

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to the action you should take you should seek your own financial advice immediately from a person authorised under FSMA who specialises in advising on the acquisition of shares and other securities in the United Kingdom. The whole of the text of this document should be read. You should be aware that an investment in Blockchain Worldwide Plc involves a high degree of risk and prospective investors should carefully consider this document before taking any action. All statements regarding the Enlarged Group's business, financial position and prospects should be viewed in light of the risk factors set out in Part II of this document.**

If you have sold or otherwise transferred, or sell or transfer, before 10.15 a.m. on 25 September 2019 all of your Existing Ordinary Shares, please send this document, together with the accompanying Form of Proxy, to the purchaser or transferee of the shares 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 otherwise transferred some of your Existing Ordinary Shares, you should consult with the stockbroker, bank or other agent through whom the sale or transfer was effected. However, such documents should not be forwarded or transmitted in or into any jurisdiction in which such an act would constitute a violation of the relevant laws of such jurisdiction.

This document comprises an AIM admission document and has been drawn up in accordance with the requirements of the AIM Rules for Companies. This document contains no offer of transferable securities to the public within the meaning of sections 85 and 102B of FSMA or the Act or otherwise and is not a prospectus as defined in the Prospectus Rules. Accordingly, neither the contents nor the issue of this document have been approved by the FCA pursuant to section 85 of FSMA or any other competent authority.

Application has been made for the Enlarged Issued Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Enlarged Issued share capital will commence on AIM on 30 September 2019.

**AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document. The AIM Rules are less demanding than the listing rules of the United Kingdom Listing Authority. It is emphasised that no application is being made for admission of these securities to the Official List of the United Kingdom Listing Authority. The Ordinary Shares are not dealt in on any other recognised investment exchange.**

Prospective investors should read this document in its entirety. An investment into the Company includes a significant degree of risk and prospective investors should consider carefully the risk factors set out in Part II of this document.

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## **Blockchain Worldwide Plc**

***(A company incorporated and registered in England & Wales with registered number 10621059)***

***(to be renamed Entertainment AI Plc)***

### **Proposed Acquisitions**

**Proposed waiver of the requirements of Rule 9 of the Takeover Code**

**Proposed change of name**

**Proposed 1 for 12 Share Capital Consolidation**

**Proposed placing of 16,351,102 Ordinary Shares at 45p per Ordinary Share**

**Proposed subscription of 3,472,222 Ordinary Shares at 36p per Ordinary Share**

**Proposed authorities to allot relevant securities and disapply pre-emption rights**

**Admission of the Enlarged Issued Share Capital to trading on AIM**

**and Notice of General Meeting**

***Nominated Adviser and Joint Broker:***

**WH Ireland Limited**

***Joint Broker:***

**Dowgate Capital Limited**

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WH Ireland Limited, which is authorised and regulated in the United Kingdom by the FCA, is acting as nominated adviser and joint broker to Blockchain for the purposes of the AIM Rules for Companies and no one else in connection with the Acquisition, the Fundraising and Admission and will not be responsible to any person other than Blockchain for providing the regulatory and legal protections afforded to customers of WH Ireland nor for providing advice in relation to the contents of this document or any matter, transaction or arrangement referred to in it. The responsibilities of WH Ireland, as nominated adviser under the AIM Rules for Nominated Advisers, are owed solely to London Stock Exchange and are not owed to Blockchain or any Director or any Proposed Director or to any other person in respect of their decision to acquire Ordinary Shares in reliance of any part of this document. In particular, the information contained in this document has been prepared solely for the purposes of the Admission and is not intended to inform or be relied upon by any subsequent purchasers of Ordinary Shares (whether on or off exchange) and accordingly no duty of care is accepted in relation to them. Without limiting the statutory rights of any person to whom this document is issued, no representation or warranty, express or implied, is made by WH Ireland as to the contents of this document. No liability whatsoever is accepted by WH Ireland for the accuracy of any information or opinions contained in this document, for which the Directors, Proposed Directors and the Company are solely responsible, or for the omission of any information from this document for which it is not responsible.

Dowgate Capital Limited is authorised and regulated in the United Kingdom by the FCA and is acting as joint broker to Blockchain for the purposes of the AIM Rules for Companies and no one else in connection with the Acquisition, the Fundraising and Admission and will not be responsible to any person other than Blockchain for providing the regulatory and legal protections afforded to customers of Dowgate nor for providing advice in relation to the contents of this document or any matter, transaction or arrangement referred to in it. Without limiting the statutory rights of any person to whom this document is issued, no representation or warranty, express or implied, is made by Dowgate as to the contents of this document. No liability whatsoever is accepted by Dowgate for the accuracy of any information or opinions contained in this document, for which the Directors, Proposed Directors and the Company are solely responsible, or for the omission of any information from this document for which it is not responsible.

EGR Corporate Broking Limited is authorised and regulated in the United Kingdom by the FCA and is acting as independent adviser to Blockchain in connection with its obligations under the Takeover Code and will not be responsible to any person other than Blockchain for providing the regulatory and legal protections afforded to customers of EGR nor for providing advice in relation to the contents of this document or any matter, transaction or arrangement referred to in it. Without limiting the statutory rights of any person to whom this document is issued, no representation or warranty, express or implied, is made by EGR as to the contents of this document. No liability whatsoever is accepted by EGR for the accuracy of any information or opinions contained in this document, for which the Directors, Proposed Directors and the Company are solely responsible, or for the omission of any information from this document for which it is not responsible.

**Notice convening a general meeting of Blockchain Worldwide Plc to be held at the offices of Fladgate LLP at 16 Great Queen Street, London, WC2B 5DG at 10.15 a.m. on 27 September 2019 is set out at the end of this document.** The accompanying Form of Proxy for use at the General Meeting should be completed and returned to the Company's registrars, Share Registrars Limited, The Courtyard, 17 West Street Farnham GU9 7DR as soon as possible and to be valid must arrive by no later than 48 hours before the time appointed for the meeting.

Copies of this document will be available free of charge during normal business hours on any weekday (except Saturdays, Sundays and public holidays) at the offices of WH Ireland Limited at 24 Martin Lane, London EC4R 0DR, from the date of this document and for a period of one month from the date of Admission. This document will be available to download from Blockchain's website at [www.bloc-worldwide.com](http://www.bloc-worldwide.com).

## **IMPORTANT NOTICE**

The distribution of this document outside the United Kingdom may be restricted by law and therefore persons outside the United Kingdom into whose possession this document comes should inform themselves about and observe any restrictions as to the Admission, the Ordinary Shares and the distribution of this document. This document does not constitute an offer to sell or issue, or the solicitation of an offer to buy or subscribe for, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. This document should not be copied or distributed by recipients and, in particular should not be distributed, published, reproduced or otherwise made available by any means, including electronic transmission, in, into or from the United States of America, Canada, Australia, the Republic of Ireland, the Republic of South Africa, or Japan or any other jurisdiction where to do so would be in breach of any other law and/or regulation. The Existing Ordinary Shares have not been, and will not be, registered in the United States of America under the United States Securities Act of 1933 (as amended) (the "Securities Act") or under the securities laws of any state of the United States of America or under the securities laws of any of Canada, Australia, the Republic of Ireland, the Republic of South Africa, or Japan and, subject to certain exemption, may not be offered or sold, directly or indirectly, within or into the United States of America, Canada, Australia, the Republic of Ireland, the Republic of South Africa, or Japan or to, or for the account or benefit of, United States of America persons (as such term is defined in Regulation S under the Securities Act) or to any national, resident or citizen of Canada, Australia, the Republic of Ireland, the Republic of South Africa, or Japan. Neither this document nor any copy of it may be distributed in or sent to or taken into the United States, Canada, Australia, the Republic of Ireland, the Republic of South Africa, or Japan, nor may it be distributed to any United States of America person (within the meaning of Regulation S under the Securities Act). In addition, the securities to which this document relates must not be marketed into any jurisdiction where to do so would be unlawful. Persons into whose possession this document comes should inform themselves about, and observe any such restrictions.

No person has been authorised to give any information or to make any representation about the Enlarged Group and about the matters the subject of this document other than those contained in this document. If any such information or representation is given or made then it must not be relied upon as having been so authorised. The delivery of this document shall not imply that no change has occurred in any member of the Enlarged Group's affairs since the date of issue of this document or that the information in this document is correct as at any time after the date of this document, save as shall be required to be updated by law or regulation.

## **FORWARD-LOOKING STATEMENTS**

This document includes "forward-looking statements" which include all statements other than statements of historical facts, including, without limitation, those regarding the Enlarged Group's financial position, business strategy, plans and objectives of management for future operations, or any statements preceded by, followed by or that include the words "targets", "believes", "expects", "aims", "intends", "will", "may", "anticipates", "would", "could" or similar expressions or negatives thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company's control that could cause the actual results, performance or achievements of the Enlarged Group to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Enlarged Group's present and future business strategies and the environment in which the Enlarged Group will operate in the future. These forward-looking statements speak only as at the date of this document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based unless required to do so by applicable law or the AIM Rules for Companies.

## **BASIS ON WHICH INFORMATION IS PRESENTED**

The reports on financial information included in Part III of this document have been prepared in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom and the related consent to its inclusion in this document appearing in Part III of this document has been included as required by the AIM Rules for Companies and solely for that purpose.

Various figures and percentages in tables in this document, including financial information, have been rounded and accordingly may not total. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetical totals of such data.

#### **THIRD PARTY INFORMATION**

Where third party information has been used in this document, the source of such information has been identified. The Company takes responsibility for compiling and extracting, but has not independently verified, market data provided by third parties or industry or general publications and takes no further responsibility for such data.

#### **REFERENCES TO DEFINED TERMS**

Certain terms used in this document are defined and certain technical and other terms used in this document are explained at the section of this document under the heading "Definitions".

All times referred to in this document are, unless otherwise stated, references to London time.

## CONTENTS

	<b>Page</b>
EXPECTED TIMETABLE OF PRINCIPAL EVENTS	5
ADMISSION AND ACQUISITION STATISTICS	6
DEFINITIONS AND GLOSSARY	7
DIRECTORS, PROPOSED DIRECTORS, COMPANY SECRETARY AND ADVISERS	13
PART I LETTER FROM THE CHAIRMAN OF BLOCKCHAIN WORLDWIDE PLC	14
PART II RISK FACTORS	40
PART III HISTORICAL FINANCIAL INFORMATION	60
PART IV PROFORMA STATEMENT OF NET ASSETS	151
PART V RULE 9 WAIVER INFORMATION	156
PART VI ADDITIONAL INFORMATION	163
PART VII FORM OF THE BUYBACK AGREEMENT	190
PART VIII NOTICE OF GENERAL MEETING	194

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Suspension of admission to the standard segment of the Official List and to trading on the Main Market	23 May 2019
Publication date of this document	11 September 2019
Record date for Share Capital Consolidation	6.00 p.m. on 27 September 2019
Latest time and date for receipt of Forms of Proxy	10.15 a.m. on 25 September 2019
Time and date of General Meeting	10.15 a.m. on 27 September 2019
Acquisition Agreement unconditional and Completion of the Acquisition	8.00 a.m. on 30 September 2019
Cancellation of admission to the standard segment of the Official List and to trading on the Main Market	8.00 a.m. on 30 September 2019
Admission effective and dealings in the Enlarged Issued Share Capital expected to commence on AIM	8.00 a.m. on 30 September 2019
CREST accounts (for uncertified holders (where applicable)) expected to be credited with the Fundraising Shares and Consideration Shares	8.00 a.m. on 30 September 2019
Definitive share certificates (for certified holders (where applicable)) for the Fundraising Shares and Consideration Shares to be dispatched by	by 14 October 2019
Change of name effective	8.00 a.m. on 30 September 2019

### Notes:

1. All of the above timings refer to London time unless otherwise stated.
2. Each of the times and dates above is subject to change. Any such change will be notified by an announcement on a Regulatory Information Service (as defined in the AIM Rules for Companies).
3. The times and dates above assume the passing at the General Meeting of the Resolutions, Completion of the Acquisition and completion of the Fundraising and Admission.
4. Events listed in the above timetable following the General Meeting are conditional on the passing at the General Meeting of certain of the Resolutions.

## ADMISSION AND ACQUISITION STATISTICS

Existing Issued Share Capital (prior to the Share Capital Consolidation)	36,500,000
Existing Issued Share Capital (post Share Capital Consolidation)	3,041,666
Number of Consideration Shares	27,092,886
Number of Placing Shares at the Issue Price	16,351,102
Issue Price	45 pence
Number of Cross-Over Shares at the Cross-Over Price	3,472,222
Cross-Over Price	36 pence
Total number of Consideration Shares and Fundraising Shares	46,916,210
Enlarged Issued Share Capital on Admission (post Share Capital Consolidation)	49,957,876
Consideration Shares expressed as a percentage of the Enlarged Issued Share Capital	54.23 per cent.
Fundraising Shares expressed as a percentage of the Enlarged Issued Share Capital	39.68 per cent.
Total Consideration Shares and Fundraising Shares expressed as a percentage of the Enlarged Issued Share Capital	93.91 per cent.
Gross proceeds receivable by the Company pursuant to the Fundraising	£8.61 million
Estimated net proceeds of the Fundraising	£7.31 million
Market capitalisation of the Company at Admission at the Issue Price	£22.48 million
AIM symbol from Admission	EAI
ISIN for the Ordinary Shares on Admission	GB00BK6SHS41
SEDOL for the Ordinary Shares on Admission	BK6SHS4
TIDM on Admission	EAI
LEI for the Company	213800RQVRMW2KRORN22

## DEFINITIONS AND GLOSSARY

The following definitions apply throughout this document, unless the context otherwise requires:

<b>“Act”</b>	the United Kingdom Companies Act 2006, as amended
<b>“Acquisition”</b>	the Company’s proposed acquisition of the entire issued and to be issued share capital of Entertainment AI, GTChannel and Tagasauris pursuant to the terms of the Acquisition Agreement
<b>“Acquisition Agreement”</b>	the conditional agreement and plan of merger dated 11 September 2019 made between (i) the Company, (ii) MergerCo, (iii) Entertainment AI, (iv) GTChannel, (v) GTC MergerCo, (vi) Tagasauris, (vii) TAG MergerCo, (viii) Patrick DeSouza as shareholder representative and (ix) certain Vendors relating to the Acquisition, details of which are set out in paragraph 14.1 of Part VI of this document
<b>“Admission”</b>	the admission of the Enlarged Issued Share Capital to trading on AIM becoming effective in accordance with the AIM Rules for Companies
<b>“Advisory Panel”</b>	the advisory panel of the Company as constituted from time to time
<b>“AI”</b>	artificial intelligence
<b>“AIM”</b>	the market of that name operated by the London Stock Exchange
<b>“AIM Rules”</b>	together, the AIM Rules for Companies and, where the context requires, the AIM Rules for Nominated Advisers
<b>“AIM Rules for Companies”</b>	the rules for companies whose securities are admitted to trading on AIM published by the London Stock Exchange
<b>“AIM Rules for Nominated Advisers”</b>	the rules for nominated advisers setting out the eligibility, ongoing obligations and certain disciplinary matters in relation to nominated advisers published by the London Stock Exchange
<b>“applicable employee”</b>	as defined in the AIM Rules for Companies
<b>“Articles”</b>	the articles of association of the Company in force as at the date hereof
<b>“Audit Committee”</b>	the audit committee of the Company as constituted from time to time
<b>“certificated” or “in certificated form”</b>	a share or other security which is not in uncertificated form (i.e. not in CREST)
<b>“Company” or “Blockchain”</b>	Blockchain Worldwide Plc, a company registered in England and Wales with company number 10621059
<b>“Completion”</b>	completion of the Acquisition in accordance with the terms of the Acquisition Agreement
<b>“Concert Party”</b>	the concert party for the purposes of the Takeover Code which comprises each of the GTC Concert Party Members and each of the Tag Concert Party Members, as more fully described in this section, and paragraph 16 of Part I and Part V of this document
<b>“Consideration Shares”</b>	the 27,092,886 Ordinary Shares to be issued to the Vendors pursuant to the Acquisition Agreement
<b>“Corporate Governance Code”</b>	the United Kingdom Corporate Governance Code issued from time to time by the Financial Reporting Council

<b>“CREST”</b>	the electronic system for the holding and transferring of shares and other securities in paperless form operated by Euroclear United Kingdom & Ireland Limited
<b>“Cross-Over Round”</b> or <b>“Subscription”</b>	the £1.25 million investment to be made by the Strategic Investors at Admission, details of which are set out at paragraph 10 of Part I and paragraph 14.17 of Part VI of this document
<b>“Cross-Over Price”</b>	36 pence per Ordinary Share
<b>“Cross-Over Shares”</b> or <b>“Subscription Shares”</b>	the 3,472,222 Ordinary Shares to be issued to the Strategic Investors by the Company pursuant to the Cross-Over Round
<b>“Cross-Over Subscription Letters”</b>	the conditional letters entered into between each of the Strategic Investors and Entertainment AI with respect to the Strategic Investors’ participation in the Cross-Over Round, details of which are set out at paragraph 14.17 of Part VI of this document
<b>“CREST Manual”</b>	the manual, as amended from time to time, produced by Euroclear and available at <a href="http://www.euroclear.com">www.euroclear.com</a>
<b>“CREST member”</b>	a person who has been admitted to CREST as a system member (as defined in the CREST Manual)
<b>“CREST Regulations”</b>	the Uncertificated Securities Regulations 2001 (SI 2001/3755)
<b>“CREST sponsor”</b>	a CREST participant admitted to CREST as a CREST sponsor
<b>“CREST sponsored member”</b>	a CREST member admitted to CREST as a sponsored member
<b>“Directors”</b> or <b>“Board”</b>	the directors of the Company at the date of this document, whose names are set out on page 13 of this document (each being a “Director”)
<b>“Dowgate”</b>	Dowgate Capital Limited, a company registered in England and Wales with registered number 02474423
<b>“EAI Group”</b>	Entertainment AI, GTChannel and Tagasauris
<b>“EGR”</b>	EGR Corporate Broking Limited, a company registered in England and Wales with registered number 11155066
<b>“Enlarged Group”</b>	the Company and its subsidiaries on Admission following Completion of the Acquisition
<b>“Enlarged Issued Share Capital”</b>	the issued ordinary share capital of the Company immediately following Admission, being the Existing Issued Share Capital as consolidated pursuant to the Share Capital Consolidation and together with the Consideration Shares and the Fundraising Shares
<b>“Entertainment AI”</b>	Entertainment AI Inc, a company organised and existing under the laws of the United States of America whose registered office is at 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808 USA
<b>“equity securities”</b>	as defined in section 560 of the Act
<b>“EU”</b>	European Union
<b>“Existing Issued Share Capital”</b>	the existing 36,500,000 Existing Ordinary Shares in issue
<b>“Existing Ordinary Shares”</b>	ordinary shares of one pence nominal value each in the capital of the Company
<b>“Form of Proxy”</b>	the form of proxy accompanying this document for use in connection with the General Meeting
<b>“FCA”</b>	the Financial Conduct Authority

<b>“FSMA”</b>	the Financial Services and Markets Act 2000, as amended
<b>“Fundraising”</b>	together the Cross-Over Round and the Placing
<b>“Fundraising Shares”</b>	together the Cross-Over Shares and the Placing Shares
<b>“GTChannel”</b>	GTChannel, Inc, a company registered in Delaware, United States of America
<b>“GTC MergerCo”</b>	the Company’s wholly owned subsidiary, GTChannel Acquisition Inc., incorporated in the United States of America for the purpose of the acquisition of GTChannel
<b>“GTC Vendors”</b>	the stockholders of GTChannel prior to its acquisition by the Company
<b>“General Meeting”</b>	the general meeting of the Company to be held at the offices of Fladgate LLP at 16 Great Queen Street, London, WC2B 5DG at 10.15 a.m. on 27 September 2019, or any adjournment thereof, notice of which is set out at the end of this document
<b>“Google”</b>	Google, LLC, a wholly owned subsidiary of Alphabet, Inc.
<b>“GTC Concert Party Members”</b>	each of Scott Schlichter, Taro Koki, Adam Shea Family, Lunzer Trust and Yuko Koki (being GTC Vendors)
<b>“HMRC”</b>	HM Revenue & Customs
<b>“IFRS”</b>	International Financial Reporting Standards as adopted by the EU
<b>“IP”</b>	intellectual property including patents, utility models, trade and service marks, design rights, trade names, copyrights, moral rights, database rights, domain names and know-how
<b>“ISIN”</b>	International Securities Identification Number
<b>“Issue Price”</b>	45 pence per Ordinary Share
<b>“Locked-In Persons”</b>	the Locked-In Vendors together with Akiko Mikumo, Mike Kelly and David Anton
<b>“Locked-In Vendors”</b>	Patrick DeSouza, Todd Carter, Scott Schlichter, and Taro Koki
<b>“London Stock Exchange”</b>	London Stock Exchange Plc
<b>“Market Abuse Regulation”</b>	the EU Market Abuse Regulation (No. 596/2014)
<b>“MergerCo”</b>	the Company’s wholly-owned subsidiary, EAI Acquisition, Inc., incorporated in the United States of America for the purposes of the Acquisition
<b>“Nomination Committee”</b>	the nomination committee of the Company as constituted from time to time
<b>“Notice”</b>	the notice convening the General Meeting, which is set out at the end of this document
<b>“Official List”</b>	the Official List of the United Kingdom Listing Authority
<b>“Options”</b>	options over Ordinary Shares to be granted by the Company as set out in paragraphs 14 and 16 of Part I of this document
<b>“Ordinary Shares”</b>	the proposed new ordinary shares of 12 pence nominal value each in the capital of the Company to be created pursuant to the Share Capital Consolidation
<b>“Panel”</b>	the Panel on Takeovers and Mergers
<b>“Placing”</b>	the proposed conditional placing by WH Ireland and Dowgate of the Placing Shares at the Issue Price pursuant to the Placing Agreement, details of which are set out at paragraph 11 of Part I and paragraph 14.2 of VI of this document

