares), equivalent to 33.34 per cent of the Enlarged Issued Share Capital. This authority will expire at the next annual general meeting of the Company or, if earlier, 15 months from the date of passing of this resolution. Other than pursuant to the Placing and to satisfy subsisting options under the existing share option schemes and the share option arrangements for Robert Atwater described below, the Directors have no present plans to issue further Ordinary Shares.

Disapplication of pre-emption rights

Resolution 3 seeks Shareholder approval to give the Directors specific authority to allot the New Ordinary Shares at the Placing Price and general authority to the Directors to allot shares for cash, other than on a pre-emptive basis to Shareholders, up to a maximum of 10 per cent. of the Company's Enlarged Issued Share Capital. This authority will expire at the next annual general meeting of the Company or, if earlier, 15 months from the date of passing of this resolution.

Current trading

On 30 September, 2003 the Company announced its Interim Report for the six months ended 30th June 2003, which showed turnover of £368,804, an operating loss before tax of £1.08 million and a loss before taxation of £1.07 million. The Company subsequently announced on 11 November 2003, the results of successful trials of its Cloe PK™ software.

The Group has serviced a total of 24 contracts in 2003 with a range of global pharmaceutical and biotech companies. Moreover, subsequent to extensive trials of CLOE-based products, significant contract negotiations have now reached finalisation of documents stage in relation to long-term contracts with two of the world's largest pharmaceutical companies; the management's continuing high-level discussions with other pharmaceutical and biotech majors leads to optimism that further significant contract gains will be forthcoming. Cyprotex continues to believe its products create a step change improvement in both time, cost and accuracy in the drug discovery process offering significant productivity advantages to the Pharmaceutical sector; Cyprotex's systems and facilities are designed to be highly scaleable, thereby allowing the Group to fully participate in an accelerated take-up. The Directors currently expect the Group to achieve revenues of £1.0 million in the year to 31 December 2003 and £1.9m in the following year.

Board changes

The Board is pleased to announce that two new non-executive directors will be joining the board during the course of January 2004.

Martial Lacroix is the Vice President of GeneChem, a Montréal-based venture capital group with close to Canadian \$250 million under management and investments in 31 companies located in Canada, the U.S.A. and the UK. Dr Lacroix was a co-founder of BioChem Pharma, Inc and previously held a number of positions with

BioChem ImmunoSystems, Inc., including Director, Research and Development and Director, Quality Control. Between 1981 and 1986, Dr. Lacroix was a Professor in the Department of Virology at Institut Armand-Frappier. Dr. Lacroix received a B.Sc. and a M.Sc. in biochemistry from Université de Montréal and a Ph.D. from the University of Toronto. He has authored 33 scientific publications and holds eight issued patents. Currently Dr. Lacroix is a Director on the Board of seven privately held companies.

Minhaz Manji is the Managing Director of Montecute House Ltd which builds limited service hotels under the name of Express by Holiday Inn (a franchise) of InterContinental Hotels Group. The company has a development agreement to build 15 hotels. Minhaz currently serves as the elected Chairman of Express Owners in the UK, currently numbering 80 hotels - an investment of over £600m. He also serves as a director on the advisory board of the newly formed InterContinental Group and serves on the Ethnic Minority Board of HH Prince Charles Youth Business Trust.

The Company will benefit greatly from the expertise of these two new directors. As a result of the continuing development of the Group and these new appointments, the existing non-executive directors have agreed to relinquish their appointments with immediate effect.

Share Option arrangements

Robert Atwater agreed to join the Company in August 2003 on the premise that he would be granted share options for joining the Company and further share options for successfully raising at least £2,000,000 of new funds for the Company. Subject to the passing of the Resolutions, a total of £3.8 million of new funds has so far been raised for the Company.

Consequently, the Company has entered into a Deed of Grant of Share Options, conditional on the passing of the Resolutions, in respect of 3,500,000 Ordinary Shares in consideration of Robert Atwater joining the Company and a further 3,500,000 Ordinary Shares in consideration of raising the funds referred to above. In each case the option price is 10p per Ordinary Share, a small discount to the share price at the date of Robert Atwater's appointment.

Action to be taken by Shareholders

Shareholders will find enclosed with this document a Form of Proxy for use at the Extraordinary 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, Proxy Department, P O Box 25, Beckenham, Kent, BR3 4TU, as soon as possible and in any event not later than 11 a.m. on 14 January, 2004. Completion and return of the Form of Proxy will not prevent Shareholders from attending and voting at the Extraordinary General Meeting should they so wish.

