

IDE Group Holdings Plc
("IDE Group" or the "Company")

Subscription and issue of Convertible Loan Notes to raise £5.0 million (gross)

and

proposed Open Offer to raise up to a further £0.5 million (gross)

IDE Group Holdings plc, the mid-market network, cloud and IT Managed Services provider, announces a fundraising to raise up to approximately £5.5 million (the "**Fundraising**"), before expenses, comprising of a firm subscription for gross proceeds of £0.5 million (the "**Firm Subscription**"), a conditional subscription for gross proceeds of £2.7 million (the "**Conditional Subscription**"), the issue of £1.8 million convertible loan notes (the "**CLNs**"), constituted by a convertible loan note instrument issued by the Company (the "**CLN Instrument**") and an excess entitlement open offer for up to £0.5 million (the "**Open Offer**"). Alongside the Fundraising, the Company will repay the £2 million unsecured loan notes issued on 29 May 2018 (the "**Existing Loan Notes**") to alleviate the Company of the financial burden of the interest attached to the Existing Loan Notes. Repayment of £1.25 million of the Existing Loan Notes will be made by way of an allotment of 30,000,000 new ordinary shares of 2.5p each in the capital of the Company ("**Ordinary Shares**") and 20,000,000 new Ordinary Shares at 2.5 pence per share to MXC Guernsey Limited ("**MXC**"), a wholly owned subsidiary of MXC Capital Limited and Salvators Lending Limited ("**Salvators**") respectively (together, the "**Redemption Shares**"). Repayment of the remainder of the Existing Loan Notes, being £0.75 million, will be made to Kestrel Opportunities, a cell of Guernsey Portfolios PCC Limited ("**Kestrel**") by way of the issue of additional CLNs, pursuant to the terms of the CLN Instrument. Together, the Subscription, the Convertible Loan Notes, the Open offer, and redemption of Existing Loan Notes make up the transaction (the "**Transaction**").

As highlighted at the time of the trading update on 16 July 2018, the board of directors of IDE Group (the "**Board**") has been reviewing the Company's options to address the ongoing working capital requirements of the Group. As at 30 June 2018, net debt totaled c.£13 million, which includes the £2 million Loan Note announced on 30 May 2018 and a draw down on the Company's entire overdraft facility with The Royal Bank of Scotland plc ("**RBS**") of £3.5 million, the facility is repayable upon demand at RBS's discretion. The Board has explored a number of options and believes that the Fundraising is the best option available to the Group to re-capitalise its balance sheet and build a strong base from which to exploit the opportunities available to it.

The net proceeds from the Fundraising will be used to alleviate the short term cash pressures on the Company and work towards normalising creditors. The proceeds will facilitate the restructure to right-size the business enabling the Company to trade profitably whilst the Company continues its strategic and operational review evaluating a range of options to recognise value for stakeholders, including the divestiture of certain business lines and assets within the Group. RBS remains supportive of the Company and have confirmed that they will not call for the overdraft to be repaid upon receipt of the funds from the Fundraising.

A circular in respect of the Conditional Subscription, the issue of the CLNs and the Open Offer will be posted to shareholders in due course along with a notice of general meeting (the "**General Meeting**") of the Company (the "**Circular**"). The Circular, Application form and Form of Proxy will be available on the Company's website at www.idegroup.com.

The Fundraising:

The Subscription:

- The Conditional Subscription for 107,999,998 new Ordinary Shares at 2.5 pence per share ("**Subscription Shares**") and the Firm Subscription for 20,000,000 new Ordinary Shares at 2.5 pence per share to raise, in aggregate, £3.2 million (the "**Subscription**").
- MXC, an existing 21.9 per cent. shareholder in the Company, and Salvators, an investment vehicle of Bill Dobbie, IDE's interim Non-Executive Chairman and existing 8.85 per cent. shareholder in the Company, have agreed to subscribe for 78,851,125 Subscription Shares and 18,305,764 Subscription Shares respectively in the Conditional Subscription. MXC has also agreed to subscribe for all of the 20,000,000 new Ordinary Shares under the Firm Subscription.
- As the Company only has authority from shareholders to issue a limited number of new ordinary shares on a non-pre-emptive basis, the Subscription will take place in two tranches in order for the Company to raise the £0.5 million Firm Subscription funds without undue delay. Completion of the Conditional Subscription, which shall raise £2.7 million, will be conditional on the consent of the shareholders of the Company being given at the General Meeting to dis-apply pre-emption rights over and authorise the allotment of the new Ordinary Shares.