<b>“Placing Agreement”</b>	the conditional agreement dated 11 September 2019 between the Company, the Directors, the Proposed Directors, WH Ireland and Dowgate, relating to <i>inter alia</i> , the Placing, details of which are set out at paragraph 14.2 of Part VI of this document
<b>“Placing Shares”</b>	the 16,351,102 new Ordinary Shares to be issued by the Company pursuant to the Placing
<b>“Proposals”</b>	together, the Share Capital Consolidation, the Acquisition, the Fundraising, the Waiver and the change of name of the Company to Entertainment AI Plc
<b>“Proposed Directors”</b> or <b>“New Board”</b>	the directors of the Enlarged Group to be appointed to the board of directors of the Company at Completion, being Patrick DeSouza, David Anton, Michael Kelly, Akiko Mikumo, Todd Carter and Scott Schlichter
<b>“Prospectus Rules”</b>	the rules published by the FCA under section 73A FSMA
<b>“QCA Guidelines”</b>	the Quoted Companies Alliance’s Corporate Governance Guidelines for Smaller Quoted Companies
<b>“Registrar”</b>	Share Registrars Limited
<b>“Remuneration Committee”</b>	the remuneration committee of the Company as constituted from time to time
<b>“Resolutions”</b>	the resolutions to be proposed at the General Meeting (and each a “Resolution”)
<b>“Shareholders”</b>	holders of Existing Ordinary Shares (and, Post Share Capital Consolidation, Ordinary Shares) from time to time, each individually being a “Shareholder”
<b>“Share Capital Consolidation”</b>	the consolidation of every 12 Existing Ordinary Shares into one Ordinary Share as further discussed at paragraph 23 of Part I of this document
<b>“Strategic Investors”</b>	investors who will subscribe for Ordinary Shares pursuant to the Cross-Over Round, further details of which are set out at paragraph 10 of Part I of this document
<b>“Strategy Committee”</b>	the strategy committee of the Company as constituted from time to time
<b>“subsidiary”</b>	a subsidiary undertaking (as defined by section 1162 of the Act) of the Company and “Subsidiaries” shall be construed accordingly
<b>“TAG Concert Party Members”</b>	each of Todd Carter, Patrick DeSouza, Water Intelligence Plc and Michael Solomon
<b>“TAG MergerCo”</b>	the Company’s wholly-owned subsidiary, TAG Acquisition, Inc., incorporated in the United States of America for the purposes of the acquisition of Tagasauris
<b>“TAG Vendors”</b>	the stockholders of Tagasauris prior to its acquisition by the Company
<b>“Takeover Code”</b>	the City Code on Takeovers and Mergers
<b>“Tagasauris”</b>	Tagasauris, Inc, a company registered in Delaware, United States of America
<b>“uncertificated”</b>	an Existing Ordinary Share or post Share Capital Consolidation, or Ordinary Share recorded on the Company’s register as being held in uncertificated form in CREST, and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST

<b>“United Kingdom”</b>	United Kingdom of Great Britain and Northern Ireland
<b>“United States of America”</b>	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia and all areas subject to its jurisdiction
<b>“Vendors”</b>	the stockholders of Entertainment AI, the GTC Vendors and the TAG Vendors
<b>“Waiver”</b>	the approval by the Shareholders of the waiver granted by the Panel of the obligation that would otherwise arise on any member of the Concert Party to make a general offer for the Company pursuant to Rule 9 of the Takeover Code, further details of which are set out in paragraph 16 of Part I and in Part V of this document
<b>“Waiver Resolution”</b>	the ordinary resolution to approve the Panel’s waiver of the Concert Party Obligation to make an offer under Rule 9 of the Takeover Code on the allotment and issue to them of the Consideration Shares and certain of the Fundraising Shares which is set out in Resolution 1 of the Notice of General Meeting to be voted on by the Shareholders by way of poll at the General Meeting
<b>“Warrants”</b>	the warrants referred to in paragraph 13 of Part I of this document
<b>“Warrant Instrument”</b>	the warrant instrument referred to in paragraph 14.6 of Part VI of this document
<b>“WH Ireland”</b>	WH Ireland Limited, a company registered in England and Wales with registered number 02002044
<b>“YouTube”</b>	YouTube, LLC, a wholly owned subsidiary of Google
<b>“£” or “sterling” or “pounds”</b>	United Kingdom pounds sterling

## GLOSSARY

“AI”	artificial intelligence
“CPM”	the Cost Per Mille is the amount advertisers pay to display one advert to a thousand impressions (viewers)
“MCN”	a multi-channel network, a YouTube approved entity that affiliates with multiple YouTube channels
“MPN”	Multi-platform network
“MVPD”	a multichannel video programming distributor is a service that provides multiple television channels, also known as cable or satellite television
“O&O”	Owned and Operated channel/platform refers to the channel/platform that is owned by the Company/network with which it is associated
“SEO”	Search engine optimisation
“SVOD”	Subscription Video on Demand
“Third Wave of TV”	content that is streamed direct to a mobile and other devices in such a way that the consumer may interact with the content in real time, and which, with the use of machine learning techniques can be increasingly personalised to each consumer over time

## DIRECTORS, PROPOSED DIRECTORS, COMPANY SECRETARY AND ADVISERS

<b>Directors</b>	Jonathan Edward Hale ( <i>Non-Executive Chairman</i> ) Rodger David Sargent ( <i>Chief Executive Officer</i> )
<b>Proposed Directors and New Board</b>	Patrick DeSouza ( <i>Proposed Non-Executive Chairman</i> ) Todd Carter ( <i>Proposed Chief Executive Officer</i> ) Stephen Scott Schlichter ( <i>Proposed Executive Director</i> ) David Anton ( <i>Proposed Non-Executive Director</i> ) Michael Kelly ( <i>Proposed Non-Executive Director</i> ) Akiko Mikumo ( <i>Proposed Non-Executive Director</i> )
<b>Company Secretary</b>	Rodger Sargent, to be replaced by Adrian Hargrave
<b>Registered Office</b>	43-44 Albemarle Street London W1S 4JJ
<b>Current website</b>	<a href="http://www.bloc-worldwide.com">www.bloc-worldwide.com</a>
<b>Website on Admission</b>	<a href="http://www.entertainmentai.co.uk">www.entertainmentai.co.uk</a>
<b>Nominated Adviser &amp; Joint Broker</b>	WH Ireland Limited 24 Martin Lane London EC4R 0DR
<b>Joint Broker</b>	Dowgate Capital Ltd 15 Fetter Lane London EC4A 1BW
<b>Reporting Accountants</b>	Crowe U.K. LLP St Bride's House 10 Salisbury Square London EC4Y 8EH
<b>Auditors to the Company</b>	Haysmacintyre LLP 10 Queen Street Place London EC4R 1AG
<b>Auditors to GTChannel and Tagasauris</b>	Marcum LLP 555 Long Wharf Drive New Haven CT 06511
<b>Solicitors to the Company – English law</b>	Fladgate LLP 16 Great Queen Street London WC2B 5DG
<b>US Transaction Counsel to the Company – United States of America law</b>	Nixon Peabody LLP 70 West Madison Street Suite 3500 Chicago Illinois 60602
<b>US Securities Counsel to the Company – United States of America law</b>	Weil, Gotshal & Manges LLP 767 Fifth Avenue New York, NY 10153
<b>Solicitors to the Nominated Adviser and Joint Brokers</b>	Charles Russell Speechlys LLP 5 Fleet Place London EC4M 7RD
<b>Registrars</b>	Share Registrars Limited The Courtyard 17 West Street Farnham GU9 7DR
<b>Rule 3 Adviser to the Company</b>	EGR Corporate Broking Limited 4 <sup>th</sup> Floor 15-17 Eldon Street London EC2M 7LA

## PART I

### LETTER FROM THE CHAIRMAN OF BLOCKCHAIN WORLDWIDE PLC

*(Incorporated and registered in England and Wales with registered number 10621059)*

#### **Directors:**

Jonathan Hale *(Non-Executive Chairman)*  
Rodger Sargent *(Chief Executive Officer)*

#### **Registered Office**

4th Floor  
43-44 Albemarle Street  
London  
England  
W1S 4JJ

11 September 2019

#### **Proposed Directors:**

Patrick DeSouza *(Proposed Non-Executive Chairman)*  
Todd Carter *(Proposed Chief Executive Officer)*  
Scott Schlichter *(Proposed Executive Director)*  
David Anton *(Proposed Non-Executive Director)*  
Michael Kelly *(Proposed Non-Executive Director)*  
Akiko Mikumo *(Proposed Non-Executive Director)*

**Dear Shareholders,**

#### **Proposed Acquisitions**

**Proposed waiver of the requirements of Rule 9 of the Takeover Code**

**Proposed change of name to Entertainment AI Plc**

**Proposed 1 for 12 Share Capital Consolidation**

**Proposed placing of 16,351,102 Ordinary Shares at 45p per Ordinary Share**

**Proposed Subscription of 3,472,222 Ordinary Shares at 36p per Ordinary Share**

**Proposed authorities to allot relevant securities and disapply pre-emption rights**

**Admission of the Enlarged Issued Share Capital to trading on AIM and  
Notice of General Meeting**

#### **1. INTRODUCTION**

On 11 September 2019, the Company announced that it had conditionally agreed to purchase EAI Group through the Acquisition of the entire issued, and to be issued, share capital of Entertainment AI, GTChannel and Tagasauris. Earlier today, the Company announced the signature of the Acquisition Agreement. The consideration payable for the Acquisition is £12.19 million to be satisfied through the issue of 27,092,886 Ordinary Shares at a price of 45 pence each. The Company has also today announced: a conditional placing of 16,351,102 Ordinary Shares at 45 pence per share; and a £1.25 million investment to be made by the Strategic Investors through the issue of 3,472,222 Ordinary Shares at 36 pence per share, to raise a total of £8.61 million before expenses in order to provide working capital for the Enlarged Group.

Immediately following Admission, as a result of the issue of Consideration Shares and the Cross-Over Subscription from the Strategic Investors of £1.25 million, a Concert Party will hold more than 30 per cent. and could, upon a further exercise of options, hold more than 50 per cent. of the voting rights of the Company and therefore existing Shareholders will be asked to approve a Waiver of the requirement for a general offer to be made in accordance with Rule 9 of the Takeover Code. Further information on the Takeover Code and its application to the Proposals and on the Concert Party, is set out in Paragraph 16 of this letter. The Board has appointed EGR Corporate Broking Limited to provide it with competent independent advice on the Proposals as required pursuant to the Takeover Code.

Upon Admission, it is proposed that Patrick DeSouza (proposed Non-Executive Chairman), Todd Carter (proposed Chief Executive Officer) and Scott Schlichter (proposed Executive Director) will join

the board of directors of the Company. It is further proposed that David Anton, Michael Kelly and Akiko Mikumo will join the board of directors of the Company as Non-Executive Directors. It is also proposed that Jonathan Hale and Rodger Sargent will resign from the board of directors of the Company upon Admission. Additional details in respect of the Directors and the Proposed Directors can be found in paragraph 7 of this Part I.

At the same time as the Acquisition and the Fundraising, the Directors are proposing that the Waiver also be obtained, that the Share Capital Consolidation be undertaken and that the name of the Company be changed to Entertainment AI Plc.

The Proposals are conditional, *inter alia*, upon the passing of the Resolutions at a General Meeting to be held at the offices of Fladgate LLP at 16 Great Queen Street, London, WC2B 5DG, at 10.15 a.m. on 27 September 2019. If the Resolutions are passed at the General Meeting and the other conditions set out in the Acquisition Agreement, the Placing Agreement and the Cross-Over Subscription Letters are met, then it is expected that Admission will become effective and that dealings in the Enlarged Issued Share Capital will commence on AIM on 30 September 2019. **Shareholders should note that the Resolutions are inter-conditional and that consequently if any of the Resolutions are not passed, completion of the Proposals will not occur.**

This document contains detailed information about the EAI Group, the Acquisition, the Fundraising and explains why the Directors and the Proposed Directors consider the Proposals and Admission to be in the best interests of the Company and its Shareholders as a whole, and recommend that you vote in favour of the Resolutions to be proposed at the General Meeting, notice of which is set out at the end of this document.

## **2. BACKGROUND ON THE COMPANY**

The Company was incorporated on 15 February 2017, and its shares were admitted to trading on the standard segment of the Official List and to trading on the Main Market on 21 September 2017 as an investing company. The Company was originally formed to acquire a company or business in the telecoms sector. On 19 January 2018, the Company was renamed Blockchain Worldwide plc and the scope of the Company's investment criteria was expanded to consider acquisitions within the blockchain technology industry.

On 7 November 2018, the Company announced the proposed acquisition of Chorum Group Limited, subject to due diligence and a successful fundraise. The Company's shares were suspended pending the outcome of this process. On 8 February 2019, the Company announced it had withdrawn from the proposed acquisition of Chorum Group Limited due to greatly reduced levels of activity in London's equity markets. The suspension was lifted on 13 February 2019 and the Company's shares began to trade again.

It was announced on 8 February 2019 that the Company would continue to seek deals within the blockchain space but that it would also consider other high growth opportunities within the wider technology sector.

Since listing, the Directors have sought an appropriate acquisition for the Company that can create significant value for shareholders in the form of capital growth.

## **3. INFORMATION ON THE EAI GROUP, ITS MARKET AND GROWTH STRATEGY**

### **Overview**

EAI Group consists of three associated companies in the technology and media sector that are principally headquartered in Los Angeles with strategic relationships in the UK. The Enlarged Group will be composed of the Company, Entertainment AI, GTChannel and Tagasauris, which have complementary assets. GTChannel combines a network of affiliated creators, a catalogue of streaming content and a global audience, Tagasauris owns AI and machine learning intellectual property that can deliver more video-based opportunities to GTChannel's ecosystem of viewers and creators and Entertainment AI has data analytic technology and material contracts with strategic partners discussed herein. Together these assets should enable GTChannel, Tagasauris and Entertainment AI synergistically to unlock value for the creators and consumers.

EAI Group's mission is to be a first mover in a video-first world or what is seen to be the coming Third Wave of media distribution following the broadcast and cable eras. The Third Wave will be marked by full mobility and interactivity with content available 24/7 on mobile devices. One early example of the Third Wave is Instagram's March 2019 pilot launch with select brands enabling consumers to

purchase “in-app” while viewing pictures. EAI Group’s objective is to embrace the Third Wave by enhancing consumers’ experiences on video by enabling interactivity with the video and providing frictionless access to a multiplicity of discovery opportunities, encouraging video sharing among social communities, and even fulfilling impulse purchases from what audiences see in the video.

GTChannel engages with its consumers through YouTube and other social media platforms. More specifically, it is a multichannel network (“MCN”). A MCN is defined as a network that affiliates with content creators and offers services that include programming assistance and product and audience development. As creators deliver more content, the MCN becomes more attractive to consumers, which in turn attracts advertisers. MCNs tend to focus on specific audiences or themes. GTChannel’s theme is automobiles and other lifestyle goods and services.

Based on 1H 2019 actuals, GTChannel, through its MCN, catered to a global audience of automotive and lifestyle enthusiasts representing over 6.3 billion video views (12.6 billion on a projected annualised basis) and a network of approximately 10,000 short-form video content creators. There are approximately 70 million non-paying YouTube subscribers across GTChannel’s MCN creator partner channels. GTChannel currently manages approximately 370,000 videos and provides for 54 billion watch minutes on a projected annualised basis (having generated 27 billion minutes of watch time in the first six months of 2019). As discussed below, GTChannel’s principal revenue driver today is (Google-owned) YouTube ad revenue. In 2018, the GTChannel MCN generated US\$11.4 million of gross ad revenue, (before deduction of YouTube and content creator commissions) an increase of more than 200 per cent. from 2017 matching the growth trajectory of the MCN’s video views. Moreover, GTChannel has an Owned and Operated Site (“O&O”) and, following the merger, this site and its content offerings can be used to harness data derived from Tagasauris’ technology to provide other value-enhancing offerings for brands, sponsors and audiences.

Tagasauris is an AI and machine-learning technology company with a proprietary process and intellectual property (patent with an early priority date, trade secrets, and know-how) for enriching videos. Tagasauris’ process, a combination of AI and human intervention (crowdsourcing), create data derivative assets from underlying media assets in a process conceptualized as a “Micro-moments Factory” – an extension of Google research into consumer behaviour described below. An analysis, enrichment, and linking process breaks apart each video by tracking objects in a video and, then tagging and linking various object tracks or segments in the video so that additional opportunities (related content and products) can be identified. The resulting micro-moments can be published, indexed and discovered by search engines and served to audiences, such as GTChannel’s, interactively while they are watching videos. Audiences can share these micro-moments on social networks and instant messaging platforms. The video opportunities are offered in a panel underneath the GTC video player in an unobtrusive way.

The patent for the software used by Tagasauris is US Patent No. 9,489,636 “Task Agnostic Integration of Human and Machine Intelligence,” which is jointly owned with New York University (“NYU”). NYU has granted Tagasauris an exclusive royalty-free licence to the patent for use by Tagasauris for the field of crowdsourced human computation related to knowledge work in online media.

The innovation combines inputs from human processing and machine processing and employs machine learning to improve the processing of individual tasks based on a comparison of human processing results. Once the performance of a particular task by machine processing reaches a threshold, the level of human processing used on that task is reduced. The processes based on this IP and trade secrets integrate human computation into data processing activities and have been used to produce data derivative annotations for some of the world’s largest media companies.

GTChannel is a human-curated ecosystem which can be enhanced with Tagasauris and Entertainment AI technologies. The vast majority of GTChannel’s streaming content has been created by its network of content creators and is not the result of licensing and syndication deals, web crawling, or indexing. Applying computer vision, natural language processing, and video sequence understanding of GTChannel’s content can help GTChannel find and visualize patterns in the data and gain insight into how the audience behaviour and content are related. These insights can be used by GTChannel to inform decision making, from the colour palette used to design promotional video poster frames, to upcoming original content, to personalized marketing strategies. Micro-moments extend the granularity of GTChannel’s insights to concepts depicted or associated with the segmented subparts of these videos as audience seeking and sharing behaviour can be tracked at the micro-moment level. In this way, GTChannel’s decision-making for providing audiences the video opportunities they seek can be increasingly driven by data insights.

EAI Group's O&O business strategy follows research by Google on consumer behaviour. Google has defined real-time consumer decision-making opportunities as micro-moments: "Instances when people reflexively turn to a device – increasingly a smartphone – to act on a need to learn something, do something, discover something, watch something, or buy something ... Content-rich moments when decisions are made and preferences shaped." Revenue channels such as digital ads, paid subscriptions, brand sponsorships, commission on contextual commerce and strategic licensing are enhanced by the interactive nature of micro-moments.

The objective of the Acquisition and Fundraising is to combine Tagasauris and Entertainment AI's technologies with GTChannel's MCN content: enriched content attracts viewers and brands which in turn attract more creative content leading again to more viewers and more video opportunities for discovering, sharing, and purchasing.

While EAI Group's MCN and O&O strategy will focus in the near-term on GTChannel's MCN and O&O automotive and lifestyle audiences, Tagasauris may also provide brands and strategic partners with opportunities to access these enabling technologies to enrich video for other audience channels and passion groups. Entertainment AI already has two licensing opportunities, which are being developed with Strategic Investors – Sumitomo Corporation, a global trading and investment company with various audiences from sports to food, and Water Intelligence plc, an AIM-traded company with stakeholders interested in water leak detection and sustainability. Both strategic partners are participating in the Cross-Over Round. Both also have operations and consumers in the UK and globally and both seek video opportunities for their respective audiences that EAI Group can source and present. Given that the trend is toward a video-first world for many audiences, Entertainment AI plans to launch a "software as a service" offering. The goal of the Enlarged Group is to evolve from a global MCN to a global multiplatform network that brings together various audiences, brands, sponsors and creators, all exchanging opportunities ("MPN").