Recommendation

The directors unanimously believe that the Proposals are in the best interests of the Company and its Shareholders and unanimously recommend you to vote in favour of the Resolutions, as they intend to do in respect of their aggregate shareholding of 35,000 Ordinary Shares, representing approximately 0.04 per cent of the existing issued ordinary share capital of the Company.

Yours faithfully

R M Atwater

Chairman and Chief Executive

CYPROTEX PLC

(Incorporated in England and Wales with registered number 4311107)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the Company will be held at the Institute of Directors, 116 Pall Mall, London SW1Y 5ED on 16 January 2004 at 11 a.m. for the purpose of considering and, if thought fit, passing the following resolutions of which resolutions 1 and 2 will be proposed as ordinary resolutions and resolution 3 will be proposed as a special resolution:

ORDINARY RESOLUTIONS

1. That the Company's authorised share capital be increased from £160,000 to £200,000 by the creation of an additional 40,000,000 new Ordinary Shares of 0.1p each identical in all respects with the existing Ordinary Shares of the Company.
2. That for the purposes of section 80 of the Companies Act 1985 ("the Act") (and so that expressions used in this resolution shall bear the same meanings as in the said section 80):
 - (i) the Directors be and are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities up to a maximum nominal amount of £71,637 to such persons and at such times and on such terms as they think proper during the period expiring at the end of the next annual general meeting of the Company to be held after the date of the passing of this resolution or, if earlier, fifteen months from the date of the passing of this resolution; and
 - (ii) the Company be and is hereby authorised to make prior to the expiry of such period referred to in sub-paragraph (i) above any offer or agreement which would or might require relevant securities to be allotted after the expiry of the said period and the Directors may allot relevant securities in pursuance of any such offer or agreement notwithstanding the expiry of the authority given by this resolution;

so that all previous authorities of the Directors pursuant to the said section 80 be and they are hereby revoked provided that this resolution shall not affect the right of the Directors to allot relevant securities in pursuance of any offer or agreement entered into prior to the date hereof.

SPECIAL RESOLUTION

3. That subject to the passing of Resolution 2 set out above the Directors be and are empowered in accordance with section 95 of 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 relevant securities (as defined in section 80 of the Act) by that resolution, as if section 89 (1) of the Act did not apply to such allotment provided that the power conferred by this resolution shall be limited to:
 - (i) the allotment of 30,000,000 ordinary shares of 0.1p each in the capital of the Company pursuant to the terms of the Placing (as defined in the circular dated 23 December, 2003, of which this Notice forms part ("the Circular"));
 - (ii) the allotment of equity securities in connection with an issue or offering by way of rights in favour of holders of equity securities and any other persons entitled to participate in such issue or offering where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be) to the respective numbers of equity securities held by or deemed to be held by them on the record date of such allotment subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws or requirements of any recognised regulatory body or any territory; and
 - (iii) the allotment (otherwise than pursuant to sub-paragraphs (i) and (ii) above) of equity securities for cash up to an aggregate nominal value not exceeding £12,491;

and this power, unless renewed, shall expire at the end of the next annual general meeting of the Company to be held after the date of the passing of this resolution or, if earlier, fifteen months from the date of the passing of this resolution but shall extend to the making, before such expiry, of an 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 authority conferred hereby had not expired.

By order of the Board

G E Ritchie
Company Secretary

Registered office:
100 Barbirolli Square,
Manchester,
M2 3AB

Dated: 23 December, 2003

Notes

- (1) A member entitled to attend and vote at the above 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. Completion and return of the enclosed form of proxy will not preclude members from attending and voting at the meeting.
- (2) A Form of Proxy is enclosed for your use if desired. The instrument appointing a proxy must reach the Company's Registrars, Capita Registrars, Proxy Department, P O Box 25, Beckenham, Kent, BR3 4TU, not less than 48 hours before the time of holding of the meeting.
- (3) Any corporation which is a member of the Company may authorise a person (who need not be a member of the Company) to act as its representative to attend, speak and vote (on a show of hands or a poll) on its behalf.
- (4) Pursuant to Regulation 34 of The Uncertificated Securities Regulations 1995, the Company specifies that only those Shareholders of the Company on the register at 6.00 p.m. on 14 January, 2004, shall be entitled to attend or vote at the Extraordinary General Meeting in respect of the number of 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 Extraordinary General Meeting, notwithstanding any provisions in any enactment, the Company's Articles of Association or other instrument to the contrary. Any corporation which is a member of the Company may authorise a person (who need not be a member of the Company) to act as its representative to attend, speak and vote (on a show of hands or a poll) on its behalf.