The Convertible Loan Note

- The issue of the CLNs to raise £1.8 million.
- The CLNs are convertible over a term of five years from the date of issuance at the issue price of 2.5 pence per Ordinary Share and have no interest attached. If the CLNs are not converted, the outstanding principal amount will become repayable at the end of the five year term.
- Kestrel, an existing 17.99 per cent. shareholder in the Company, has agreed to subscribe for approximately £1.216 million of the CLNs. Kestrel Partners LLP ("**Kestrel Partners**") for and on behalf of The Vanderbilt University ("**Vanderbilt**") has subscribed for a further £0.432 million of the CLNs.

The Open Offer

- An excess entitlement open offer to existing shareholders of up to 20,000,000 new Ordinary Shares at 2.5 pence per share (the "**Open Offer Shares**") to raise up to £0.5 million.
- None of MXC, Kestrel or Salvators will take up their entitlements under the Open Offer.

Accelerated Whitewash

As a result of the Fundraising, MXC, an existing 21.9 per cent. shareholder in the Company, will have a maximum possible shareholding of 172,811,125 shares or 45.6 per cent. of the Company's voting rights at such time.

The Company has successfully applied, on behalf of MXC, for a dispensation from making a mandatory offer under Rule 9 of the City Code on Takeovers and Mergers (the "**Code**") in relation to the Fundraising. In accordance with Note 5(c) in the Notes on Dispensations from Rule 9 of the Code, in the case of an issue of new securities, independent shareholders holding shares carrying more than 50% of the voting rights of the Company which would be capable of being cast on a "whitewash" resolution have confirmed in writing that they approve the proposed waiver and would vote in favour of any resolution to that effect at a general meeting. Independent shareholders representing more than 50% of the independent shareholders of the Company's share capital provided their confirmation in writing in the form outlined at the end of this announcement.

Related Party Transaction

As each of Kestrel and MXC are substantial shareholders of the Company, and Salvators is beneficially held and controlled by Bill Dobbie, the Interim Non-Executive Chairman, they are deemed to be related parties pursuant to the AIM Rules for Companies (the "**AIM Rules**"). The participation of MXC, Salvators and Kestrel in the Transaction is therefore a related party transaction for the purposes of Rule 13 of the AIM Rules. Ian

Smith, Executive Director, is not independent for the purposes of the Related Party Transaction given that he is a substantial shareholder and CEO of MXC. The independent director of IDE Group, Katherine Ward, considers, having consulted with the Company's nominated adviser, finnCap, that the terms of the related party transaction are fair and reasonable insofar as the shareholders of the Company are concerned.

Admission

As a result of the Fundraising, a total of up to 197,999,998 new Ordinary Shares will be admitted to trading on AIM. These shares will rank pari passu in all respects with the existing ordinary shares of 2.5p each in the Company including the right to receive any dividend or other distribution thereafter declared, made or paid.

Application has been made to the London Stock Exchange for 20,000,000 new Ordinary Shares arising from the Firm Subscription (the "**Firm Subscription Shares**") to be admitted to trading on AIM ("**Firm Admission**"). It is expected that the Firm Admission will become effective and that dealings in the Firm Subscription Shares will commence on 1 August 2018.

Application will be made to the London Stock Exchange for the 107,999,998 new Ordinary Shares arising from the Conditional Subscription (the "**Conditional Subscription Shares**"), 50,000,000 Redemption Shares and up to 20,000,000 Open Offer Shares (together, the "**Second Admission Shares**") to be admitted to trading on AIM ("**Second Admission**"). It is expected that the Second Admission will become effective and that dealings in the Second Admission Shares will commence on or around 21 August 2018. The issue of the Conditional Subscription Shares, the Redemption Shares and the Open Offer Shares will be conditional, inter alia, upon approval of resolutions by the Company's shareholders at the General Meeting granting the directors of the Company authority to allot the Conditional Subscription Shares, the Redemption Shares and the Open Offer Shares and disapplying statutory pre-emption rights in relation to such allotment.

Total Voting Rights

Following the issue of the Firm Subscription Shares, the total number of shares in issue will be 220,729,121 Ordinary Shares. There are no shares held in treasury. Therefore, the total number of voting rights in the Company will be 220,729,121. This figure may be used by shareholders in the Company as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest under the Disclosure Guidance and Transparency Rules.