EAI Group seeks to disrupt the competitive landscape emerging from the tectonic shift taking place in the telecommunications, media and technology markets as consumers rapidly transition to short form video content on mobile screens. Telecom giants, such as AT&T and Altice, and tech giants, such as Facebook and Amazon, are moving fast to reposition themselves ahead of the Third Wave by acquiring content, audiences and technology for direct streaming and to harness personal audience data to create Netflix-style platforms. The objective is to take audiences one step further: rather than simply viewing short-form video content on mobile devices, viewers will be able to engage interactively with micro-moments introduced through Tagasauris' enriched video process. Viewers can play, pause, and resume watching and share videos and the most memorable, extreme, emotional, funny, best, cool parts of videos that they love on social media networks such as Facebook and Twitter.

With enriched video, GTChannel's MCN audiences around the world may access a cornucopia of opportunities that can inspire follow-on decisions based on micro-moments: *Hypothetical illustrations include* "Jim" in New York who may use the GTChannel MCN to watch test drives and walkthroughs while he shops for a new car. He may share videos of his favourite cars with friends who also may want to watch videos on the GTChannel MCN; if someone sees a car that they want to buy, the Tagasauris and third party technologies would enable them to do just that with fulfilment partners such as eBay Motors or Amazon. Alternatively, "Chris" in London may watch the GTChannel MCN for "how to" car videos and may have installed so many of the aftermarket performance parts that he found on the GTChannel MCN that he has gained the confidence to start his own automotive tuning and restoration business. Alternatively, "Zak" in Tokyo recognises that the MCN is his "path to market" for the Japanese domestic market OEM parts he sources and then sells in the United States and around the world. Finally, "Megan" in London really likes the sports watch from Richard Mille that she saw on a Jenson Button video. Rather than visiting the store in Mayfair, she buys it on-line with a one-click from an affiliated retailer that Tagasauris assists on the MCN. Meanwhile, from the opposite side of the marketplace, seeing the data on the consumer experience that the GTChannel MCN provides, corporate marketers ask Entertainment AI to advertise their products on GTChannel's Owned and Operated website.

### **Market Opportunity**

Technological change, once again, has initiated a new era of entertainment: A Third Wave characterised by *direct to consumer* delivery. The objective of the Acquisition and Fundraising is to capitalise on this shift by enhancing the direct to consumer delivery experience, enabling increased

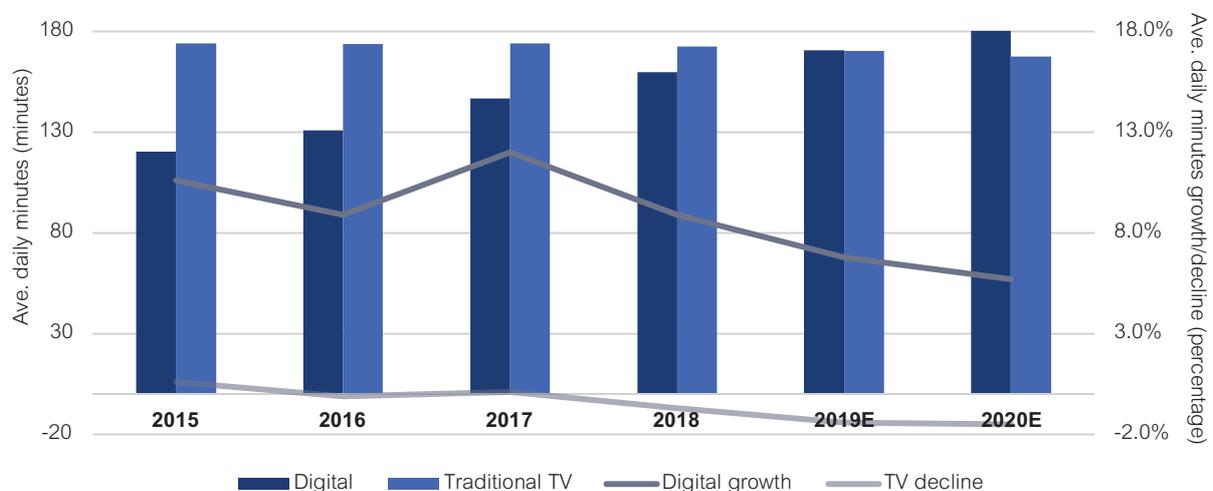
interactivity with videos on internet connected devices, particularly mobile, and delivering micro-moments that motivate consumers to share content.

Looking at historic technological change, the “First Wave of TV” was marked by general broadcast through a handful of network broadcast channels such as the BBC in the United Kingdom and NBC in the United States. Programming was created by media companies producing what they believed might interest “typical” consumers. Technological change brought about a “Second Wave of TV”, which was marked by the proliferation of channels whose content was transmitted via cable companies such as Viacom. Programming targeted particular consumer groups that gathered around niche cable channels. The content created was based on external research regarding the niche audiences of the cable channel but still was designed to appeal to a “typical” consumer of that cable channel. The Third Wave of TV, driven by artificial intelligence technology, has now accelerated the personalisation of content by understanding the individual consumer directly. Moreover, the shift to mobile devices enables programming to be delivered anywhere, anytime. Further, social media technology has encouraged content customisation for smaller, tighter communities – a focus on the “long-tail” as described by economists. Machine learning has now reinforced this direction by automating personalisation.

Netflix, with its *Quantum Theory* of genre tags that facilitate more personalised ways to discover content, is now arguably the most visible new entertainment company. Netflix now has more subscribers in the United States than the largest cable television providers combined. Meanwhile, Facebook, Google and Apple are investing into the content creation business as a way to leverage their AI technology. YouTube Red and Amazon Prime are examples of such offerings.

In order to remain relevant, traditional media companies, such as Disney (Disney +), and even broadcast companies, such as CBS (CBS All Access), are trying to reinvent their business models first to address direct-to-consumer demand for anytime-anywhere streaming delivery of content and then to figure out how to personalise discovery of and access to the underlying content based on individual consumer preferences.

#### Digital is now the preferred mode of reception vs declining TV



Source: Zenith OptiMedia

#### Consumer Trends

There are multiple market trends driving this shift to the Third Wave, including:

1. Internet streaming is increasingly popular and, in some jurisdictions, has become the preferred mode of delivery for consumers.
2. ‘Cutting the cable’ (i.e. ceasing to subscribe to traditional cable services) is a global phenomenon as evidenced by the rise in popularity of Netflix, Amazon Prime, Hulu and entrance of Disney and others into the marketplace (NowTV is an example in the UK market).
3. Video consumption has been largely responsible for Internet growth.
4. Consumers are utilising video, specifically reviews and demonstrations, as part of their online shopping experience.

5. Consumers favour “one click” shopping experiences while retailers are attempting to limit e-commerce abandonment.

The first and second trends are reinforced by data findings from market researcher, eMarketer. According to its findings, in 2017 an estimated 22.2 million people in the US cut the cord on cable, satellite, and telco TV services, a 33 per cent. growth over 2016, switching to streaming content. In Q1 2018, internet TV streaming services like Netflix, Amazon Prime, and Now TV surpassed pay TV for total number of subscriptions in the UK. In particular, Netflix continues to grow at an astonishing pace around the world (except for the United States where its growth is slowing). Netflix reported in February 2019 that it now has over 5 million subscribers in France, ahead of the 4.76 million who pay for Canal+ (as at the end of September 2018).

Consumption data highlights the magnitude of the switch. In 2016, Zenith OptiMedia reported that the average person worldwide spent 456 minutes daily consuming media. Of the 456 minutes, Internet consumption amounted to 127.5 minutes while traditional TV amounted to 174.9 minutes. By 2019, Zenith indicated that total media consumption has increased to 479 minutes. Importantly, the proportions have changed. Consumption of internet media jumped to approximately 170 minutes, while traditional TV fell to 167 minutes.

Video consumption has been largely responsible for internet growth. Video represents 75 per cent. of all Internet traffic. YouTube revealed in press events earlier this year that more than 500 hours of new video are uploaded each minute on YouTube. According to Cisco, video as a proportion of Internet traffic grew rapidly from 64 per cent. in 2014 to 75 per cent. in 2017. Cisco forecasts that globally, IP video traffic will account for 82 per cent. of all IP traffic by 2022. Cisco expects this trend to increase with internet video traffic growth estimated to be 33 per cent. annually. As the market for Internet video expands, so too will advertising spend. eMarketer reports that US\$283 billion was spent worldwide on digital advertising in 2018 and expects spending to increase to US\$517 billion by 2023. Video ads offer amongst the highest CPM yield for content businesses.

The popularity of short-form video content has led to recent entertainment offerings such as Instagram TV (IGTV was launched June 2018). In July 2018, former Disney head and DreamWorks founder, Jeffrey Katzenberg, raised US\$1 billion to create a studio that would produce short-form entertainment content. Younger consumers (Millennials and Gen-Z) increasingly demand short-form video. Technology leaders recognise the importance of consumer interactivity with content to fulfill audience impulses and perceived shorter attention spans. In March 2019, Instagram announced a pilot launch program with select brands such as Nike and Burberry. With its new “Checkout” feature, consumers will be able to click on a photo of a product and purchase it without leaving the app. Instagram will make an undisclosed commission on each purchase. As the select launch program has advanced, various reactions have emerged. On the positive side, in-app purchases enable a more seamless experience for consumers; for small and medium-size brands, one-click purchases level the playing field where big brands have more elaborate web presence. On the other hand, some believe that the select launch test fails to address the “discovery” and “sharing” aspects of the user journey that Instagram’s parent, Facebook, seeks to encourage. Entertainment AI’s objective is to address the “discovery” and “sharing” aspects and enhance that user journey with purchasing opportunities.

In the changing marketplace for short-form video, investors are looking for new ways to leverage MCN audiences. For example, Tastemade started as an MCN and has now morphed into a proprietary content studio producing short-form video content for food enthusiasts. In October 2018, Tastemade undertook a Series E financing raising approximately US\$35 million, in which Amazon was a participant. Of note, Amazon also owns the up-scale supermarket chain Whole Foods. Now, the consumer’s short-form video journey can begin with seeing a great meal on Tastemade and within a couple of clicks on Amazon that consumer can order the ingredients for home delivery from Whole Foods to make that meal at home. With the Acquisition and Fundraising, Entertainment AI seeks to create a similar, more frictionless consumer journey for automotive and lifestyle enthusiasts with possibilities for further expansion in to new audiences.

As the market for Internet video expands, advertising spend will follow. In 2017, Google reported that compared to just the prior year, smartphone users were 50 per cent. more likely to expect to purchase something immediately while using their smartphones. An eMarketer report indicates that US\$283 billion was spent worldwide on digital advertising in 2018. The report forecasts this to grow at a CAGR of 12.8 per cent. to reach US\$517 billion by 2023. In 2018, in the US, the consumer-packaged goods and retail industries accounted for approximately US\$33 billion of digital

advertising spend, with automotive the next largest at approximately US\$14 billion. Travel, and media & entertainment combined for digital ad spend of US\$21 billion in the US. Given this level of ad spend, GTChannel’s MCN audience of automotive and lifestyle enthusiasts would be in a sweet spot for relevant brands. The US digital advertising market is projected to grow to US\$151 billion in 2020 from US\$108 billion in 2018 according to eMarketer.

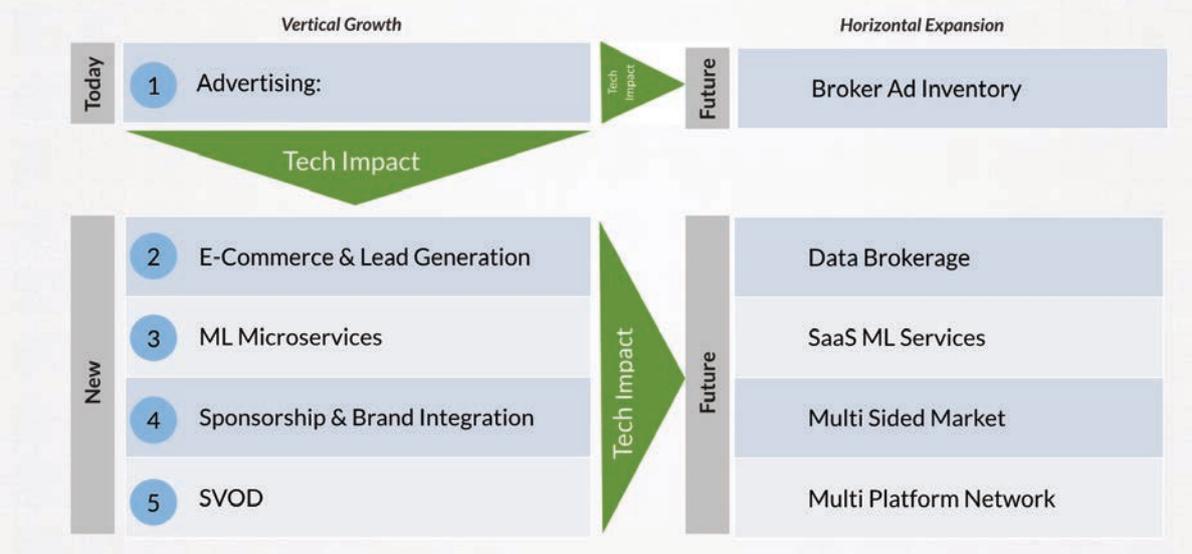
**From Market Opportunity to EAI Group Growth Strategy**

EAI Group seeks to tap into rising consumer preferences for short-form video, mobility, community and in-app frictionless purchases. For example, with respect to its core audience according to Google, 92 per cent. of car buyers research online before they buy. Sixty-four percent of shoppers report that new formats like 360° video would convince them to buy a car without a test drive. According to Google, across YouTube, in the past two years, watch time of “test drive” videos has grown by more than 65 per cent., marking a trend in online video consumption similar to the surge in electronics reviews and unboxing videos a few years ago.

**Operating Plan and Growth Strategy**

EAI Group’s operating plan starts with adding value to GTChannel’s existing audience base – both MCN and O&O – with Tagasauris, Entertainment AI and third party technologies. In 1H 2019, the GTChannel MCN generated over 6.3 billion video views (12.6 billion annualised on a projected basis) and 27 billion watch minutes (54 billion annualised on a projected basis). In addition, the GTChannel MCN has more than 70 million subscribers across its creator partner channels on the demand side and a network of approximately 10,000 content creators on the supply side seeking to feed that audience. Over the longer run, as Entertainment AI works with its strategic partners to develop their respective audiences by infusing Tagasauris and third party technologies, EAI Group’s vision is to expand its presence as a Third Wave media company.

The schematic below with Vertical Growth representing near-term and intermediate range operating priorities and Horizontal Expansion representing a more full long-range vision outlines Entertainment AI’s growth strategy:

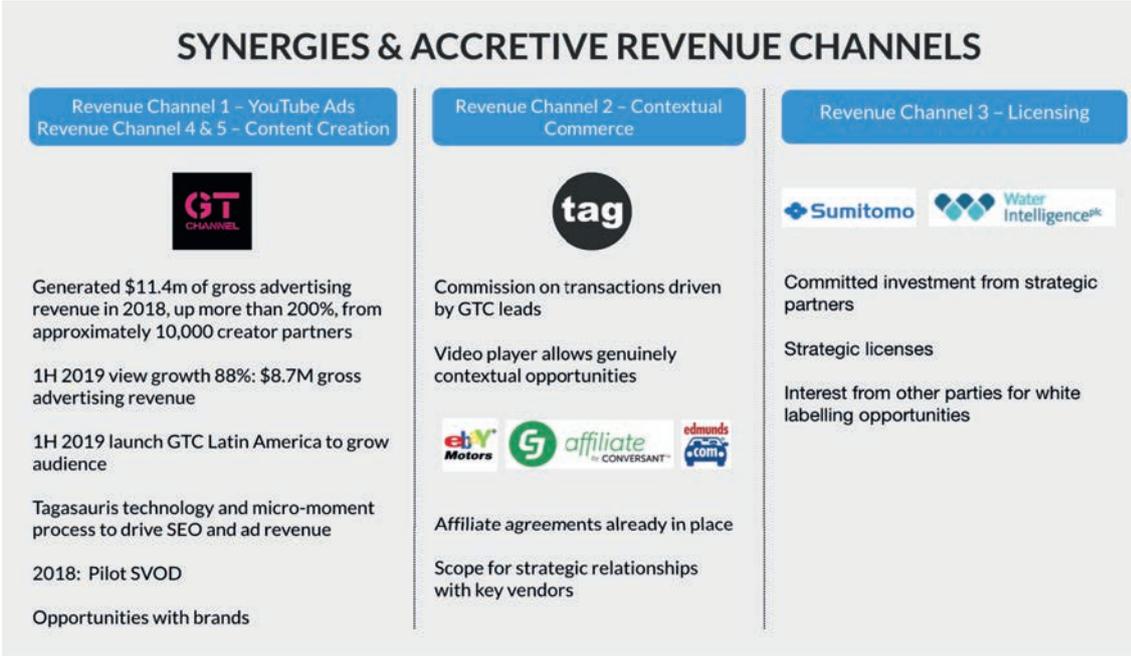


The schematic identifies five revenue streams for the operating plan:

- **Channel 1: MCN Advertising.** As identified above, EAI Group’s priority is growing the installed audience base. Google advertising revenue is based on audience views from videos uploaded to the GTChannel MCN. The technology creates an expanded video opportunity set which is expected to feed ad revenue growth: A growing audience visits the GTChannel MCN to explore videos, attracted to the site in part by the growing number of content creators supplying their content through GTChannel, which in turn increases the prospect of attracting brands and commerce brought to the table by technology.

- Channel 2: O&O Contextual Commerce.** Through Tagasauris, AI technologies and other third party technologies that enrich video content, EAI Group could earn revenue from one-click commerce transactions by its O&O audience. EAI Group would seek to fulfill such purchases through affiliated retail partners such as Amazon or eBay Motors. For each transaction, EAI Group would earn a commission on the price of the product purchased. For example, the average order of products purchased by automobile enthusiasts as cited by Auto Parts Warehouse is approximately US\$175. Products may span an entire range of prices from small to large. Affiliates typically provide “tokens” such that EAI Group would still get a commission if the consumer left the brand site before purchasing but returned to purchase within a specified time.
- Channel 3: Machine Learning (“ML”) Microservices.** Entertainment AI has strategic partners such as Sumitomo Corporation and Water Intelligence that are interested in activating consumer journeys based on micro-moments for their respective audiences. Tagasauris and third party technologies could be made accessible to its partners and deployed as a SAAS platform. Revenue earned from such deployment could take the form of subscription of service fees or professional services.
- Channels 4 and 5: O&O Proprietary Content; SVOD; Brand Sponsorships.** There are more than 70 million non-paying YouTube subscribers who are seeking more content across GTChannel’s MCN creator partner channels. GTChannel has worked with brands on exploiting opportunities with respect to its MCN audience. Revenue is expected to be earned on Owned and Operated content, sponsorship agreements and premium subscription content. To this end, EAI Group seeks to apply the growth strategies of other leading Third-Wave technology companies for monetising subscribers such as with YouTube Premium and Amazon Prime.

Below is a diagram that explains the contribution that each entity will make to group revenue streams.

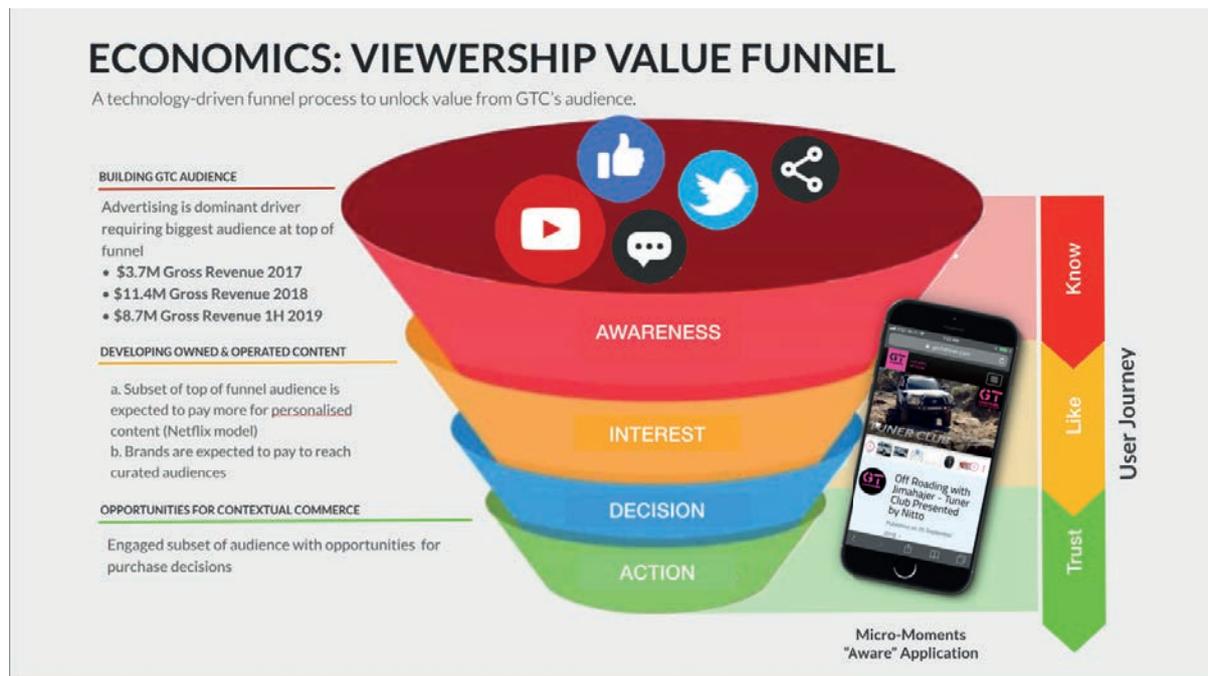


**Growing the Revenue Channels; Entertainment AI Economics**

As noted above, GTChannel’s audience for its MCN is the starting point from which to unlock shareholder value because viewers are watching more and more video content. One way to illustrate EAI Group’s growth plan is to consider the heuristic of a “Viewership Value Funnel.” The Funnel depicted below represents four levels of micro-moment behaviour, each a step in a linear viewer journey from “I want to know, discover, share” (*Awareness to Interest levels of engagement*) to “I want to do and buy” (*Decision and Action levels of engagement*).