Market Abuse Regulation (MAR) Disclosure

Certain information contained in this announcement would have been deemed inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 until the release of this announcement.

IDE Group Holdings Plc

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The Proposed Transaction

Subscription

The Subscription is being conducted in two tranches, due to the Company's current limited authority to issue new shares on a non-preemptive basis.

a) The Firm Subscription

Pursuant to a subscription letter between the Company and MXC, the Firm Subscription Shares have been allotted at the issue price of 2.5 pence per Firm Subscription Share for an aggregate subscription value of £500,000 before expenses, conditional only upon the Firm Admission. Application for Firm Admission has been made to the London Stock Exchange and Firm Admission is expected to become effective on or around 31 July 2018.

b) The Conditional Subscription

Pursuant to subscription agreements between the Company and each of, MXC and Salvators, the Conditional Subscription Shares have been conditionally allotted at the issue price of 2.5 pence per Conditional Subscription Share for an aggregate subscription price of £2.7 million before expenses. The Conditional Subscription is conditional on the approval of resolutions by the Company's shareholders at the General Meeting granting the directors of the Company authority to allot the Conditional Subscription Shares and disapplying statutory pre-emption rights in relation to such allotment, and, in respect of MXC, the waiver of the obligation that might otherwise fall upon them pursuant to Rule 9 of the Takeover Code which is more fully described above.

Convertible Loan Notes

The CLNs are convertible over a term of five years from the date of issuance into new Ordinary Shares at an issue price of 2.5 pence per ordinary share and have no interest attached. If the CLNs are not converted, the outstanding principle amount will become repayable at the end of the five year term.

The CLNs will not be admitted to trading on AIM or any other exchange. The issue of the CLNs is conditional on the approval of a resolution by the Company's shareholders at the General Meeting granting the directors of the Company authority to allot new Ordinary Shares pursuant to any exercise notice received relating to the CLNs. Any new Ordinary Shares arising on conversion will rank *pari passu* with the Ordinary Shares in issue at that time and application for admission to trading on AIM will be made at the appropriate time.

Open Offer

In order to allow all shareholders of the Company to participate on the same terms as the Subscription, under the terms of the Open Offer, qualifying shareholders will be invited to apply for Open Offer Shares pro rata to their existing shareholdings on the basis of 1 Open Offer Share for every 10 existing ordinary shares held as at the record date, being 5.00 p.m. on or around 30 July 2018, at a price of 2.5 pence per Open Offer Share, payable in full on application and free of all expenses.

Excess applications for Open Offer Shares over and above the qualifying shareholders' pro-rata entitlements will be accepted from shareholders to the extent that other shareholders do not take up their entitlements. If such excess applications, together with the applications under the Open Offer, exceed the number of new

Ordinary Shares which are the subject of the Open Offer, then excess applications will be scaled back at the discretion of the Company.

The Open Offer will allow the Company's existing shareholders to participate in the fundraising on the same terms as the Subscription. The Open Offer will be conditional, inter alia, upon approval of resolutions by the Company's shareholders at the General Meeting granting the directors of the Company authority to allot the Open Offer Shares disapplying statutory pre-emption rights in relation to such allotment.

MXC, Kestrel and Salvators have confirmed that they will not take up their entitlements under the Open Offer.

Redemption of Existing Loan Notes

On 30 May 2018, the Company announced it had issued the £2.0 million Existing Loan Notes to MXC, Kestrel and Salvators (together the "**Loan Note Holders**"). The Existing Loan Notes were unsecured and had a three-year term with an annual coupon of 10 per cent. payable annually, alongside an arrangement fee of 1.5 per cent., payable on the first anniversary of the issue of the Existing Loan Notes. To alleviate the Company of the financial burden of the interest and arrangement fee attached to the Existing Loan Notes, the Company is repaying the Existing Loan Notes. The repayment of the Existing Loan Notes will be made by way of an allotment of 30,000,000 new Ordinary Shares and 20,000,000 new Ordinary Shares at 2.5 pence per share to MXC and Salvators respectively. Repayment of the remainder of the Existing Loan Notes, being £0.75 million, will be made to Kestrel by way of the issue of £0.75 million of additional CLNs, pursuant to the terms of the CLN Instrument. The Loan Note Holders will receive no compensation for future interest payments forgone attributed to the Existing Loan Notes, no payment for interest accrued to date and the arrangement fee of 1.5 per cent will be waived. The redemption of the Existing Loan Notes is conditional on the approval of resolutions by the Company's shareholders at a General Meeting granting the directors of the Company authority to allot the Redemption Shares and allot new Ordinary Shares pursuant to any exercise notice received relating to the CLNs and dis-applying statutory pre-emption rights in relation to such allotment and issue, and, in respect of MXC, the waiver of the obligation that might otherwise fall upon them pursuant to Rule 9 of the Takeover Code which is more fully described above. RBS has provided consent to the redemption of the Existing Loan Notes and issue of the new CLNs, subject to certain conditions precedent being satisfied.

Further Warrant Issue

In accordance with the warrant instrument dated 31 December 2015, disclosed on page 91 of the Company's admission document dated 4 January 2016, available on the Company's website, MXC will be issued with additional warrants amounting to 5 per cent. of all new shares issued pursuant to the Transaction.

Accelerated Whitewash Letter

Independent Shareholders representing 60.34% of Independent Shareholders of the Company's share capital provided their confirmation in writing in the form outlined below:

FAO: Takeover Panel

RE: IDE Group Holdings ("IDE" or the "Company")

I have been made aware of the proposal that the Company raise up to £5.5 million by way of (in summary):

1. a subscription for 127,999,998 new ordinary shares at 2.5 pence per share ("**Subscription Shares**") to raise £3.2 million (the "**Subscription**");

2. the issue of convertible loan notes at 2.5 pence per share to raise £1.8 million (the “**CLNs**” or “**Convertible Loan Notes**”); and
3. an open offer to existing shareholders of up to 20,000,000 new ordinary shares at 2.5 pence per share (the “**Open Offer Shares**”) to raise up to approximately £0.5 million (the “**Open Offer**”).

Together the Subscription, the CLNs and the Open Offer comprise the fundraising (the “**Fundraising**”).

Alongside the Fundraising, the Company proposes the redemption (the “**Redemption**”) of £2m existing unsecured loan notes issued in May 2018 (“**Existing Loan Notes**”). Repayment of £1.25 million of the Existing Loan Note will be made by way of an allotment of 30,000,000 new ordinary shares and 20,000,000 new ordinary shares at 2.5 pence per share to MXC Guernsey Limited (“**MXC**”), a wholly owned subsidiary of MXC Capital Markets, and Salvators Lending Limited (“**Salvators**”) respectively (together the “**Redemption Shares**”). Repayment of the remainder of the Existing Loan Note, £0.75 million, will be made to Kestrel Investment Partners (“**Kestrel**”) by way of the issue of a new convertible loan note, on the same terms as the CLNs.

Together, the Subscription, the Convertible Loan Notes, the Open offer, and the Redemption make up the transaction (the “**Proposed Transaction**”).

MXC, an existing 21.9 per cent. shareholder in the Company, and Bill Dobbie, IDE’s interim Non-Executive Chairman and existing 8.85 per cent. shareholder in the Company, through the investment vehicle Salvators, have agreed to subscribe for up to 98,851,125 Subscription Shares and 18,305,764 Subscription Shares respectively in the Subscription. Taken together these two firm commitments represent 91.5% of the Subscription. As the Company only has authority from shareholders to issue a limited number of New Ordinary Shares the Subscription will take place in two tranches, details of which are further described below.

Kestrel, an existing 17.99 per cent. shareholder in the Company, has agreed to subscribe for £1,215,996 of the CLNs. Kestrel Partners LLP (“**Kestrel Partners**”) for and on behalf of The Vanderbilt University (“**Vanderbilt**”) has subscribed for a further £431,553 of the CLNs.

The participation of MXC, Kestrel and Salvators in the Proposed Transaction is not conditional upon the participation of the others.

Supplemental to the Subscription and issue of Convertible Loan Notes, and in order to allow all existing shareholders to participate on the same terms as those investors in the Subscription, the Company is undertaking a 1 for 10 excess entitlement open offer (“**Open Offer**”) to raise up to approximately £0.5 million. None of MXC, Kestrel or Salvators will take up their entitlements under the Open Offer.