Because of the data that GTChannel’s audience generates, EAI Group can help viewers whether the journey is linear – step by step through the funnel – or back and forth as the viewer enjoys the experience and considers, explores, then reconsiders different video opportunities (see two contrasting diagrams below). EAI Group’s priority is growing its audience base and the associated

Google advertising revenue. Tagasauris and third party technologies should create an expanded opportunity set of videos which is expected to feed ad revenue growth. The linear viewer journey illustrated below also illuminates components of EAI Group's operating plan.



In terms of the economics of an MCN, YouTube monetises viewership for GTChannel by selling ad revenue. The growth of gross sales is a direct reflection of the growth in GTChannel's audience views for ad placement. During 2017, gross sales for GTChannel's MCN ad placement (before deduction of YouTube and content creator commission) were US\$3.7 million. During 2018, gross sales more than tripled to US\$11.4 million (before deduction of YouTube and content creator commission). During the first half of 2019 gross sales continued at a strong pace reaching approximately US\$8.7 million. From gross sales, YouTube administers the process and takes a 45 per cent. commission producing net revenue for GTChannel. From net revenue, GTChannel pays typically 70 per cent. to 80 per cent. to content creators as its cost of sales. To date, GTChannel has reinvested its margin to build its audience base.

The objective of the Acquisition and Fundraising is to introduce Tagasauris and third party technologies to reinforce the growth in gross revenue at GTChannel and lead to improvements in net margin. Tagasauris Micro-moments Factory processes add value for GTChannel's MCN network of content creators by making videos more relevant for Google search thus increasing their visibility for GTChannel's audience. Increased relevance, in turn, is expected to encourage more video supply from creators seeking eyeballs for their content. With an increased supply of videos and creators attracted to the technology, audience views would be expected to grow further and add to gross revenue. As a result of its enhanced technology offering, GTChannel may also have an opportunity to reduce the percentage of fees that it pays to creators as cost of sales for their content.

GTChannel also intends to develop its O&O property and leverage data that its audiences provide. The data which both GTChannel's MCN and O&O provide can be used to develop proprietary content for GTChannel's O&O. A content strategy driven by data science has already been deployed by Netflix (for example, script writing for popular shows like House of Cards) and is now being deployed by Amazon Prime.

The next stage of deepening viewer engagement after *Awareness* is *Interest*. Car enthusiasts comprise a passion group. Currently, there are more than 70 million non-paying YouTube subscribers across GTChannel's creator partner channels who want more content. "Micro-moments" expose subscribers to more Interest events with the expectation that some portion of those subscribers will convert to paid subscriptions. Brands and sponsors generally seek the kind of Interest data generated by micro-moments and platforms to provide targeted content and promotions to engage audiences.

The economics of providing video opportunities on GTChannel's O&O differs from the economics of providing content on GTChannel's MCN. With respect to the MCN, as noted above, the split of gross advertising revenue is 45 per cent. for YouTube and 55 per cent. for GTChannel. On the O&O, GTChannel

retains 100 per cent. of gross advertising revenue. The effect with respect to the cost of sales is similar. For content delivered through the MCN, GTChannel typically pays content creators 70 per cent. to 80 per cent. of net revenue after YouTube's split. By contrast, for content delivered through GTChannel's O&O typically pays content creators 50 per cent. of net revenue. There are also synergies between the MCN and O&O properties as GTChannel develops more proprietary content for brands. For example, within the YouTube ecosystem, Google is open to partners executing a Reserved Media Placement strategy. With this strategy, GTChannel expects to be able to purchase some of Google's ad inventory and resell it to brands and sponsors at a higher price if the market permits.

Moving further down the Viewership Value Funnel to *Decision*, users with access to micro-moments can continue to fulfil their intentions – "I want to do and buy". EAI Group's mission is to enable frictionless transactions for viewers to empower them in real-time while watching video. EAI Group believes that a subset of those viewers who are at the Interest level of engagement – some of the previously registered 70 million non-paying YouTube subscribers for example – will make decisions, including purchase decisions, ranging from paid subscriptions to e-commerce.

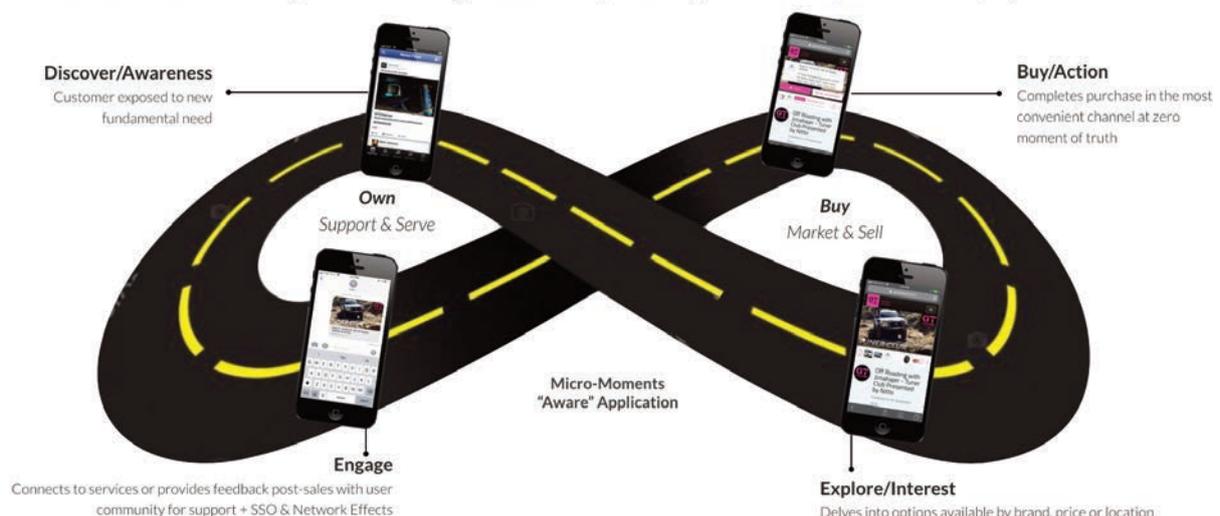
To a degree, EAI Group's technology, know-how and trade secrets enable the viewer to be "in the virtual store." By deconstructing and enriching the video content, EAI Group enables viewers to be "in the store" rather than just viewing the store-front as would be represented by the video itself. Such "in the moment" presence enables the *interactivity* that marks the Third Wave. The unlocking of shareholder value could be significant if viewers are successfully guided down the Viewership Value Funnel from *Decision* to *Action*. With a one-click transaction, fulfilment partners such as eBay Motors would pay between 7 per cent. and 14 per cent. commission on the purchase. To realise revenue from the Action, GTChannel is not dependent on viewers that act on impulse. Affiliate tracking tokens would record a visit to a commerce site and GTChannel would receive commission credit if the viewer returned for a purchase within a certain period of time. Shareholder value would increase even if only a fraction of GTChannel's audience make their way down the Viewership Value Funnel to a purchase action producing commission.

The Viewership Value Funnel heuristic guides possible enlarged Group investors through a proposed consumer journey illustrating the different revenue streams that are part of EAI Group's growth plan. The plan starts, with *Awareness* arising from YouTube. However, consumers do not always proceed in linear fashion. Some may jump directly to action and purchase "at the point of inspiration"; others might jump to *Decision*, go back to share and discover more videos to further cultivate *Interest* and then return to *Action*. Whether consumers proceed in a linear fashion or not EAI Group can enhance the user experience. First, the consumption of video increases ad revenue and lead to both unpaid and paid subscriptions. Second, viewer Interests and the data gathered about the viewer journey is valuable to brands and sponsors that EAI Group plans to acquire as its customers. Finally, because of the tokens that product sites and fulfilment affiliates deploy to encourage Action, Entertainment AI will still retain commission opportunities for a period of time even if the consumer journey is non-linear.

For comparison with the linear viewer journey through the funnel, below is a heuristic illustrating a non-linear consumer journey.

## Owing the User Journey

GT Channel's audience and Tagasauris technology allows EAI to provide opportunities to feed customer lifecycle.



### **Towards an MPN (Multi-Platform Network) Vision.**

The economics of the Viewership Value Funnel applies to most groups of audiences around the world. Hence, Tagasauris and third party technologies will be utilised by Entertainment AI's strategic partners: Sumitomo Corporation (sports, food, shopping) and Water Intelligence plc (sustainability; home improvement). Sumitomo, has investments in another MCN that may benefit from Tagasauris and third party technologies. Based on the market data described above, this direction towards video consumption and value creation is only intensifying as media companies reposition themselves for the Third Wave, especially to embrace *interactivity at the point of inspiration*.

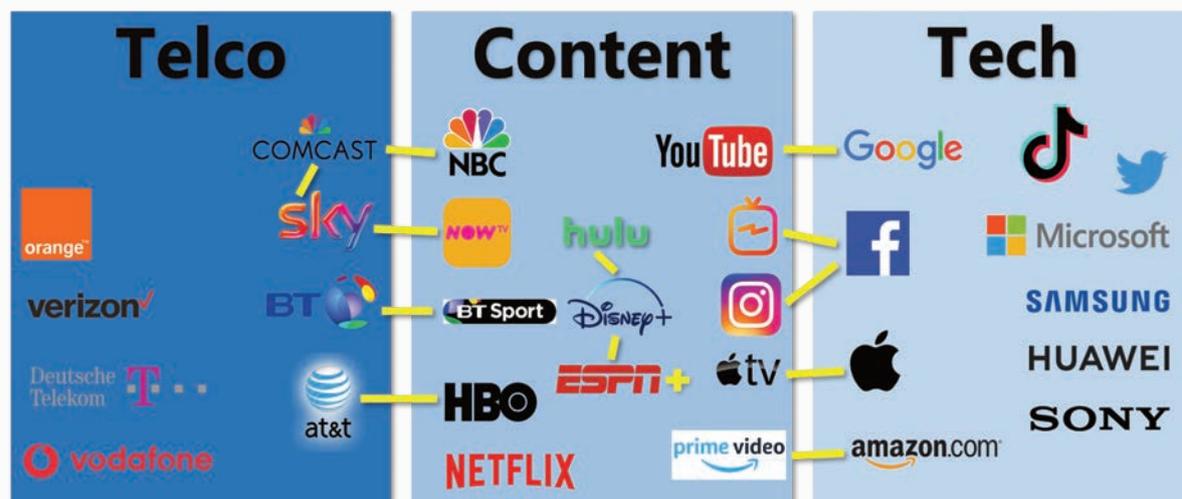
### **4. COMPETITIVE LANDSCAPE**

The competitive landscape is marked by companies looking to incorporate technology into their content offerings so as to achieve greater “interactivity” and audience engagement. The Enlarged Group has a more complete model with audience and content assets through its MCN and O&O and technology assets to integrate content and e-commerce in a frictionless way via its proprietary Micro-moments Factory process. By comparison, Motor Trend (“MT”) is a high end automotive content publisher located in the US. They have expanded from a magazine publisher to include web and other digital platforms. MT has a YouTube presence but it appears to be largely a mechanism to drive to their subscription video on demand (SVOD) product. MT does not have technology as a driving force for their business model. MT is not involved in e-commerce except around merchandise for their brand – such as Motor Trend t-shirts. Similarly, Motorvision.TV is another example of an automotive media company. Motorvision also has its own YouTube presence, but is also not an MCN nor does it utilise deep technology as a key driver for their business model.

As discussed above, the Third Wave is producing a dynamic repositioning of the marketplace as telecom, media and technology companies are moving rapidly through partnerships and acquisitions to address changing consumer behaviour that demands mobile, 24/7 content and interactivity.

Below is a schematic that illustrates the variety of transactions that have shaped the marketplace over the last few years to make the Third Wave a reality. The Enlarged Group seeks to lead part of this shift by enabling audiences – both its current audiences and those it seeks to attract – to discover, share and consume short-form video 24/7 and in the moment to fulfill a deeper user journey through the opportunities brought forward to them by its technology.

#### **Convergence of telecoms and technology companies**



This converging landscape of telecom, media and technology took a leap forward with the merger of CBS and Viacom. The Wall Street Journal reported that logic of the merger was to put the new ViacomCBS in a stronger position “to weather the trend of cable TV cord-cutting” (Second Wave of TV). As noted in the Wall Street Journal’s coverage, ViacomCBS is looking to build a content factory that can supply programming to streaming leaders such as Netflix, Amazon and Apple. As discussed above, Amazon’s interest extends from programming to e-commerce to leverage its technology platform. With its complementary assets of audience, content and technology, EAI seeks to lead the Third Wave and the convergence that is being driven by consumer demand for interactivity.

## **5. REASONS FOR THE ACQUISITION**

In line with its investing policy, the Company's stated strategy is to acquire a business that will deliver strong capital growth. The Directors believe that in the EAI Group they have identified a business that meets this criteria and which represents a strong and stable platform from which to expand both organically and via acquisition.

The Directors and Proposed Directors consider that the opportunity represented by the Acquisition is in the best interests of the Company and Shareholders for the following reasons:

- the addressable market for personalised entertainment – specifically for automotive and enthusiasts, and lifestyle content – is global and growing rapidly;
- the demand for innovation by traditional media companies, such as Disney and HBO, for business to business solutions that enable them to catch-up to next generation technology and media companies, such as Facebook, Google, Amazon and Netflix, is strong and growing;
- GTChannel and Tagasauris are two well-positioned and complementary businesses that can capture an important and growing global audience that seeks personalised content and e-commerce opportunities;
- EAI Group's operating assets have valuable operating attributes that should position it to grow given its: (i) status as a MCN on YouTube; (ii) growing audience of more than nine billion views in 2018; (iii) approximately 70 million unpaid YouTube subscribers across GTChannel's MCN creator partner channels that want more video; (iv) patented AI technology that enables more effective personalisation; (v) principals with operating experience in both direct to consumer execution, business to business execution and acquisitions;
- the principals of EAI Group's two operating businesses have been working collaboratively on projects related to its "One Stop Shop" business model for the last three years, thus, evidencing that the businesses can work together and help lower barriers to integration;
- Entertainment AI has already identified Strategic Investors who will provide funding for the Enlarged Group upon Admission. The Strategic Investors may enter into strategic sales agreements which the Directors and Proposed Directors believe will benefit the Enlarged Group by contributing to revenue and profits; and
- As a US business with a global addressable market, the Enlarged Group is, in the view of the Directors and Proposed Directors, unlikely to be adversely affected by potential UK economic disruption as a result of Brexit.

## **6. CURRENT TRADING AND PROSPECTS**

### **Blockchain**

Blockchain is currently an investing company and does not trade. Its results for the year ended 30 June 2019 were announced on 4 September 2019 and showed net assets of £992,421 at the balance sheet date.

### **Entertainment AI**

Other than transferring technology assets and material contracts and creating the strategy of the EAI Group, Entertainment AI has not traded since inception.

### **GTChannel**

In the twelve months to 31 December 2018, GTChannel's MCN generated gross advertising income of approximately US\$11.4 million (prior to deduction of YouTube and content creator commissions), leading to net revenues of US\$6.5 million from more than 8.5 billion video views. GTChannel's trading since 31 December 2018 has remained robust with continued increases in revenues and video views across GTChannel and its partner channels. In the first 6 months of 2019, GTChannel's MCN generated gross advertising income of US\$8.8 million (prior to deduction of YouTube and content creator commissions), leading to net revenues of US\$5.9 million, an increase of approximately 88 per cent. over the prior year.

### **Tagasauris**

During 2018, Tagasauris generated limited revenues as it focused on product development to enable offerings to capture the ability of customers to identify micro-moments and exploit these. Despite the

focus on product development, it generated approximately US\$80,000 through sales of its technology to a multi-national media company.

### **Prospects for the Enlarged Group**

Upon Admission, the Directors and Proposed Directors believe that the Enlarged Group will be well positioned to fund growth in its existing revenue channels, and invest in the O&O platform, which is expected to substantially alter the Enlarged Group's scalability and gross margin profile. The Directors and Proposed Directors believe that GTChannel's organic viewership growth will provide a strong base from which to grow the Enlarged Group revenue streams both through existing products and new product development.

## **7. DIRECTORS, PROPOSED DIRECTORS AND SENIOR MANAGEMENT**

### **Directors**

#### **Jonathan Edward Hale, Non-Executive Chairman (aged 46)**

Jonathan Hale was chief financial officer of 32Red Plc, the AIM listed Gibraltar-based online gaming company, between 2006 and March 2018. As chief financial officer, Jonathan was instrumental in several corporate transactions including the sale of the Betdirect sports betting business to Stan James in 2007 and the acquisition of the Roxy Palace online casino business in 2015. In February 2017, Kindred Group Plc made an offer to acquire the entire share capital of 32Red Plc for £176 million and the takeover completed on 5 June 2017. Prior to his appointment at 32Red Plc, Jonathan qualified as a chartered accountant with PricewaterhouseCoopers in 1998, before leaving to work in the finance department of Capital Corporation Plc, an operator of high roller land-based casinos. Following the sale of Capital Corporation Plc to Stanley Leisure Plc, Jonathan co-founded Property Internet Plc and Alan Brazil Leisure Plc, and served as finance director of the Sports Café Group for four years between 2001 and 2005.

#### **Rodger David Sargent, Chief Executive Officer (aged 47)**

Rodger Sargent has been the founder and finance director of a number of quoted and private companies over the past fifteen years. Rodger has also been a director of Big Blue Boardband Plc, Audioboom Group Plc and S4 Capital plc. He previously ran the family office of Betfair founder, Andrew Black. He qualified as a chartered accountant with PriceWaterhouse Cooper, London in 1996.

### **Proposed Directors**

On Completion, it is proposed that Jonathan Hale and Rodger Sargent will resign from the Board and that the following will be appointed to the New Board of the Enlarged Group:

#### **Dr. Patrick Jude DeSouza: Proposed Non-Executive Chairman (aged 61)**

Since 2010 Patrick has been the Executive Chairman of Water Intelligence plc, a rapidly growing AIM quoted business focusing on technology transformation of the water industry. He has 25 years of operating and advisory leadership experience with both public and private companies in media and technology and asset management industries. Over the last 15 years, Patrick has also invested in and incubated technology companies centred at Yale University. Patrick has served at the White House on the National Security Council. He is a graduate of Columbia College, Yale Law School and Stanford Graduate School. He is a member of the Council on Foreign Relations.

#### **Todd Lawrence Carter: Proposed Chief Executive Officer (aged 56)**

Todd is the Co-Founder & CEO of Tagasauris. Prior to Tagasauris, he was Co-founder/President of OWL Multimedia, Inc. a music search technology company centred at Yale University and Co-Founder/CTO of Busy Box, a publicly traded technology company. He co-authored the AXS File Concatenation Protocol, an early standard for image metadata representation that found broad adoption in the printing and publishing industries including by Reuters, Agence France Presse, and PressLink. Todd was also a member of ISO/IEC JTC1/SC29/WG11, more commonly known as the Moving Pictures Experts Group, a working group that develops international standards for audio-visual information representation.

**Stephen Scott Schlichter: Proposed Executive Director (aged 52)**

Scott is the Co-Founder & CEO of GTChannel. Prior to GTChannel, Scott launched and managed Hysteria, Inc., Dogma Studios, and advised several start-ups including JusCollege. He has 25 years of experience in entertainment and digital video and has launched several media focused start-ups with clients including major Hollywood studios, network television companies and cable channels.

**David Anton: Proposed Non-Executive Director (aged 57)**

David is Chief Executive Officer of Anton & Partners, a leading advertising, branding, and marketing communication company with a 20-year track record of creating impact for some of the world's most notable brands in fashion, lifestyle, financial and automotive sectors. David is a serial entrepreneur and has founded various successful companies. He is an investor in and advisor to Village Roadshow Productions, a leading movie production company. He is a graduate of Columbia College.