The Company does not have sufficient authority to issue all of the new ordinary shares pursuant to the Fundraise. Under existing authorities, 20,000,000 Subscription Shares can be issued pursuant to the Subscription (the “**Firm Subscription Shares**”) and these will be issued as a first tranche in order for the Company to be in receipt of the corresponding funds without undue delay (the “**Firm Subscription**”). The issue of the second tranche of 107,999,998 Subscription Shares pursuant to the Subscription (the “**Conditional Subscription Shares**”) (the “**Conditional Subscription**”), the Open Offer Shares pursuant to the Open Offer and the 50,000,000 Redemption Shares, is conditional on the consent of the shareholders of the Company being given in a general meeting to disapply pre-emption rights over and authorise the allotment of the new ordinary shares.

We also confirm that we are aware that the maximum possible shareholding of MXC after the completion of the Proposed Transaction is 45.6 per cent.

Background and reasons for the Fundraising

Since January 2018 IDE has been going through a cost reduction programme. As announced in the Company's trading update on 16 July 2018, there is still significant work to be done to ensure the business has a sustainable and profitable operating model and an appropriate underlying cost base going forward. Furthermore, certain supplier agreements entered into during previous periods relating to fibre, data centres and outsourced support have adversely affected profitability for the current period and are therefore being reviewed in the context of current performance. Whilst profitability was expected to improve steadily throughout 2018 the expected benefits of the cost reduction programme have not been realised at the anticipated rate, but this continues to be a target for the full-year as the ongoing strategic and operational review is accelerated and executed.

As at 30 June 2018 net debt totalled c.£13 million, which includes a draw down on the entire of the Company's £3.5 million overdraft facility with RBS, a facility that can be called upon without notice and at the bank's discretion. The bank remains supportive of the Company and have confirmed that they will not call for the overdraft to be repaid upon receipt of the funds from the proposed Fundraise.

The use of funds from the Fundraise will be used to alleviate the short term cash pressures on the Company, normalise creditors and facilitate the restructure to right-size the business and enable it to trade profitably and cash generatively whilst the Company continues its strategic and operational review evaluating a range of options to recognise value for stakeholders, including the divestiture of certain business lines and assets within the Group.

The Board has explored a number of options and believes that the Fundraise is the best option available to the Group to re-capitalise its balance sheet and build a strong base from which to exploit the opportunities available to it.

The Proposed Transaction

Subscription

The Subscription is being conducted in two tranches, due to the Company's current limited authority to issue new shares on a non-preemptive basis.

a) The Firm Subscription

Pursuant to a subscription letter between the Company and MXC, the Firm Subscription Shares have been allotted at the issue price of 2.5 pence per Firm Subscription Share for an aggregate subscription value of £0.5 million before expenses, conditional only upon admission to trading on AIM of the Firm Subscription Shares ("**Firm Admission**"). Application for Firm Admission has been made to the London Stock Exchange and Firm Admission is expected to become effective on or around 31 July 2018.

b) The Conditional Subscription

Pursuant to subscription agreements between the Company, MXC and Salvators, the Conditional Subscription Shares have been conditionally allotted at the issue price of 2.5 pence per Conditional Subscription Share for an aggregate subscription price of £2.7 million before expenses. The Conditional Subscription is conditional on the approval of resolutions by the Company's shareholders at a General Meeting (the "General Meeting") granting the directors of the Company authority to allot the Conditional Subscription Shares and disapplying statutory pre-emption rights in relation to such allotment, and, in respect of MXC, the waiver of the obligation that might otherwise fall upon them pursuant to Rule 9 of the Takeover Code which is more fully described below.

Convertible Loan Notes

The CLNs are convertible over a term of five years from the date of issuance into new Ordinary Shares at a issue price of 2.5 pence per ordinary share and have no interest attached. If the CLNs are not converted, the outstanding principle amount will become repayable at the end of the five year term.

The CLNs will not be admitted to trading on AIM or any other exchange. The issue of the CLNs is conditional on the approval of a resolution by the Company's shareholders at the General Meeting granting the directors of the Company authority to allot new Ordinary Shares pursuant to any exercise notice received relating to the CLNs. Any new Ordinary Shares arising on conversion will rank pari passu with the Ordinary Shares in issue at that time and application for admission to trading on AIM will be made at the appropriate time.

Open Offer

In order to allow all shareholders of the Company to participate on the same terms as the Subscription, under the terms of the Open Offer, qualifying shareholders will be invited to apply for Open Offer Shares pro rata to their existing shareholdings on the basis of 1 Open Offer Share for every 10 existing ordinary shares held as at the record date, being 5.00 p.m. on or around 30 July 2018, at a price of 2.5 pence per Open Offer Share, payable in full on application and free of all expenses.

Excess applications for Open Offer Shares over and above the qualifying shareholders' pro-rata entitlements will be accepted from shareholders to the extent that other shareholders do not take up their entitlements. If such excess applications, together with the applications under the Open Offer, exceed the number of new Ordinary Shares which are the subject of the Open Offer, then excess applications will be scaled back at the discretion of the Company.

The Open Offer will allow the Company's existing shareholders to participate in the fundraising on the same terms as the Subscription. The Open Offer will be conditional, inter alia, upon approval of resolutions by the Company's shareholders at the General Meeting granting the directors of the Company authority to allot the Open Offer Shares disapplying statutory pre-emption rights in relation to such allotment.

MXC, Kestrel and Salvators have confirmed that they will not take up their entitlements under the Open Offer.

Redemption of Existing Loan Notes

On 30 May 2018, the Company announced it had issued the £2.0 million Existing Loan Notes to MXC, Kestrel and Salvators (together the "**Loan Note Holders**"). The Existing Loan Notes were unsecured and had a three-year term with an annual coupon of 10 per cent. payable annually, alongside an arrangement fee of 1.5 per cent., payable on the first anniversary of the issue of the Existing Loan Notes. To alleviate the Company of the financial burden of the interest and arrangement fee attached to the Existing Loan Notes, the Company is repaying the Existing Loan Notes. The repayment of the Existing Loan Notes will be made by way of an allotment of 30,000,000 new Ordinary Shares and 20,000,000 new Ordinary Shares at 2.5 pence per share to MXC and Salvators respectively. Repayment of the remainder of the Existing Loan Notes, being £0.75 million, will be made to Kestrel by way of the issue of £0.75 million of new convertible loan notes, on the same terms as the CLNs. The Loan Note Holders will receive no compensation for future interest payments forgone attributed to the Existing Loan Notes, no payment for interest accrued to date and the arrangement fee of 1.5 per cent will be waived.

MXC

MXC (<http://mxccapital.com/>) is a technology focussed adviser and investor listed on AIM (ticker: MXCP). MXC was founded fifteen years ago and aims to bring both capital and experience to companies seeking to grow their business. MXC has two classes of securities; ordinary shares of no par value which are traded on AIM, and unquoted redeemable B shares which do not hold any exercisable voting rights.

MXC was appointed as Financial Adviser to IDE on 30 May 2018 and at the same time, Mr Ian Smith, CEO of MXC was appointed to the board of IDE in a part time executive capacity to lead the Group's strategic and operational review.

I am informed by the Company that it is not aware of any reason to consider MXC, Kestrel or Salvators to be acting in concert for purposes of the Takeover Code (the "Code").

Rule 9 of the Takeover Code

[I/Shareholder name] understand[s] that, under Rule 9 of the Takeover Code ("the Code"), if any person acquires an interest in shares which, when taken together with shares in which he and persons acting in concert with him are already interested, carry 30% or more of the voting rights of a company which is subject to the Code, that person is normally required to make a general offer in cash to all shareholders in the company at the highest price paid by him or any person acting in concert with him for an interest in such shares within the preceding 12 months.

[I/Shareholder name] also understand[s] that Rule 9 also provides that if any person, together with persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30% of the voting rights of a company which is subject to the Code but does not hold shares carrying more than 50% of such voting rights, and such person, or any person acting in concert with him, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in such company in which he is interested, that person is normally required to make a general offer in cash to all shareholders in the company at the highest price paid by him or any person acting in concert with him for an interest in such shares within the preceding 12 months.

The Subscription and issue of CLNs

Following completion of the Proposed Transaction, assuming that the Subscription completes in full (that is to say, MXC Capital and Salvators fulfill their obligations under the Subscription), that there is no conversion of the CLNs and no take up of the Open Offer, the consequent maximum controlling position of MXC would be a holding of 172,811,125 shares, representing an interest of 45.6% per cent. of the Company's voting rights at such time.

I understand that, consequent of this participating by MXC in the Fundraise (which is conditional upon my approval of such participation), MXC will hold shares representing more than 30 per cent., but less than 50 per cent., of the voting rights of the Company. Accordingly, any further increase in that interest by MXC will incur an obligation under Rule 9 of the Code to make a general offer.