**Michael Joseph Kelly Jr: Proposed Non-Executive Director (aged 62)**

Mike is the Co-Founder of Kelly Newman Ventures, LLC, an advisory and investment firm. He was formerly Chief Executive Officer of The Weather Channel Companies, a leading weather-focused media and technology company owned by a consortium made up of The Blackstone Group, Bain Capital, and NBCU. Prior to that, he served as the President of AOL Media Networks, a division of Time Warner where he pioneered the media network strategy through a number of successful acquisitions such as Advertising.com and Tacoda. He currently serves on the Board of Directors of Cars.com (NYSE:Cars), is the non-exec Chairman of BGF backed Dianomi LTD, a UK based marketing platform and is a member of the Board of Quantcast Corporation, a US based technology company that specialises real-time advertising. He is a graduate of the University of Illinois, Champaign-Urbana.

**Akiko Mikumo: Proposed Non-Executive Director (aged 66)**

Akiko is a retired partner at Weil Gotshal & Manges LLP, one of the world's leading law firms. She has over 35 years of mergers and acquisitions, securities and governance experience. Her clients have included some of the leading media and technology companies and investment firms. Akiko founded the Hong Kong office of Weil and led the growth of its London office. She served as a member of the firm's Management Committee. Ms. Mikumo is a director of Cambridge Science Corporation, a biotech investment company in Cambridge Massachusetts. Recently, she served as a fellow at Harvard's Advanced Leadership Initiative. She is a graduate of University of California, Berkeley and New York University School of Law.

**Senior Management**

**Taro Koki: Proposed Senior Manager (aged 49)**

Taro is currently President and Co-founder of GTChannel. Taro was previously Chief Executive Officer of Zigzag Asia, Director of Hungry for Words KK and started his career in Tokyo with Mitsui & Co. Ltd. Taro was also a race reporter for ESPN during GTChannel's partnership with the IMSA racing series. Taro has over 15 years of experience in the media space in both Asia and the US. He is a graduate of Waseda University – Tokyo.

**Adrian Laurence Hargrave: Proposed Chief Financial Officer (aged 39)**

Adrian is currently VP, Corporate Development and Investor Relations at Water Intelligence, having joined from finnCap Ltd in 2018. He was a Qualified Executive for 14 years, having previously worked at Deloitte LLP, Citigroup and Cenkos Securities Plc. He has extensive experience working with AIM-listed companies. Adrian graduated from Cambridge University with a degree in Economics.

**8. PRINCIPAL TERMS AND CONDITIONS OF THE ACQUISITION**

On 11 September 2019, the Company and MergerCo entered into the Acquisition Agreement with each member of the EAI Group, GTC MergerCo, TAG MergerCo and certain Vendors pursuant to which the Company has conditionally agreed to acquire the entire issued capital (outstanding immediately prior to the time of the Acquisition) of each of Entertainment AI, GTChannel and Tagasauris via a merger with each of MergerCo, GTC MergerCo and TAG MergerCo. The consideration for the Acquisition is £12.19 million, to be satisfied wholly by the issue of the Consideration Shares fully paid up on Completion.

Completion of the Acquisition Agreement is conditional, amongst other things, upon:

- Shareholder approval of the Resolutions;
- a majority of Tagasauris' shareholders approving of the terms of the Acquisition; and
- the Company's cash and net cash position (inclusive of recoverable value added tax, which will be recoverable post completion of the Proposals) being not less than £1 million.

The Acquisition Agreement contains representations, warranties and covenants given by the principal Vendors and also contains representations and warranties that are given by the EAI Group, each of which are limited in time and scope. In addition, the principal Vendors have agreed to indemnify the Company on a several basis for breaches of all representations and warranties given by them and with respect to the Company within the EAI Group of which they are stockholders on the date of the Acquisition Agreement. Under the Acquisition Agreement the limitation period for:

- title, authority and tax representation and warranty claims is 6 years from completion of the Acquisition; and
- all other representation and warranty claims is 12 months following completion of the Acquisition.

The principal Vendors shall not be required to indemnify the Company under the Acquisition Agreement unless the aggregate losses in respect of any representation and warranty claim exceeds 1 per cent. of £12.19 million. The principal Vendors' maximum liability for claims relating to the representations and warranties under the Acquisition Agreement is limited to an amount equal to 17.5 per cent. of the value of the Consideration Shares. The Purchaser's recourse is limited to the Consideration Shares, rather than cash (unless from the proceeds of sale of such shares).

On the closing date of the Acquisition the Company will file certificates of mergers with the Secretary of State of the State of Delaware, United States of America. Upon the certificates of merger taking effect MergerCo, GTC MergerCo and TAG MergerCo, shall be merged with and into Entertainment AI, GTChannel and Tagasauris respectively, with Entertainment AI, GTChannel and Tagasauris existing as the surviving corporations.

The Acquisition Agreement is governed by the laws of the State of Delaware.

Following Admission the Consideration Shares will rank *pari passu* with the Existing Issued Share Capital (as consolidated pursuant to the Share Capital Consolidation). Application will be made for the admission of the Enlarged Issued Share Capital to trading on AIM which is expected to take place on 30 September 2019.

### **Financial effects of the Acquisition**

An unaudited pro forma statement of net assets of the Enlarged Group, prepared for illustrative purposes only, showing the impact of the Acquisition on the Enlarged Group is set out in Part IV of this document.

## **9. FINANCING OF THE ACQUISITION**

The Company will finance the Acquisition through the issuance of the Consideration Shares.

## **10. THE STRATEGIC INVESTORS**

As part of the Acquisition, two strategic investors, Water Intelligence plc and Sumitomo Corporation agreed to invest an aggregate of £1.25 million in the Cross-Over Round as outlined in Paragraph 10 below. The Directors and Proposed Directors believe that the Strategic Investors will improve the prospects of the Enlarged Group as they will provide early revenue and their support as Strategic Investors provides third party validation for the Enlarged Group's strategy. The Company has agreed preferential outline terms on which the Strategic Investors will be able to exploit the Enlarged Group's technology.

Water Intelligence is a rapidly growing AIM quoted business focused on technology transformation of the water industry and an existing investor in EAI Group. Patrick DeSouza, the Executive Chairman of Water Intelligence Plc and a co-founder of EAI Group will be on the New Board as Non-Executive Chairman. Mr DeSouza and Water Intelligence, in which he holds a 28.3 per cent shareholding, have entered into a relationship agreement with the Company which is detailed in paragraph 14.7 of Part VI of the Admission Document. Water Intelligence has a right to a New Board observer, for so long as Water Intelligence holds 2 per cent. of the Company's issued share capital.

Sumitomo Corporation, a member of the Fortune Global 500 with 2018 global net income of \$2.9 billion, conducts business activities in a wide range of industries on a global scale. Sumitomo Corporation has a right to a New Board observer, for so long as Sumitomo Corporation holds the lesser of the Cross-Over Shares issued to it in the Cross-Over Round or 2 per cent. of the Company's issued share capital.

## **11. THE FUNDRAISING**

In order to fund the Enlarged Group's organic expansion plans, the Company is seeking to raise £8.61 million (gross) (£7.31 net of expenses) pursuant to the Fundraising through the issue of the Cross-Over Shares at the Cross-Over Price and the Placing Shares at the Issue Price.

The Strategic Investors, being Sumitomo Corporation and Water Intelligence Plc, have agreed to invest in the Company pursuant to the Cross-Over Round and have entered into binding commitments to subscribe for the Cross-Over Shares for a total consideration of £1.25 million. A summary of the Cross-Over Subscription Letters and other associated documentation is provided in paragraphs 14.3 and 14.17 of Part VI of this document. The Cross-Over Shares will represent approximately 6.95 per cent. of the Enlarged Issued Share Capital immediately following Admission. The Cross-Over Round is not conditional on the successful completion of the Placing, which means it will provide a base level of working capital for the Enlarged Group following Admission whether or not the Placing proceeds.

The Placing Shares will represent approximately 32.73 per cent. of the Enlarged Issued Share Capital immediately following Admission. Further details of the Placing Agreement which contains the terms upon which the Placing is being undertaken are described in paragraph 14.2 of Part VI of this document. The Placing is not being underwritten. Following Admission the Fundraising Shares will rank *pari passu* with the Existing Issued Share Capital.

Application will be made for the admission of the Enlarged Issued Share Capital to trade on AIM which is expected to take place on 30 September 2019.

## **12. USE OF PROCEEDS**

The funds from the Fundraising are expected to be used to execute the Enlarged Group's growth strategy outlined above: growth of the MCN; introduction of technology offerings to audiences; development of content for the owned and operated site including for subscriptions and brands; and implementation of machine learning microservices. As noted, these dimensions of the plan are synergistic. To that end, based on a £8.61 million fundraise and existing cash from within the Enlarged Group, the Enlarged Group expects to allocate approximately £3 million to execution of products and implementation of software as services model, £2 million for content creation, and the remainder for working capital and balance sheet strength that will allow the Enlarged Group to accelerate its growth plan through new and existing opportunities.

Should more capital be raised as part of the fund raise, the Directors and Proposed Directors are prepared to accelerate the Enlarged Group's growth plan with a further strengthened balance sheet.

## **13. WARRANTS**

The Company, WH Ireland and Dowgate have entered into a warrant instrument whereby, conditional upon Admission, WH Ireland and Dowgate will be issued with warrants to subscribe for in aggregate 170,940 Ordinary Shares at 130 per cent. of the Issue Price which are exercisable over a one year period commencing on Admission, after which time the warrants will expire and become null and void. The exercise price and the number of Ordinary Shares issuable upon exercise are both subject to adjustment in certain circumstances, including a subdivision or consolidation of the Ordinary Shares.

## **14. INCENTIVISATION ARRANGEMENTS**

The Directors and Proposed Directors believe that the success of the Enlarged Group will depend to a high degree on management and other members of staff being appropriately motivated and rewarded. To this end the Company intends to make options available to current and future personnel up to a maximum of 15 per cent. of the Enlarged Issued Share Capital for a period of 12 months unless it has received written consent from WH Ireland and Dowgate. Upon Admission, the Company will issue options over 4,884,604 Ordinary Shares to certain directors, staff and key contractors. These options will be issued at the Issue Price and will vest immediately, with half exercisable after 1 year and the remainder after 2 years. Post-Admission the Company intends to put in place a share

option plan and it is anticipated that any Options will be issued at a premium to the prevailing share price at the time, will only be exercisable after three or more years and will vest subject to relevant performance criteria at the time of issue.

## **15. DIVIDEND POLICY**

The Directors and the Proposed Directors believe that the Enlarged Group will continue to have the potential to be cash generative in the future and recognise the importance of dividend income to shareholders. Any future dividends will depend on the Enlarged Group's profitability, cash position and prospects, whilst also having regard to the future cash demands of the business. The Directors and Proposed Directors do not anticipate the proposal or any payment of any dividends during the current financial year to 31 December 2019.

The Proposed Directors may amend the dividend policy of the Company from time to time and the above statement regarding the dividend policy should not be construed as any form of profit or dividend forecast.

## **16. THE TAKEOVER CODE, THE CONCERT PARTY AND THE PROPOSED WAIVER**

### **Takeover Code**

The Acquisition gives rise to certain considerations under the Takeover Code. Brief details of the Panel, the Takeover Code and the protections they afford are set out below.

The Takeover Code is issued and administered by the Panel. The Takeover Code applies to all takeover and merger transactions, however effected, where the offeree company is, among other things, a listed or unlisted public company resident in the United Kingdom, the Channel Islands or the Isle of Man (and to certain categories of private limited companies). The Company is a public company whose Existing Ordinary Shares are admitted to trading on the Main Market of the London Stock Exchange, and its Shareholders are therefore entitled to the protections afforded by the Takeover Code.

### **Rule 9 of the Takeover Code**

Under Rule 9 of the Takeover Code, where any person acquires, whether by a series of transactions over a period of time or by one specific transaction, an interest (as defined in the Takeover Code) in shares which (taken together with shares in which he is already interested and in which persons acting in concert with him are interested) carry 30 per cent, or more of the voting rights of a company that is subject to the Takeover Code, that person is normally required by the Panel to make a general offer to all the holders of any class of equity share capital or other class of transferable securities carrying voting rights in that company to acquire the balance of their interests in the company.

Similarly, Rule 9 of the Takeover Code also provides, among other things, that where any person, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent, of the voting rights of a company, but does not hold shares carrying more than 50 per cent, of the voting rights of that company which is subject to the Takeover Code and such person or any such person acting in concert with him acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which he is interested, then such person or persons acting in concert with him will normally be required by the Panel to make a general offer to all the holders of any class of equity share capital or other class of transferable securities carrying voting rights of that company to acquire the balance of their interests in the company.

An offer under Rule 9 of the Takeover Code must be in cash (or with a cash alternative) and at the highest price paid within the preceding 12 months for any interest in shares in the company by the person required to make the offer or any person acting in concert with him.

Shareholders should be aware that Rule 9 of the Takeover Code further provides, *inter alia*, that where any person who, together with persons acting in concert with him, holds interests in shares carrying more than 50 per cent. of the voting rights of a company, acquires an interest in shares which carry additional voting rights, then they will not normally be required to make a general offer to the other shareholders to acquire their shares.

For the purposes of the Takeover Code, persons acting in concert include persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate, to obtain or consolidate control of a company or frustrate the successful outcome of an offer for a company subject to the Takeover Code. For the purposes of the Takeover Code, "control" means an interest or interests in

shares carrying in aggregate 30 per cent. or more of the voting rights of a company, irrespective of whether the such interest or interests give de facto control. Under the Takeover Code, shareholders in a private company who sell their shares in that company in consideration for the issue of new shares in a company to which the Takeover Code applies, are also presumed to be acting in concert in respect of that company unless the contrary is established.

### Concert Party

The Concert Party is made up of the GTC Concert Party Members, being certain GTC Vendors, and the Tag Concert Party Members, being certain TAG Vendors, who are all presumed under the Takeover Code to be acting in concert by virtue of presumption 9 of the definition of acting in concert, whereby shareholders in a private company who sell their shares in that company in consideration for the issue of new shares in a company to which the Takeover Code applies are presumed to be acting in concert. The Panel has agreed to rebut presumption 9 of the definition of acting in concert in respect of the remaining GTC Vendors and TAG Vendors as these investors are historic investors who have little or no personal, social or business connections with the members of the Concert Party. Full details of the members of the Concert Party are shown below. The members of the Concert Party have various personal, social and/or business connections which have existed for at least the 3 year period preceding the date of this document and which are expected to continue following Admission. Should the Acquisition and Fundraising complete, the following persons as set out below are presumed to be acting in concert with each other. Their interests in the Enlarged Group immediately following completion of the Proposals and on Admission are also set out in the table below. Further information is set out at paragraph 1 of Part V of this document.

Concert Party member	Number of Ordinary Shares on Admission	Percentage of Enlarged Issued Share Capital	Number of options over Ordinary Shares on Admission	Percentage of Enlarged Issued Share Capital on a fully diluted basis
<b>GTC Concert Party Members</b>				
Scott Schlichter	5,870,406	11.75	nil	11.07
Taro Koki	3,601,437	7.21	1,064,583	8.80
Yuko Koki	nil	0.00	12,005	0.02
The Lunzer Trust	61,072	0.12	nil	0.12
Adam Shea Family	763,396	1.53	nil	1.44
<b>Tag Concert Party Members</b>				
Todd Carter*	2,963,021	5.93	1,977,083	9.32
Patrick De Souza	5,426,164	10.86	nil	10.24
Water Intelligence Plc	3,981,009	7.97	nil	7.51
Michael Solomon	1,142,648	2.29	nil	2.16
	<b>Total</b>	<b>47.66</b>		<b>50.67</b>

\* Held personally and through Tocarte, LLC, a Company wholly owned by Todd Carter.

Note: All figures in the table above assume that:

1. the Resolutions are passed;
2. the Share Capital Consolidation, the Acquisition and the Fundraising complete (resulting in the issue of the Consideration Shares and the Fundraising Shares);
3. £7.36 million is raised in the Placing at 45 pence per Ordinary Share;
4. £1.25 million is raised in the Cross-Over Round at 36 pence per Ordinary Share.
5. there being no other issue of Existing Ordinary Shares or Ordinary Shares, or the conversion of Warrants or Options in the Enlarged Issue Share Capital, and by existing options holders and warrant holders.

As at the date of this document, no member of the Concert Party has any interest in any Ordinary Shares.

### Maximum Potential Controlling Position

The holdings of the Concert Party as detailed in the table above reflect the Concert Party's maximum possible interest following the issue of the Consideration Shares and the exercise of options. Between the date of this document and Admission, Tagasauris and GTChannel may settle a limited number of liabilities and fees owed by them to third parties (who, for the avoidance of doubt, are not members of the Concert Party) by issuing new shares in Tagasauris and GTChannel. In addition, new shares may be issued should existing options held by existing shareholders in Tagasauris (who, for

the avoidance of doubt, are not members of the Concert Party) be exercised ahead of Admission, after which time any unexercised existing options will cease to be capable of exercise. An issue of shares for either of these purposes between the date of this document and Admission will result in a small decrease in the percentage of Ordinary Shares in which the Concert Party is interested on Admission although the total number of Consideration Shares and Fundraising Shares will remain the same.

Upon Admission, the Concert Party will hold an aggregate of 23,809,153 Ordinary Shares, representing approximately 47.66 per cent. of the Enlarged Issued Share Capital. In addition, members of the Concert Party will receive Options over 3,053,671 New Ordinary Shares (the "CP Options"). Assuming only the CP Options are exercised (and no new Ordinary Shares are issued in the meantime), the Concert Party will hold 26,862,824 Ordinary Shares, representing a maximum of approximately 50.67 per cent. of the Enlarged Issued Share Capital as enlarged by such exercise. The receipt of the Consideration Shares, the Fundraising Shares and, if applicable, the issuance of shares through the exercise of the CP Options by the Concert Party will therefore, absent of a waiver of the obligations under Rule 9 of the Takeover Code, give rise to an obligation on the Concert Party to make a general offer to the Shareholders for the entire issued share capital of the Company.

### **Waiver of Rule 9 obligation**

Under Note 1 on the Notes on the Dispensations from Rule 9 of the Takeover Code, the Panel will normally waive the requirement for a general offer to be made to shareholders in accordance with Rule 9 (a "Rule 9 Offer") if, *inter alia*, those shareholders of the company who are independent of the persons who would otherwise be required to make an offer (being any member of the Concert Party) pass an ordinary resolution on a poll at a general meeting approving such a waiver.

The Company has applied to the Panel for a waiver of the obligation of the Concert Party to make a Rule 9 Offer that would otherwise arise as a result of the issue of the Consideration Shares and Fundraising Shares to the Concert Party or any subsequent exercise of CP Options. Subject to the approval by the Shareholders of the Waiver Resolution, to be given on a poll in General Meeting, the Panel has agreed to waive the obligation to make a Rule 9 Offer arising from the issue of the Consideration Shares and the Fundraising Shares or on any subsequent exercise of the CP Options. To be passed, the Waiver Resolution will require a simple majority of the votes cast on a poll by Shareholders attending and voting at the General Meeting.

Conditional on approval of the Waiver Resolution, upon Admission, the Concert Party will hold an aggregate of 23,809,153 Ordinary Shares, representing approximately 47.66 per cent. of the Enlarged Issued Share Capital. The Concert Party will therefore not be permitted to acquire any further interests in Ordinary Shares (save through the exercise of CP Options) without making a Rule 9 Offer.

Following Admission, should the Concert Party exercise all of the CP Options (and assuming no new shares are issued in the meantime), the Concert Party will hold 26,862,824 Ordinary Shares, representing a maximum of approximately 50.67 per cent. of the Enlarged Issued Share Capital as enlarged by such exercise. Subject to approval of the Waiver Resolution, the Concert Party will not be required to make a Rule 9 Offer as a result of the acquisition of Ordinary Shares pursuant to the exercise of the CP Options.

The waiver to which the Panel has agreed under the Takeover Code will be invalidated if any purchases are made by any member of the Concert Party, or any person acting in concert with it, in the period between the date of this document and the General Meeting. Furthermore, no member of the Concert Party, nor any person acting in concert with it, has purchased Existing Ordinary Shares in the 12 months preceding the date of this document.

**Shareholders should be aware that Rule 9 of the Takeover Code further provides, *inter alia*, that where any person who, together with persons acting in concert with him, holds shares in shares carrying more than 50 per cent. of the voting rights of a company, acquires an interest in shares which carry additional voting rights, then they will not normally be required to make a general offer to the other shareholders to acquire their shares. Given that, following exercise of the CP Options (and assuming no new shares are issued in the meantime) the Concert Party will hold more than 50 per cent. of the voting share capital of the Company, subject always to note 4 on Rule 9.1 of the Takeover Code, any transfer of shares in the Company between entities within the Concert Party and any further acquisitions of the Company's shares by any member of the Concert Party, whether individually or collectively, may not trigger any**

**obligation under Rule 9 of the Takeover Code to make a general offer to Shareholders to acquire the entire issued share capital of the Company. However notwithstanding the Waiver, the individual members of the Concert Party will not be able to increase their percentage shareholding through or between a Rule 9 threshold without the consent of the Panel.**

**In the event that the Waiver is approved at the General Meeting, neither the Concert Party nor any of its connected persons or other persons acting in concert with it will be restricted from making an offer for the Company.**

#### **Independent advice provided to the Board**

The Takeover Code requires the Directors to obtain competent independent advice regarding the merits of the Proposals which are the subject of the Waiver Resolution, the controlling position they will create, and the effect which they will have on the Shareholders generally. Accordingly, EGR Corporate Broking Limited, as the Company's independent financial adviser for the purposes of Rule 3 has provided formal advice to the Directors regarding the Acquisition. EGR confirms that it, and any person who is or is presumed to be acting in concert with it, is independent of the Concert Party and has no personal, financial or commercial relationship or arrangements or understandings with the Concert Party.

#### **Intentions of the Concert Party**

The Company was formed in 2017 to consider acquisition opportunities within the telecoms sector and in January 2018 announced a change in strategy to consider opportunities within the blockchain technology industry. At present the Company is a cash shell investing entity with no operating business, no fixed assets, no research and development function and has just one employee, Rodger Sargent. On completion of the Acquisition the Company will become the holding company of the EAI Group and the Company's existing strategy will cease. The Concert Party has confirmed that following completion of the Proposals and Admission its intention is that the strategy and business of the Company be changed to that of developing the EAI Group business as described in 'From Market Opportunity to Entertainment AI Growth Strategy' in paragraph 3 of Part I above. Following Completion of the Acquisition, in order to support the Company's new strategy referred to above, people may be engaged at the level of the Company and the Company may acquire or develop research and development functions and/or fixed assets.

On completion of the Acquisition and on Admission, Rodger Sargent will cease to act as chief executive officer and Jonathan Hale will cease to act as chairman of the Board.

Following implementation of the Proposals and Admission, the Company's Existing Ordinary Shares (and following the Share Capital Consolidation, its Ordinary Shares) will no longer be admitted to the standard segment of the Official List and admitted to trading on the Main Market of the London Stock Exchange and will instead be admitted to trading on AIM as explained in paragraph 22 of this Part I.

The Company does not have any defined benefit or defined contribution pension schemes.

Other than as set out in 'From Market Opportunity to Entertainment AI Growth Strategy' in paragraph 3 of this Part I and as described above, the Concert Party has confirmed that no changes will be made regarding:

- the future business of the Company, including any research and development functions of the Company;
- the continued employment of the employees and management of the Company and of its subsidiaries, including any material change in the conditions of employment or in the balance of the skills and functions of the employees and management;
- the strategic plans for the Company, and their likely repercussions on employment and on the locations of the Company's places of business, including on the location of the Company's headquarters and headquarters functions.
- any redeployment of the fixed assets of the Company.

## **17. CORPORATE GOVERNANCE**

The Directors and Proposed Directors support high standards of corporate governance. Accordingly, the New Board will meet regularly throughout the year and all necessary information will be supplied to the New Board on a timely basis to enable it to discharge its duties effectively. Additionally, special

meetings will take place or other arrangements will be made when New Board decisions are required in advance of regular meetings.

The Board has established financial controls and reporting procedures which are considered appropriate given the size and structure of the Enlarged Group. It is the intention of the New Board that these controls will be reviewed regularly in light of the future growth and development of the Enlarged Group and adjusted accordingly.

### **Share dealing code**

The Directors and Proposed Directors intend to comply with Rule 21 of the AIM Rules for Companies relating to directors' and applicable employees' dealings in the Company's securities. Accordingly, the Company has adopted a share dealing code for dealings in securities of the Company by Proposed Directors, persons discharging managerial responsibility and applicable employees which is appropriate for a company whose shares are traded on AIM. This constitutes the Company's share dealing policy for the purposes of compliance with United Kingdom legislation including the Market Abuse Regulation and the relevant part of the AIM Rules for Companies.

It should be noted that the insider dealing legislation set out in the United Kingdom Criminal Justice Act 1993, as well as provisions relating to market abuse, will apply to the Company and dealings in the Ordinary Shares.

### **Compliance with the Corporate Governance Code**

The Directors and the Proposed Directors recognise the importance of sound corporate governance and intend that the Company will comply with the provisions of the QCA Corporate Governance Code, as published by the Quoted Companies Alliance, insofar as they are appropriate given the Company's size, nature and stage of development. The QCA Corporate Governance Code sets out a standard of minimum best practice for small and mid-size quoted companies, particularly AIM companies. Further details on compliance with the QCA corporate governance code will be set out in the corporate governance statement on the Enlarged Group's website [www.entertainmentAI.co.uk](http://www.entertainmentAI.co.uk).

The Directors and the Proposed Directors have established an Audit Committee, a Remuneration Committee, a Nominations Committee and a Strategy Committee with formally delegated duties and responsibilities as described below:

#### **Audit committee**

The Audit Committee has the primary responsibility for monitoring the quality of internal control, ensuring that the financial performance of the Company is properly measured and reported on and for reviewing reports from the Company's auditors. The Audit Committee will meet at least twice a year at appropriate times in the reporting and audit cycle and otherwise when required. The Audit Committee will also meet with the Company's auditors at least once a year.

From Admission the Audit Committee will comprise Michael J. Kelly, David Anton, Akiko Mikumo and will be chaired by Patrick DeSouza.

#### **Remuneration committee**

The Remuneration Committee is responsible for the review and recommendation of the scale and structure of remuneration for executive directors and other designated senior management, taking into account all factors which it deems necessary. The Remuneration Committee considers all aspects of the executive directors' remuneration including pensions, benefits and share option awards. The remuneration of the non-executive directors will be a matter for the chairman and the executive members of the New Board. No director will be involved in any decision as to his or her own remuneration. The Remuneration Committee will meet at least twice a year and otherwise when required.

In exercising this role, the Directors shall have regard to the recommendations put forward in the QCA Corporate Governance Code and, where appropriate, the QCA Remuneration Committee Guide and associated guidance.

From Admission the Remuneration Committee will comprise Michael J. Kelly, David Anton and will be chaired by Akiko Mikumo.

As the Remuneration Committee will comprise all of the Independent Non-Executive Directors, this committee will also consider related party matters as they arise.

### **Nominations Committee**

The Nominations Committee will be responsible for consideration of future succession plans for Board members as well as to whether the New Board has the skills required effectively to manage the Enlarged Group. The Nominations Committee will also be responsible for, amongst other things, identifying and nominating members of the Board, recommending Directors to be appointed to each committee of the Board and the chair of each such committee. The Nominations Committee will also arrange for evaluation of the Board. The Nominations Committee will meet on an ad-hoc basis and from Admission will comprise Patrick DeSouza, Akiko Mikumo and will be chaired by Michael J. Kelly.

### **Strategy Committee**

The strategy committee will be responsible for reviewing and considering the following matters: (i) control over the strategy development and its implementation; (ii) acquisitions and business sale transactions; (iii) major investment projects, investment budget allocation and key financial targets.

From Admission the Strategy Committee will comprise Patrick DeSouza, Akiko Mikumo, Michael J. Kelly and will be chaired by David Anton.

### **Advisory Panel**

The Company has established an Advisory Panel, comprised of Charlie Collier, Thomas Glocer and Chris Welty. The purpose of the Advisory Panel is to enable the Proposed Directors to draw upon the skills of these industry experts as well as supporting the Enlarged Group in accessing growth opportunities via the network of contacts of each member of the Advisory Panel. The Advisory Panel will meet on an ad-hoc basis and be available for consultations with various Proposed Directors as required.

## **18. IRREVOCABLE UNDERTAKINGS**

Jon Hale and Rodger Sargent have given irrevocable undertakings to the Company to vote in favour of the Resolutions to be proposed at the General Meeting (and, where relevant, to procure that such action is taken by the relevant registered holders if that is not one of them) in respect of their beneficial holdings totalling, in aggregate, 2,325,000 Ordinary Shares, representing approximately 6.37 per cent. of the Existing Issued Share Capital.

Further details of the irrevocable undertakings received by the Company are set out in paragraph 14.4 of Part VI of this document.

## **19. LOCK-IN AND ORDERLY MARKET ARRANGEMENTS**

Each of the Locked-In Persons and the Strategic Investors has undertaken to the Company and the joint brokers, WH Ireland and Dowgate, that they will retain their entire interest in and not dispose of any interest in Ordinary Shares during the period of twelve months from the date of Admission.

Furthermore each of the Locked-In Persons and Water Intelligence plc has also undertaken to the Company and to the joint brokers that they will retain their entire interest in and not dispose of any interest in Ordinary Shares at any time from 12 to 24 months from Admission, except with the prior written consent of WH Ireland (as nominated adviser) and Dowgate or their successors (whose consent will not be unreasonably withheld or delayed, provided such disposal is in accordance with orderly market principles) and then only through either the joint brokers to facilitate the execution of the trades. Sumitomo Corporation has agreed to notify the joint brokers if it intends to dispose of any interest in Ordinary Shares at any time from 12 to 24 months from Admission.

These restrictions are subject to certain limited exceptions, as described in paragraph 20 below and in paragraph 14.5 of Part VI of this document.

## **20. AUTHORITY FOR OFF-MARKET REPURCHASES**

The Acquisition involves the acquisition of three separate entities: GTChannel, Tagasauris and Entertainment AI and the shareholder re-organisation of two of those companies. The Acquisition involves the merging of these three entities into Blockchain subsidiaries. The entities have received advice that the structure constitutes a tax-free reorganisation. It is possible that the tax advice may be challenged and may produce an unexpected tax. In addition, pursuant to the Acquisition Agreement, any liability for the Locked-In Vendors is limited to 17.5 per cent. of the value of their Consideration Shares and the Company's recourse is limited to the Consideration Shares. Should such a claim be made, the Company might require the ability to repurchase Consideration Shares.

Given the lock-in arrangement described in paragraph 19 of this Part 1, pursuant to which the Locked-In Vendors have agreed to lock-in all of their Consideration Shares, should there be a contingency such as an unexpected tax bill or a warranty claim pursuant to the Acquisition Agreement, such lock-in limits the ability of a Locked-In Vendor to satisfy such a contingency with cash.

Under these limited circumstances described above, the Company and the Joint Brokers will permit some of the Consideration Shares to be released from the lock-in arrangements in order to satisfy relevant liabilities. The maximum amount of Consideration Shares to be released from the lock-in arrangements is expected to be less than one-third of the Consideration Shares for the Locked-In Vendors in aggregate. The Locked-In Vendors have agreed that 100 per cent. of their Ordinary Shares shall remain under lock-in arrangements should no relevant liabilities arise.

In circumstances where the lock-in arrangements are waived, the Company and Locked-In Vendors have agreed, in the first instance, to request that WH Ireland and Dowgate or their successors permit the disposal of the required number of Consideration Shares to generate sufficient net funds to pay the relevant liability as it falls due through a market transaction. Such permission is not to be unreasonably withheld, however, should such permission not be granted or it is not possible to meet the tax bill or warranty claim in a market transaction, the Company has agreed to buyback such number of Ordinary Shares from the Locked-In Vendors that will generate sufficient net funds to pay the relevant liability as it falls due.

For the Company to be able to undertake an off-market repurchase of the relevant Consideration Shares:

- Shareholders would need to authorise the Board, at the General Meeting, to undertake an off-market repurchase and would need to approve the form of off-market SPA set out in Part VII of this document. The agreement provides for the price of the acquired shares to be the Issue Price or (if lower), a price that reflects standard market practice with a price payable within 5 per cent. of the volume weighted average closing mid-market price of the Company's shares for the 20 business days prior to the day the purchase is agreed.
- Shareholders will also need to approve, at the General Meeting, a reduction of the Company's share premium account in order to create a distributable reserve to finance the buyback;
- Subsequently the Company will need the sanction of the Court to the reduction of the share premium account; and
- before entering into an off-market SPA with a related party, the independent directors on the Board may need to consult with the Company's nominated adviser prior to concluding whether the terms of the buyback are fair and reasonable insofar as shareholders are concerned.

Alternatively and subject to the requirements of the Act, the Company or a member of the Enlarged Group may extend a loan to the Locked-In Vendors to generate sufficient funds to meet relevant liabilities as they fall due. Any such loan is likely to require the Board to consult with the Company's nominated adviser prior to concluding whether the proposed terms are fair and reasonable insofar as shareholders are concerned.

## **21. RELATIONSHIP AGREEMENT**

The Company, WH Ireland, Patrick DeSouza and Water Intelligence Plc (a Strategic Investor) (as significant shareholders) have entered into a relationship agreement, which is conditional upon Admission and will be in effect at all times from time to time when such significant shareholders and/or their connected persons together hold the legal and/or beneficial title to, or the voting rights attaching to Ordinary Shares which constitute, in aggregate, not less than 15 per cent. of the number of Ordinary Shares in issue.

Pursuant to the agreement Patrick DeSouza and Water Intelligence Plc, in their capacity as substantial shareholders, have given various undertakings to the Company regarding the relationship between each of them, their connected persons and the Company.

In particular, Patrick DeSouza and Water Intelligence Plc have each agreed not to take any action that would result in the Company not being able to carry on its business independently of Patrick DeSouza and Water Intelligence Plc or their connected persons. The agreement will automatically terminate upon the earlier of: the execution of an agreement between all the parties to terminate the agreement; and the Ordinary Shares ceasing to be traded on AIM or some other recognised stock exchange. If the interest of Water Intelligence and Pat DeSouza in Ordinary Shares fall below 15 per cent., the

agreement will cease but if within one year of the agreement ceasing to apply, those interests reach or exceed 15 per cent., then the provisions of the agreement will automatically re-apply.

## **22. ADMISSION AND CREST SETTLEMENT**

It is intended that if the Acquisition and Fundraising are completed the admission of the Company's Existing Ordinary Shares to the standard segment of the Official List and to trading on the Main Market will be cancelled (immediately prior to Admission) and the Enlarged Issued Share Capital will be admitted to trading on AIM. Consequently, application will be made to London Stock Exchange for the Enlarged Issued Share Capital to be admitted to trading on AIM.

Admission is expected to take place at 8.00 a.m. on 30 September 2019.

The Existing Ordinary Shares and (following the Share Capital Consolidation) the Ordinary Shares (including the Consideration Shares and the Fundraising Shares) are and will be eligible for CREST settlement. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument in accordance with the requirements of CREST. The Articles permit the holding and transfer of Ordinary Shares to be evidenced in uncertificated form in accordance with the requirement of CREST. Accordingly, following Admission, settlement of transactions in Ordinary Shares may take place within the CREST system if the relevant Shareholder so wishes. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so

The Ordinary Shares will have the ISIN number GB00BK6SHS41. The Ordinary Shares will not be dealt on any other recognised investment exchange and no application has been or is being made for the Ordinary Shares to be admitted to any other such exchange.

## **23. SHARE CAPITAL CONSOLIDATION**

Under the Share Capital Consolidation it is proposed that every 12 Existing Ordinary Shares be consolidated as one Ordinary Share. Accordingly, the proportion of Existing Ordinary Shares held by each Shareholder immediately before the Share Capital Consolidation will, save for fractional entitlements (which are discussed further below), be the same as the proportion of Ordinary Shares held by each Shareholder immediately after the Share Capital Consolidation. In the event that the number of Existing Ordinary Shares held by a Shareholder is not exactly divisible by 12, the Share Capital Consolidation will generate an entitlement to a fraction of an Ordinary Share. Any Ordinary Shares in respect of which there are such fractional entitlements will be aggregated and sold in the market for the best price reasonably obtainable and the net proceeds of such sale distributed in due proportion among those Shareholders entitled to a fraction of an Ordinary Share except that any amount otherwise due to a member of less than £3 will be retained for the benefit of the Company. The Consolidated Ordinary Shares will have ISIN number GB00BK6SHS41. Any Shareholder holding fewer than 12 Existing Ordinary Shares on 27 September 2019, being the record date for the Share Capital Consolidation, will cease to be a Shareholder. The Directors and Proposed Directors believe that the Share Capital Consolidation will result in a more appropriate number of shares in issue given the Company's size.

## **24. CHANGE OF NAME**

Pursuant to the power given to the Board in the Articles, it is proposed to change the name of the Company to Entertainment AI Plc with effect from Admission. Upon the change of name being registered at Companies House, the Company's website address will be changed to [www.entertainmentai.co.uk](http://www.entertainmentai.co.uk).

## **25. GENERAL MEETING**

Set out at the end of this document is a Notice convening the General Meeting to be held on 27 September 2019 at 10.15 a.m. at the offices of Fladgate LLP at 16 Great Queen Street, London, WC2B 5DG at which the following Resolutions will be proposed, of which Resolutions 1 to 9 (inclusive) and 12 will be proposed as ordinary resolutions and Resolutions 10 and 11 will be proposed as special resolutions:

- i. **Resolution 1 – Approve the Waiver:** an ordinary resolution to approve the waiver of the obligation under Rule 9 of the Takeover Code, conditional on approval by the Panel. This resolution will be taken on a poll, and must be approved by the Shareholders entitled to vote who together represent a simple majority of the issued Existing Ordinary Shares held by such Shareholders being voted (whether in person or by proxy) at the General Meeting;

- ii. **Resolution 2 – Approve the Share Capital Consolidation:** which is conditional upon the passing of Resolution 1 and is an ordinary resolution to approve the consolidation of the Existing Issued Share Capital of the Company into 3,041,666 ordinary shares of £0.12 each.
- iii. **Resolution 3 – Approve the appointment of Proposed Director:** is an ordinary resolution, to approve the appointment of Patrick DeSouza as a director of the Company with effect from Admission;
- iv. **Resolution 4 – Approve the appointment of Proposed Director:** is an ordinary resolution, to approve the appointment of Todd Carter as a director of the Company with effect from Admission;
- v. **Resolution 5 – Approve the appointment of Proposed Director:** is an ordinary resolution, to approve the appointment of Scott Schlichter as a director of the Company with effect from Admission;
- vi. **Resolution 6 – Approve the appointment of Proposed Director:** is an ordinary resolution, to approve the appointment of David Anton as a director of the Company with effect from Admission;
- vii. **Resolution 7 – Approve the appointment of Proposed Director:** is an ordinary resolution, to approve the appointment of Michael Kelly as a director of the Company with effect from Admission;
- viii. **Resolution 8 – Approve the appointment of Proposed Director:** is an ordinary resolution, to approve the appointment of Akiko Mikumo as a director of the Company with effect from Admission;
- ix. **Resolution 9 – Authorise the directors to allot equity securities:** which is conditional on the passing of foregoing Resolutions and is an ordinary resolution, to authorise the Directors to allot Ordinary Shares up to an aggregate nominal amount of £8,450,998.68 being equal to 70,424,989 Ordinary Shares (which allows for the issue of the Consideration Shares, the Fundraising Shares, 170,940 Ordinary Shares pursuant to the Warrant Instrument and 7,466,665 Options for Ordinary Shares in connection with potential option issuance plus headroom to issue a further 16,000,000 Ordinary Shares;
- x. **Resolution 10 – Dis-apply pre-emption rights:** which is conditional on the passing of Resolution 9 and is a special resolution, to disapply statutory pre-emption rights in respect of the allotment and issue of 70,424,989 Ordinary Shares pursuant to Resolution 9;
- xi. **Resolution 11 – Reduction of capital:** the Company does not have distributable reserves from which to finance a buyback of shares. It is proposed to create a distributable reserve by reducing share premium account, subject to the consent of the Court. This is a special resolution; and
- xii. **Resolution 12 – Authorisation of buyback contract:** this is an ordinary resolution to approve the form of buyback contract referred to in paragraph 20 of this Part I and as set out in Part VII.

Shareholders should note that the Proposals cannot be completed unless all the Resolutions are passed.

## 26. TAXATION

Information regarding certain taxation considerations in the United Kingdom is set out in paragraph 21 of Part VI of this document. These details are, however, intended only as a general guide to the current tax position under United Kingdom law. Shareholders who are in any doubt as to their tax position or who are subject to tax in jurisdictions other than the United Kingdom should consult an appropriate professional adviser immediately.

## 27. RISK FACTORS

Your attention is drawn to the Risk Factors set out in Part II of this document.

## 28. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in Part VI of this document.

## **29. ACTION TO BE TAKEN**

A Form of Proxy is enclosed for use by Shareholders in connection with the General Meeting. Whether or not Shareholders intend to be present at the General Meeting, they are asked to complete the Form of Proxy in accordance with the instructions printed on it so as to be received by the Company's registrars, Share Registrars Limited, as soon as possible but in any event not later than 10.15 a.m. on 25 September 2019. Completion of the Form of Proxy will not preclude a Shareholder from attending and voting at the General Meeting in person should he subsequently wish to do.

## **30. RECOMMENDATION**

The Directors, having been so advised by EGR, believe that Waiver Proposal is fair and reasonable and in the best interests of the Shareholders and the Company. In providing advice, EGR has taken into account the Directors' commercial assessments. Accordingly, the Directors unanimously recommend that the Shareholders vote in favour of the Waiver Resolution.