Waiver of Rule 9 obligation

[I/Shareholder name] understand[s] that, under Note 1 on the Notes on the Dispensations from Rule 9, the Takeover Panel ("the Panel") will normally waive the requirement for a general offer to be made in accordance with Rule 9 (a "Rule 9 offer") if, inter alia, those shareholders of the company who are independent of the person who would otherwise be required to make an offer and any person acting in concert with [him/it] and do not have any interest in the proposed transaction which may compromise their independence ("the

Independent Shareholders”) pass an ordinary resolution on a poll at a general meeting (“a Whitewash Resolution”) approving such a waiver.

[I/Shareholder name] also understand[s] that the Panel may waive the requirement for a Whitewash Resolution to be considered at a general meeting (and for a circular to be prepared in accordance with Section 4 of Appendix 1 to the Code) if Independent Shareholders holding more than 50% of the company’s shares capable of being voted on such a resolution confirm in writing that they would vote in favour of the Whitewash Resolution were one to be put to the shareholders of the company at a general meeting.

Confirmations and Acknowledgements

I hereby confirm the following:

- 1) that [I am/Shareholder name is] the beneficial owner of 62,091,859 ordinary shares in the issued share capital of the Company, representing 30.9% of the Company’s issued share capital carrying voting rights, and [I have/it has] absolute discretion over the manner in which these shares are voted. These shares are held free of all liens, pledges, charges and encumbrances;
- 2) that (a) save for the fact that we are both shareholders in the Company, there is no connection between [me/Shareholder name] and MXC, (b) [I do/Shareholder name does] not have any interest or potential interest, whether commercial, financial or personal, in the outcome of the Proposed Transaction, and (c) [I am/Shareholder name is] an Independent Shareholder of the Company as defined above; and
- 3) that, in connection with the Proposed Transaction:
 - a. [I /Shareholder name] consent[s] to the Panel granting a waiver from the obligation for MXC to make a Rule 9 offer to the shareholders of the Company;
 - b. subject to Independent Shareholders of the Company holding more than 50% of the shares capable of being voted on a Whitewash Resolution to approve the waiver from the obligation for MXC to make a Rule 9 offer giving confirmations in writing in a similar form to this letter, [I/Shareholder name] consent[s] to the Panel dispensing with the requirement that the waiver from such obligation be conditional on a Whitewash Resolution being approved by Independent Shareholders of the Company at a general meeting; and
 - c. [I/Shareholder name] would vote in favour of a Whitewash Resolution to waive the obligation for MXC to make a Rule 9 offer were one to be put to the Independent Shareholders of the Company at a general meeting.

In giving the confirmations referred to above, I acknowledge:

- 1) that, if the Panel receives such confirmations from Independent Shareholders of the Company holding more than 50% of the shares capable of being voted on a Whitewash Resolution, the Panel will approve the waiver from the obligation for MXC to make a Rule 9 offer without the requirement for the waiver having to be approved by Independent Shareholders of the Company at a general meeting;
- 2) that if no general meeting is held to approve the Whitewash Resolution to waive the obligation for MXC to make a Rule 9 offer:

- a. there will not be an opportunity for any other person to make any alternative proposal to the Company conditional on such Whitewash Resolution not being approved by Independent Shareholders of the Company;
- b. there will not be an opportunity for other shareholders in the Company to make known their views on the Proposed Transaction; and
- c. there will be no requirement for the Company either (i) to obtain and make known to its shareholders competent independent advice under Rule 3 of the Code on the Proposed Transaction and the waiver of the obligation for MXC to make a Rule 9 offer or (ii) to publish a circular to shareholders of the Company in compliance with Appendix 1 of the Code in connection with this matter.

I consider myself to be a sophisticated investor in relation to equity investments. I confirm that I have had the opportunity to take independent financial advice before signing this letter.

I confirm that I will not sell, transfer, pledge, charge, or grant any option or other right over, or create any encumbrance over, or otherwise dispose of its shares in the Company until at least after the conclusion of the proposed General Meeting to approve the issuance of the new ordinary shares pursuant to the Proposed Transaction.

I, the signee, have full power and authority to sign this letter on behalf of [Shareholder name] which is a binding obligation upon it.

Signee..... Date.....
[●]