In addition, the Directors consider that all of the other resolutions to be proposed at the General Meeting are in the best interests of the Company and its Shareholders as a whole and accordingly, the Directors unanimously recommend that each Shareholder vote in favour of each of the Resolutions. All of the Directors intend to vote in favour of those Resolutions in respect of the 2,325,000 Existing Ordinary Shares beneficially owned by them in aggregate representing approximately 6.37 per cent. of the Company's Existing Issued Share Capital.

Yours faithfully

**Jonathan Hale**  
***Non-Executive Chairman***

## PART II

### RISK FACTORS

Any investment in the Ordinary Shares would be subject to a variety of risks which, if they occur, may have a materially adverse effect on the Company's or the Enlarged Group's business, financial condition, operating results or prospects. Prior to approving the Resolutions at the General Meeting or investing in the Ordinary Shares, prospective investors should consider carefully the factors and risks associated with any investment in the Ordinary Shares, the Enlarged Group's business and the industry in which it operates, together with all other information contained in this document including, in particular, the risk factors described below.

The risks which the Company considers to be material as at the date of this document are set out below. The risks described in this Part II are based on information known at the date of this document but may not be the only risks to which the Company or the Enlarged Group is, or might be, exposed.

Additional risks and uncertainties that are not currently known to the Company, or that it currently deems immaterial, may also have an adverse effect on the Enlarged Group's business, financial condition, operating results or prospects. In particular, the Company's or the Enlarged Group's performance might be affected by changes in market and economic conditions and in legal, regulatory and tax requirements. If any such circumstance or event occurs the price of the Ordinary Shares may decline and investors could lose all or part of their investment. No assurance can be given that investors will realise a profit or avoid a loss on their investment. Investors should consider carefully whether an investment in the Ordinary Shares is suitable for them in light of the information in this document and their personal circumstances and the financial resources available to them.

The following is not an exhaustive list or explanation of all risks that prospective investors may face when making an investment in the Ordinary Shares and should be used as guidance only. The order in which risks are presented is not necessarily an indication of the likelihood of the risks actually materialising, of the potential significance of the risks or of the scope of any potential harm to the Company's or the Enlarged Group's business, financial condition, operating results or prospects.

Prospective investors should read this document as a whole and not rely solely on the information set out in this section. Any prospective investor who is in any doubt as to any action he should take, should consult with an independent financial adviser authorised under the FSMA, if the investor is in the United Kingdom or, if not, another appropriately authorised independent financial adviser, who specialises in advising on the acquisition of shares and other securities.

#### 1. GENERAL RISKS

An investment in the Company is only suitable for investors capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which may result. A prospective investor should consider with care whether an investment in the Company is suitable for them in the light of his personal circumstances and the financial resources available to him.

Investment in the Company should not be regarded as short-term in nature. There can be no guarantee that any appreciation in the value of the Company's investments will occur or that the investment objectives of the Company will be achieved. Investors may not get back the full or any amount initially invested.

The prices of shares and the income derived from them can go down as well as up. Past performance is not necessarily a guide to the future.

Changes in economic conditions, including, for example, interest rates, currency exchange rates, rates of inflation, as well as industry conditions, competition, political and diplomatic events and trends, tax laws and other factors can substantially and adversely affect equity investments and the Enlarged Group's prospects.

## **2. RISKS RELATING TO THE ACQUISITION**

### **Conditionality of the Acquisition**

Completion of the Acquisition is subject to the satisfaction (or waiver, where applicable) of a number of conditions, including, among other things, the passing of all of the Resolutions and Admission. There is no guarantee that the conditions will be satisfied (or waived, if applicable), in which case the Acquisition will not complete.

### **Limited recourse under the Acquisition Agreement**

Whilst due diligence has been conducted on the Entertainment AI Group there can be no guarantee that the Acquisition does not involve or include any hidden or undisclosed liabilities, issues or defects and that the representations, warranties and indemnities obtained under the Acquisition Agreement will provide an adequate remedy for the Company to seek compensation for any loss or liability arising therefrom.

Under the terms of the Acquisition Agreement, the Company is receiving warranties in relation to certain matters from the principal Vendors. The liability of the principal Vendors is capped and the Purchaser's rights are limited to recourse against the Consideration Shares. The consideration under the Acquisition Agreement comprises the Consideration Shares rather than cash and the Consideration Shares exclusively shall be used to meet any obligations under all of the warranties which may limit recourse for breaches of warranty and other breaches of the Agreement. The financial standing of the principal Vendors may also limit recourse for breaches of warranty and other breaches of the Acquisition Agreement.

Whilst the Company will be obtaining the outstanding stock from each of the Vendors and so will fully own each of Entertainment AI, GTC and TAG, there may be a small number of stockholders who do not sign the Acquisition Agreement whose stock will be acquired via a compulsory acquisition mechanism. Such stockholders will not be deemed to have given the representations and warranties to the Company under the Acquisition Agreement.

### **There is a risk that Tagasauris has issued or agreed to issue securities which have not been identified**

Tagasauris has a large number of stockholders and holders of securities convertible into, exercisable for or exchangeable for stock (for a company of the size and stage as Tagasauris). In particular, Tagasauris had operated a practice of granting stock within employment and commercial agreements, which although not uncommon in startups, increases the risk of issuances that may have been overlooked in identifying all Tagasauris stockholders. The Company has sought and received representations and warranties in the Acquisition Agreement, however this does not entirely mitigate the risk to the Company. Should a party allege that it should have been a party to the Acquisition Agreement, the Company may have to incur costs and expenses, as well as management time, in analysing the veracity of such a claim. If the claim is valid, the Company may have to make a claim under the Acquisition Agreement to enforce its rights under the representations and warranties, which may adversely affect the operations, prospects, financial position and condition of the Company and the Enlarged Group.

### **Dilution of ownership in the Ordinary Shares**

The Company will issue a substantial number of Ordinary Shares via Consideration Shares and via the Fundraising, as indicated in Part I of this document. Shareholders will not be able to participate in the Cross-Over Round or receive Consideration Shares unless they are a Strategic Investor or a Vendor, as appropriate. Current Shareholders will suffer a material reduction in their proportionate ownership and voting interest in the ordinary share capital of the Company as represented by their holding of Ordinary Shares immediately following Admission as a result of the issue of the Consideration Shares in connection with the Consideration Shares and the Fundraising.

## **3. RISKS RELATING TO THE ENLARGED GROUP'S INDUSTRY, ENLARGED GROUP'S BUSINESS AND OPERATIONS**

### **Business Strategy**

The value of an investment in the Company is dependent, *inter alia*, upon the Enlarged Group achieving the aims set out in this document. Although the Enlarged Group has a clearly defined strategy, there can be no guarantee that its objectives will be achieved or that the Enlarged Group will achieve the level of success that the Directors and the Proposed Directors expect or that certain

successes might not replicate previous successes. Furthermore, the Enlarged Group may decide to change aspects of its strategy described in this document. The Enlarged Group's ability to implement its business strategy successfully may be adversely impacted by factors that the Enlarged Group cannot currently foresee, such as unanticipated market forces, costs and expenses or technological factors. Should it be unsuccessful in implementing its strategy or should it take longer than expected to implement, the future financial results of the Enlarged Group could be negatively impacted.

**If the Enlarged Group is not able to manage change and growth, its business could be adversely affected**

The Enlarged Group intends to continue to expand its operations worldwide, scaling its pool of creators and original programming to effectively and reliably handle anticipated growth in both audience and features related to the Enlarged Group's service. As the Enlarged Group's international offering evolves, the Directors and the Proposed Directors intend to manage and adjust the business to address varied content offerings, consumer customs and practices, in particular those dealing with content, e-commerce and internet video delivery, as well as differing legal and regulatory environments. As the Enlarged Group's service is scaled, it intends to continue to develop technology and to utilize third party "cloud" computing, and open source services. As the Enlarged Group ramps up its original content production, it intends to build out expertise in a number of disciplines, including creative, marketing, legal, finance and other resources related to the development and physical production of content. If the Enlarged Group is not able to manage the growing complexity of the business, including improving, refining or revising its systems and operational practices related to the operations and original content, the business may be adversely affected

**Reliance on key executives and personnel**

Given the relatively small size of the Enlarged Group, its business, development and prospects are dependent upon the continued services and performance of its Proposed Directors and other key personnel, as well as its ability to attract, retain and motivate suitable management, technical, marketing and sales personnel. Among others, Todd Carter, Scott Schlichter and Taro Koki have been, and remain, essential to the development of the Enlarged Group.

In order to be able to develop, support and maintain its business, the Enlarged Group must also recruit and retain suitably qualified personnel. There is no assurance that it will always be able to do so on a timely basis. Whilst the New Board will take steps to ensure that that Enlarged Group's management and other personnel are appropriately incentivised, and each of the Proposed Directors will at the time of Admission have entered into service agreements with the Enlarged Group, their services cannot be guaranteed. The Directors and the Proposed Directors believe that the loss of services of any existing key executives, for any reason, or failure to attract and retain necessary additional personnel, could adversely impact on the business, development, financial condition, results of operations and prospects of the Enlarged Group.

**Non-compete**

Whilst the Company will endeavour to ensure its key employees and management are subject to non-compete restrictions, the ability to enforce such restrictions in the United States, where the Company's operations and employees will be based, is generally limited and therefore the Company cannot guarantee that it will have recourse against such persons in the event they were to leave and join a competitor.

**The Enlarged Group operates in a highly competitive industry and the advent of new technologies and industry practices may adversely affect the Enlarged Group's business, results of operations and financial condition**

The sector in which the Enlarged Group operates is competitive and there can be no certainty that the Enlarged Group will be able to increase or retain its market position. There can be no guarantee that the Enlarged Group's current competitors or new entrants to the market will not bring superior technologies or services to the market which may have an adverse effect on the Enlarged Group's business.

Increased competition may cause price reductions, reduced gross margins and loss of market share, any of which could have a material adverse effect on the Enlarged Group's business, financial condition and results of operations.

Competitors and potential competitors of the Enlarged Group may have significantly greater financial, technical, marketing, service or resources than the Enlarged Group and have access to a larger base of products, longer operating histories or greater name recognition. The Enlarged Group's relative size, and the fact that it is a less established entrant to the market, may be considered negatively by prospective customers. In addition, the Enlarged Group's competitors may be able to respond more quickly than the Enlarged Group can to changes in customer requirements and devote greater resources to the enhancement, promotion and sale of their services and to their development.

The market for entertainment video is intensely competitive and subject to rapid change. Through new and existing distribution channels, consumers have increasing options to access entertainment video. The various economic models underlying these channels include subscription, transactional, ad-supported and piracy-based models. All of these have the potential to capture meaningful segments of the entertainment video market. Piracy, in particular when tied to subscription, video on demand, and licensing of content, threatens to damage entertainment business, as its fundamental proposition to consumers is so compelling and difficult to compete against: virtually all content for free.

Although the Directors and the Proposed Directors believe that the Enlarged Group will compete favourably in its targeted market, there can be no assurance that the Enlarged Group can maintain its competitive position against current and any potential competitors, especially those with greater financial, marketing, service, support, technical and other resources.

### **The Enlarged Group relies upon YouTube and a number of partners to make its service available**

The Enlarged Group currently offers its audience the ability to receive content through a host of internet-connected screens, including TVs, digital video players, television set-top boxes and mobile devices. The Enlarged Group intends to continue to broaden its capability to instantly provide video to other platforms and partners over time. If it is not successful in maintaining existing and creating new relationships, or if it encounters technological, content licensing, regulatory or other impediments to delivering the streaming content to its audience via these devices, its ability to grow the business could be adversely impacted. The Enlarged Group relies on YouTube and other social media channels to operate as a MCN or network and to make its services available. YouTube can terminate at will a MCN's ability to operate as a MCN. If this or any other relationships are terminated this will have a material adverse effect on the Enlarged Group's business.

If these platforms do not continue to provide services to the Enlarged Group or are unwilling to do so on terms acceptable to the Enlarged Group, this could have a material adverse effect on the Enlarged Group's business. There is a risk that the Enlarged Group may not be featured as prominently or frequently on YouTube, Google and other social media platforms and this could have a material adverse effect on the Enlarged Group's business. In addition, social media providers could affect their terms and this could have a material adverse effect on the Enlarged Group's business. If the Enlarged Group's social media platforms modify their user experience they provide, it may adversely affect viewership and may adversely affect the Enlarged Group's business.

As of 20 February 2018, YouTube announced new eligibility requirements for the YouTube Partner Program. Previously, the requirement to join the YouTube Partner Program was 10,000 lifetime views. Now, once a channel reaches 4,000 watch hours in the previous 12 months and 1,000 subscribers, it will be reviewed to join the program. Channels that were in the Enlarged Group's MCN and below this threshold were released from the Enlarged Group's MCN by YouTube.

Social platforms may adjust policies or access of both audience and creators from select global territories may negatively impact the Enlarged Group's expansion plans and growth.

### **The Enlarged Group relies on a number of third party vendors to support its activities**

In providing content to its viewers and managing its network, the Enlarged Group relies on third party vendors for various support activities. If any of these vendors changes their terms of service or functionality, it may produce an adverse effect on the Enlarged Group's business.

**The Enlarged Group may fail to attract new viewers/subscribers, to meet historical levels of viewers/subscribers and further monetize its audience**

The Enlarged Group's audience is an aggregate of video views across its creator channels and pages, and its own O&O channels. Today the Enlarged Group is dependent on a revenue share from Google/YouTube based on digital advertising which in turn is based on the number of views, CPM and fill-rates. The Enlarged Group has experienced significant growth in video views over the past several years across these channels. Its ability to continue to grow video views will depend in part on its ability to consistently provide its audience with compelling content choices, as well as a quality experience for selecting and viewing videos. Furthermore, the relative service levels, content offerings, pricing and related features of competitors to its service may adversely impact its ability to grow and monetize its video views. Competitors include other MCN and Social Video Platforms, entertainment video providers, such as MVPDs, internet-based movie and TV content providers, and independent users' generation of content. If consumers do not perceive its service offering to be of value, including if the Enlarged Group introduces new features or adjusts existing features, adjusts pricing or service offerings, or changes the mix of its content in a manner that is not favourably received by its viewers, it may not be able to grow and monetize its audience, particularly through digital advertising via YouTube. Additionally, past success in terms of view growth, CPM or fill-rate for attracting advertisers may not be able to be replicated and the Enlarged Group's financial performance and historical record may degrade.

**Changes in how the Enlarged Group markets its services could adversely affect its marketing expenses, customer and affiliate partner awareness of offerings and viewer levels may be adversely affected**

The Enlarged Group utilises a broad mix of marketing and public relations programs, including social media sites such as Facebook, Instagram, YouTube and Twitter, to promote its service to potential new creators and audience. The Enlarged Group may limit or discontinue use or support of certain marketing sources or activities if advertising rates increase or if the Enlarged Group becomes concerned that audience or potential creators deem certain marketing practices intrusive or damaging to its brand. If the available marketing channels are curtailed, the Enlarged Group's ability to attract new viewers may be adversely affected.

Additionally, the Enlarged Group's ability to attract and retain new customers depends in part on the ability to increase brand awareness within the industry with respect to new, emerging product lines utilizing Tagasauris and other third party technologies, as well as by leveraging the brand recognition from developed product lines. In order to increase the number of customers and suppliers for these new product lines, the Enlarged Group may be required to expend greater resources on advertising, marketing, and other brand-building efforts to preserve and enhance customer and supplier awareness of the core brand, as well as accept lower margins to attract suppliers. If the Enlarged Group is unable to increase market awareness for new and emerging products and services or otherwise take advantage of evolving consumer trends and preferences, growth prospects, results of operations and financial condition may be materially and adversely affected.

**If the Enlarged Group's efforts to grow and monetize its creator network and attempt to develop original programming are not successful, its business will be adversely affected**

The majority of the Enlarged Group's video views originate from its affiliation with thousands of YouTube creators. Joining an MCN is a voluntary choice for a YouTube creator. If the Enlarged Group cannot retain and grow its network of affiliated YouTube creators, its video views may not continue to grow and the service may be adversely impacted. Similarly, the Enlarged Group relies on its affiliated YouTube creators to consistently provide its audience with compelling content choices. If the creators fail to provide consistently compelling content choices, the growth in audience and video views may stall and the service may be adversely impacted. Creators can leave the Enlarged Group's MCN for many reasons, including a perception that they do not benefit sufficiently from the assistance the MCN provides, competitive services provide a better value or experience, and/or customer service issues are not satisfactorily resolved. If the Enlarged Group's efforts to satisfy the existing creators are not successful or the Enlarged Group is unable to attract new creators, the Enlarged Group's ability to maintain and/or grow the business will be adversely affected. If the Enlarged Group does not grow as expected its margins, liquidity and results of operation may be adversely impacted. The long-term and fixed cost nature of certain Enlarged Group's content commitments may limit the Enlarged Group's operating flexibility and could adversely affect its liquidity and results of operations

The Enlarged Group is devoting more resources toward the development, production, marketing and distribution of the Enlarged Group's original programming, including short-form, episodic series and longer form content. The Directors and the Proposed Directors believe that original programming can help differentiate its service from other offerings, enhance its brand and otherwise attract and retain audience. To the extent the Enlarged Group's original programming does not meet its expectations, in particular, in terms of costs, viewing and popularity, the Enlarged Group's business, including the brand and results of operations may be adversely impacted.

**The Enlarged Group faces risks, such as unforeseen costs and potential liability in connection with content it acquires, produces, licenses and/or distributes through its service**

As an aggregator and distributor of content both third-party and original, the Enlarged Group faces potential liability for negligence, copyright and trademark infringement, or other claims based on the nature and content of materials that it acquires, produces, licenses and/or distributes. The Enlarged Group also may face potential liability for content used in promoting its service, including marketing materials and features on its website such as member reviews. As the Enlarged Group expands its original programming, it will increasingly become responsible for production costs and other expenses, such as ongoing guild payments. It also takes on risks associated with production, such as completion and key talent risk. The Enlarged Group may not be indemnified against claims or costs of these types and it may not have insurance coverage for these types of claims.

**If content providers or other rights holders refuse to license content or other rights upon terms acceptable to the Enlarged Group, its business could be adversely affected**

The Enlarged Group's ability to provide its audience with content they can watch depends on content providers and other rights holders licensing rights to distribute such content and certain related elements thereof, such as the public performance of music contained within the content it distributes. The license periods and the terms and conditions of such licenses vary. If the content providers and other rights holders are not or are no longer willing or able to license to the Enlarged Group content upon terms acceptable to it, the Enlarged Group's ability to use or distribute content to its audience will be adversely affected and/or its costs could increase. Many of the licenses and terms for content provide for the content providers to withdraw content from its service relatively quickly if ownership or licensing issues arise. Failure to reach such licensing agreements could expose the Enlarged Group to potential liability for copyright infringement or otherwise increase its costs.

**The Enlarged Group cannot ensure growth through its strategy for the application of Tagasauris and third party technologies, including enriching GTChannel videos and licensing to Strategic Investors and other third parties**

The Enlarged Group's ability to engage, retain and expand the business's base of customers and audience and to increase revenue will depend on its ability to successfully integrate Tagasauris and third party technologies to create new products, features and functionality, both independently and together with third parties. The Enlarged Group may introduce significant changes to existing products or develop and introduce new and unproven products, including technologies with which the business has little or no prior development or operating experience. These new products and updates may fail to engage, retain and increase the base of customers and audience or may create lag in adoption of such new products. If new or enhanced products fail to engage, retain and increase the base of customers and hosts, the Enlarged Group may fail to generate sufficient revenue, operating margin or other value to justify investments in such products, any of which may harm the business in the short term, long term, or both.

The Enlarged Group's growth strategy includes the introduction of Tagasauris and third party technologies to enrich videos that audiences will see and enable viewers to purchase products that they see while watching the video. The ability to develop and implement Tagasauris and third party technologies to enable audiences to engage in e-commerce transactions from video may not succeed or audiences may not be attracted to opportunities to purchase products that they see. Additionally, the Enlarged Group's strategy includes the introduction and implementation of Tagasauris and third party technologies to third party customers through licensing so that such third parties can offer the products and services to their respective audiences. The Enlarged Group has business development relationships with Sumitomo Corporation and Water Intelligence plc. The Enlarged Group cannot ensure that these relationships will result in licensing outcomes with revenue and profits. If the Enlarged Group cannot achieve licenses with these companies its revenue and earnings may suffer. In addition, the Enlarged Group may not be able to implement Tagasauris and

third party technologies in ways that enable any third parties to license the technology. Failure to deliver the growth strategy would affect sales and margins.

**If the Enlarged Group cannot produce original content that is in demand for its Owned and Operated Site, its business will be adversely affected**

The Enlarged Group's growth strategy includes producing original content for audiences, brands and sponsors on the business's Owned and Operated site ("O&O"). The Enlarged Group may not be able to produce original content that will attract audiences, brands and sponsors or, as a business development matter, the Enlarged Group may not be able to attract brands and sponsors in which case revenue and margins may be adversely affected.

**The Enlarged Group may be unable to generate revenue from sales of subscriptions to its content platform, and will be negatively impacted by any decline in demand for content or for wider communications and collaboration technologies**

Currently, GTChannel has over 70 million non-paying YouTube subscribers across GTChannel's MCN. The Proposed Director's expect the Enlarged Group to generate revenue by increasing premium subscription content on the business's platform and by monetizing subscribers. As a result, acceptance and use of premium content subscriptions in general, and the Enlarged Group's platform in particular, is critical to future growth and success. If the premium content subscription market fails to grow or grows more slowly than currently anticipated, demand for the platform could be negatively affected.

Demand for premium subscription content in general, and the Enlarged Group's product and services platform in particular, is affected by a number of factors, many of which are beyond the Enlarged Group's control. Some of these potential factors include: (i) availability and attractiveness of own content products and services to meet audience demands (ii) availability of competing products and services; (iii) features and platform experience; (iv) reliability of the Enlarged Group's platform, including frequency of outages and continuity of services; and (v) pricing.

If the Enlarged Group fails to successfully predict and address these changes and trends, meet user demands or achieve more widespread market acceptance of the platform, the business would be harmed.

**The Enlarged Group's strategy to create a ML microservices offering, SaaS ML services offering, a multi-sided marketplace or platform network will fail if it cannot connect increasing numbers of viewers, content providers, brands, sponsors, third-party licensees with their own audiences and third party e-commerce affiliates**

The Enlarged Group cannot ensure that it will attract viewers, content providers, brands, sponsors, third-party licensees, e-commerce affiliates to create a ML microservices offering, SaaS ML services offering, a multisided marketplace or platform network. If the Enlarged Group cannot create a multisided marketplace or platform network, its revenue and margins may be adversely affected.

**The Enlarged Group will be subject to enhanced risks relating to its data services offerings and may not be able to exploit data derived from its growth strategies**

The Proposed Director's believe that the introduction of Tagasauris and third party technologies will enable the Enlarged Group to gather and analyse non-personal audience behaviour data and then use such data to expand the economics of the Enlarged Group through programming choices and the reselling of audience data to brands and sponsors. The Enlarged Group may not be able to use data that collected to exploit programming choices, brokering of ad inventory or reselling data to brands, sponsors or other interested parties.

The Enlarged Group may also process personal data as part of its business which could include sensitive information such as payments data. The Enlarged Group may be subject to investigative or enforcement action by regulatory authorities in the Enlarged Group's countries of operations if it acts or is perceived to be acting inconsistently with the terms of its privacy policy, customer expectations or the law.

Concerns may be expressed about whether the Enlarged Group's services compromise the privacy of its customers. Concerns about the Enlarged Group's collection, use or sharing of personal information or other privacy-related matters, even if unfounded, could damage the Enlarged Group's reputation.

The General Data Protection Regulation (“GDPR”) came into force in England and Wales on 25 May 2018 and the Group is required to ensure that its processing of personal data complies with the requirements of GDPR. Failure to comply with GDPR could result in the Enlarged Group being liable under the GDPR, including a liability for fines. The maximum level of fines under the GDPR is set at either: (a) the greater of €10 million and 2 per cent. of worldwide annual turnover for the preceding year or; (b) the greater of €20 million and 4 per cent. of worldwide annual turnover for the preceding financial year.

### **Protection of intellectual property**

The technology used by the Enlarged Group includes software and other code and content which are owned by the Enlarged Group and software that has been developed by third-parties, to which the Enlarged Group has either been granted a third party licence or the Enlarged Group uses an open source licence.

The Enlarged Group is dependent on proprietary rights in software and other technology which relies on laws governing patents, know-how, copyrights, trademarks and confidentiality for its protection. The Enlarged Group is also dependent on contractual provisions regarding intellectual property ownership and licensing. These laws enable the Enlarged Group to protect and/or enforce intellectual property rights in software, including the ability to restrict use of software to those who have obtained relevant authorisation. Failure of the Enlarged Group to effectively restrict the use of software may result in another party copying or obtaining the software for unauthorised use or otherwise infringing the Enlarged Group’s intellectual property.

Some countries where the Enlarged Group provides its service may not have adequate protection for intellectual property in their legal system, and policing unauthorised use of proprietary information internationally is both complex and costly. The Enlarged Group may not be able to detect and prevent infringement of its intellectual property.

Whilst it is not uncommon for a company’s technology to consist of both owned and licensed code, the Enlarged Group’s continuing right to use certain software is therefore dependent on the Enlarged Group’s relevant licensors to licence the use of that software. Any failure by the Enlarged Group to comply with the terms of its licences could result in a licence being terminated by the relevant licensor, and the Enlarged Group would no longer be entitled to continue its use of that software. As an additional consequence, the use outside of the terms of a software licence may provoke legal action for the infringement of the rights of the relevant licensor. The Enlarged Group may not have adequate measures to ensure that it remains compliant with the terms stipulated in its licence to use that third party software.

While the Enlarged Group seeks patent, trade secret and confidential information protection where appropriate for the technologies comprising their services and AI technologies themselves, there can be no assurance that patent applications may be considered or issued or existing patents, or patents which may be issued, or trade secret and confidential information agreements will provide the Enlarged Group with sufficient protection in the case of an infringement of its technology. There can also be no assurance regarding the degree and range of protection any patents or other IP rights will afford against competitors and competing technologies, that any existing patents or patents which may be issued or other IP rights that may be granted or claimed will provide any competitive advantage to the Enlarged Group or that they will not be successfully challenged, invalidated, found unenforceable or circumvented in the future. In addition, there can be no assurance that competitors will not seek to apply for and obtain patents or claim the protection of other IP rights that will prevent, limit or interfere with the Enlarged Group’s ability to make, use and sell its services or AI technologies and IP rights arising from its discoveries either in the United States or in international markets. The Enlarged Group cannot predict whether it will need to initiate litigation or administrative proceedings, or whether such litigation or proceedings will be initiated by third parties against the Enlarged Group, which may be costly and time consuming, regardless of whether the Enlarged Group wins or loses, and whether parties claim that the Enlarged Group’s technology and know-how infringes upon their rights.

The Enlarged Group has entered into consultancy agreements with certain third parties. Although the Enlarged Group has and will continue to take reasonable steps to ensure that any IP created or designed in the course of the delivery of the consultancy services will belong exclusively to members of the Enlarged Group, there can be no assurance that third parties will not seek to claim rights over IP developed by the Enlarged Group with the assistance of a third party and/or that

disputes will not arise as to the proprietary rights to IP that has been developed by the Enlarged Group with the assistance of third parties.

Failure to secure and maintain trademark registrations for the Enlarged Group's trading names could adversely affect its business. During trade mark registration proceedings, the Enlarged Group may receive rejections of its applications by the applicable trademark registry. Although the Enlarged Group is given an opportunity to respond to those rejections, it may be unable to overcome such rejections. In addition, in many jurisdictions, third parties are given an opportunity to oppose pending trade mark applications or challenge granted registrations (including, for example, for non-use of a mark), which could result in the total or partial rejection, cancellation or revocation of the trade mark applications and/or registrations. If the use of the Enlarged Group's trademarks is challenged, this may mean that the Enlarged Group has to rebrand its services, which may be expensive and may limit, delay or interfere with the Enlarged Group's ability to make, use and sell its services.

The above issues related to the protection of the Enlarged Group's intellectual property may adversely impact the Enlarged Group's operating performance and increase its costs of business, which could have a material and adverse effect on the Company's business, its viability, financial condition, results of operations and prospects.

**NYU may file a new patent application that is related to TAG's business without consultation with TAG, and may license the resulting patent to a third party**

On December 18, 2013, New York University ("NYU") and Tagasauris entered into a License Agreement (the "License Agreement"), pursuant to which NYU granted Tagasauris a license to use NYU's and Tagasauris' jointly owned patent. The License Agreement does not cover the provisional application related to this patent, and there is no other agreement which extinguishes NYU's right to claim the sole benefit of the provisional application for any future patent application (except for those specifically provided for in the License Agreement). As such, NYU still maintains the right to use the provisional application as the basis for obtaining new patent rights. Therefore, there is a risk that NYU may use its own inventive contribution, expressed in the provisional application, to file a new patent application without consultation with Tagasauris. If NYU's inventive contribution is material to Tagasauris' business, then NYU could have a new patent which would be material to the Tagasauris business and which NYU would be entitled to licence to a third party. This may enable a competitor to Tagasauris to gain an advantage over Tagasauris, or for Tagasauris to procure a licence from NYU of the inventive contribution, which may adversely affect the operations, prospects, financial position and condition of the Company and the Enlarged Group.

**In order to maintain a competitive position, the Enlarged Group will need to maintain, defend and enforce its IP rights against third parties. The Enlarged Group may incur significant costs as a result of IP disputes**

If the Enlarged Group is unable to obtain, maintain, defend or enforce the IP rights covering its services and its AI technologies, third parties may be able to infringe the Enlarged Group's IP rights and may affect its ability to compete in the market. The Enlarged Group cannot guarantee the degree of future protection that it will have in respect of its services and its AI technologies. Intellectual property protection is deemed by the Enlarged Group to be of importance to its competitive position and a failure to obtain or retain adequate protection could have a material adverse effect on the Enlarged Group's business, prospects, financial condition and results of operations.

Competitors may infringe the Enlarged Group's patents and other IP rights. To counter infringement or unauthorised use, the Enlarged Group may be required to file infringement claims, which can be expensive and time consuming. In addition, in an infringement proceeding, a court may decide that a patent or other IP rights of the Enlarged Group is invalid, unenforceable, and/or has not been infringed. An adverse result in any litigation or defence proceedings could put one or more of the Enlarged Group's IP rights at risk of being invalidated or interpreted narrowly and could put any outstanding patent applications at risk of not issuing, as well as giving rise to an obligation on the Enlarged Group to pay the third party's costs and damages. This could have a material adverse effect on the Enlarged Group's business, prospects, financial condition and results of operations.

**The Enlarged Group's services and AI technologies, as well as its IP arising from its discoveries, could infringe patents and other IP rights of third parties**

The Enlarged Group's services and AI technologies, as well as its IP arising from its discoveries, may infringe or be alleged to infringe existing patents or patents that may be granted in the future, or other

third party IP rights. As some patent applications in the European Union and the United States may be maintained in secrecy until the patents are issued, patent applications in the United States and many foreign jurisdictions are typically not published until 18 months after filing, and publications in the scientific literature often lag behind actual discoveries, the Enlarged Group cannot be certain that others have not filed patents that may cover its know-how or technologies or the use or results of its know-how or technologies. In addition, the Enlarged Group employs individuals who were previously employed at other companies. The Enlarged Group may be subject to claims that it or its employees, consultants or independent contractors have inadvertently or otherwise used or disclosed confidential information of its employees' former employers or other third parties. As a result, the Enlarged Group may become party to, or threatened with, future adversarial proceedings or litigation regarding patents with respect to its know-how and technologies.

The Enlarged Group could be required to obtain a licence from such third party to continue developing and marketing its know-how and technologies or the Enlarged Group may elect to enter into such a licence in order to settle litigation or in order to resolve disputes prior to litigation. However, the Enlarged Group may not be able to obtain any required licence on commercially reasonable terms or at all. If the Enlarged Group is found to infringe a third party's IP rights, the Enlarged Group may also have to pay damages and/or redesign any infringing technologies, and redesigning any infringing technologies may be impossible or require substantial time and monetary expenditure. Claims that the Enlarged Group has misappropriated the confidential information or trade secrets of third parties could have a similarly negative impact on its business.

It is not possible to be aware of all third party IP rights from limited freedom to operate searches that have been conducted on behalf of the Enlarged Group. Third parties may assert claims that the Enlarged Group and/or its know-how, or technologies infringe IP rights or misuse confidential information belonging to them.

**If the Enlarged Group is not adequately able to protect the trade secrets, confidential information and proprietary know-how on which it relies, the value of its technology and discoveries could be significantly diminished**

The Enlarged Group relies on trade secrets, confidential information and proprietary know-how, which it seeks to protect, in part, through confidentiality and proprietary information agreements. The Enlarged Group has a policy of requiring advisers, contractors and third party partners to enter into confidentiality agreements and its employees to enter into invention, non-disclosure and non-compete agreements. The Enlarged Group may not be able to protect its trade secrets, confidential information and proprietary know-how adequately. There can be no assurance that such confidentiality or proprietary information agreements will not be breached, that the Enlarged Group would have adequate remedies for any breach (in the event of any unauthorised use or disclosure of information, for example), or that the Enlarged Group's trade secrets will not otherwise become known to or be independently developed by competitors. If any of the Enlarged Group's trade secrets were to be independently developed by a competitor, the Enlarged Group would have no right to prevent them, or those to whom they disclose such trade secrets, from using that technology or information to compete with the Enlarged Group. If any of the Enlarged Group's trade secrets were to be unlawfully disclosed to, or independently developed by, a competitor or other third party, relief may not be obtained and the Enlarged Group's competitive position would be harmed. It may be possible for competitors or customers to copy one or more aspects of the services marketed by the Enlarged Group or obtain information that the Enlarged Group regards as proprietary.

No assurance can be given that the Enlarged Group has entered into appropriate agreements with all parties that have had access to its trade secrets, confidential information and proprietary know-how. Furthermore, the Company cannot provide assurance that any of the Enlarged Group's employees, consultants, contract personnel or third party partners, either accidentally or through wilful misconduct, will not cause serious damage to its programmes and/or its strategy, by, for example, disclosing trade secrets, proprietary know-how or confidential information to its competitors. Any disclosure of confidential data into the public domain or to third parties could allow the Enlarged Group's competitors to learn confidential information and use it in competition against the Enlarged Group.

Any action to enforce the Enlarged Group's rights against any misappropriation or unauthorised use and/or disclosure of trade secrets, proprietary know-how or confidential information is likely to be time consuming and expensive, and may ultimately be unsuccessful, or may result in a remedy that is not commercially valuable.

**The Enlarged Group has to continuously evolve its services and technologies to ensure that they do not become obsolete. Inability to keep up with the evolution of technology will materially impact the ability of the Enlarged Group to sell/licence its services and generate revenue**

The markets in which the Enlarged Group operates are characterised by rapid technological change, changes in use and customer requirements and preferences, frequent service introductions employing new technologies, and the emergence of new industry standards and practices that could render the Enlarged Group's existing technology and services obsolete or competitively impaired.

In order to compete successfully, the Enlarged Group will need to continue to improve its services, and may need to develop and market new services and capabilities that keep pace with technological change. This may place excessive strain on the Enlarged Group's capital resources which may adversely impact on the revenues and profitability of the Enlarged Group or the Enlarged Group's ability to achieve such developments.

**Any significant disruption in or unauthorised access to the Enlarged Group's computer systems or those of third parties that it utilises in its operations, including those relating to cyber security or arising from cyber-attacks, could result in a loss or degradation of service, unauthorised disclosure of data, including member and corporate information, or theft of intellectual property, including digital content assets, which could adversely impact the business**

The Enlarged Group's reputation and ability to attract, retain and serve its audience, creator network and brands is dependent upon the reliable performance and security of its computer systems and those of third parties that it utilises in its operations. These systems may be subject to damage or interruption from earthquakes, adverse weather conditions, other natural disasters, terrorist attacks, power loss, telecommunications failures, and cyber security risks. Interruptions in these systems, or with the internet in general, could make the Enlarged Group's service unavailable or degraded or otherwise hinder its ability to deliver content selections. Service interruptions, errors in its software or the unavailability of computer systems used in its operations could diminish the overall attractiveness of its service to existing and potential audience or creators. The computer systems and those of third parties that the Enlarged Group uses in its operations are vulnerable to cyber security risks, including cyber-attacks such as computer viruses, denial of service attacks, physical or electronic break-ins and similar disruptions. Any attempt by hackers to obtain its data (including member and corporate information) or intellectual property (including digital content assets), disrupt its service, or otherwise access its systems, or those of third parties used, if successful, could harm the Enlarged Group's business, be expensive to remedy and damage its reputation. The Enlarged Group relies on the distribution platforms and third-party software partners to implement certain systems and processes to thwart hackers and protect its data and systems. Efforts to prevent the disruption by hackers and others with respect to the Enlarged Group's service or otherwise access its systems are expensive to implement and may limit the functionality of or otherwise negatively impact the service offering and systems. Any significant disruption to the service or access to its systems could result in a loss of audience, creators and brands and adversely affect the business and results of operation. The Enlarged Group utilises computer hardware systems located either in its facilities or in that of a third-party Web hosting provider. In addition, it utilises third-party "cloud" computing services in connection with its business operations as well as third party software solutions. Problems faced by the Enlarged Group or its third-party Web hosting, "cloud" computing, or other network providers, including technological or business-related disruptions, as well as cyber security threats, could adversely impact the experience of its members.

**If the technology the Enlarged Group uses in operating its business fails, especially recommender systems, its business and results of operation could be adversely impacted**

The Enlarged Group plans to utilise a combination of proprietary and third party technology to operate its business. This includes the technology that it has developed to recommend and merchandise content and services to its consumers as well as enable fast and efficient delivery of content to its audience and their various consumer electronic devices. For example, if the Enlarged Group's future O&O apps, recommendation engines, and merchandising technology does not enable it to predict and recommend content that its audience will enjoy, its ability to attract and retain audience, creators and brands may be adversely affected. The Enlarged Group also utilises third party technology to help market its service, process payments, and otherwise manage the daily operations of its business. If its technology or that of third parties it utilises in its operations fails or

otherwise operates improperly, its ability to operate its service, retain existing audience, creators or brands add new of the same may be impaired. Also, any harm to its audience or creators' personal computers or other devices caused by software used in its operations could have an adverse effect on the business, results of operations and financial condition.

**If any government regulations relating to the internet or other areas of the Enlarged Group's business change, the Enlarged Group may need to alter the manner in which it conducts its business, or incur greater operating expenses**

The adoption or modification of laws or regulations relating to the internet, ecommerce, or other areas of the Enlarged Group's business could limit or otherwise adversely affect the manner in which it currently conducts its business. In addition, the continued growth and development of the market for online commerce and subsequent marketing of the Enlarged Group's service may lead to more stringent consumer protection laws, which may impose additional burdens on it. If the Enlarged Group is required to comply with new regulations or legislation or new interpretations of existing regulations or legislation, this compliance could cause it to incur additional expenses or alter its business model. Changes in laws or regulations that adversely affect the growth, popularity or use of the internet, including laws impacting net neutrality, could decrease the demand for the Enlarged Group's service and increase the cost for the Enlarged Group of doing business. Certain laws intended to prevent network operators from discriminating against the legal traffic that traverse their networks have been implemented in many countries, including the United States and the European Union. In others, the laws may be nascent or non-existent. Given uncertainty around these rules, including changing interpretations, amendments or repeal, coupled with potentially significant political and economic power of local network operators, the Enlarged Group could experience discriminatory or anti-competitive practices that could impede its growth, cause it to incur additional expense or otherwise negatively affect its business.

**Changes in how network operators handle and charge for access to data that travel across their networks could adversely impact the business of the Enlarged Group**

The Enlarged Group relies on the ability of consumers to access its service through the internet. If network operators block, restrict or otherwise impair access to the Enlarged Group's service over their networks, its service and business could be negatively affected. To the extent that network operators implement usage based pricing, including meaningful bandwidth caps, or otherwise try to monetise access to their networks by data providers, the Enlarged Group could incur greater operating expenses. Furthermore, to the extent network operators create tiers of internet access service and either charge the Enlarged Group's distribution partners or the Enlarged Group itself for, or exclude the Enlarged Group from these tiers, its business could be negatively impacted. Most network operators that provide consumers with access to the internet also provide these consumers with multichannel video programming. As such, many network operators have an incentive to use their network infrastructure in a manner adverse to the Enlarged Group's continued growth and success. While the Directors and the Proposed Directors believe that consumer demand, regulatory oversight and competition will help check these incentives, to the extent that network operators are able to provide preferential treatment to their data as opposed to those of the Enlarged Group or otherwise implement discriminatory network management practices, the business of the Enlarged Group could be negatively impacted. In some international markets, these same incentives apply however, the consumer demand, regulatory oversight and competition may not be as strong as in its domestic market.

**Privacy concerns could limit the Enlarged Group's ability to collect and leverage its membership data and disclosure of membership data could adversely impact its business and reputation**

In the ordinary course of business and in particular in connection with merchandising the Enlarged Group's service to its members, the Enlarged Group collects and utilises data supplied by its audience, creators and brands. The Enlarged Group may face certain legal obligations regarding the manner in which it treats such information. Other businesses have been criticized by privacy groups and governmental bodies for attempts to link personal identities and other information to data collected on the internet regarding users' browsing and other habits. Increased regulation of data utilization practices, including self-regulation or findings under existing laws that limit the ability of the Enlarged Group to collect, transfer and use data, could have an adverse effect on its business. In addition, if the Enlarged Group were to disclose data about its audience, creators or brands in a

manner that was objectionable to them, its business reputation could be adversely affected, and it could face potential legal claims that could impact its operating results. Internationally, the Enlarged Group may become subject to additional and/or more stringent legal obligations concerning its treatment of customer and other personal information, such as laws regarding data localization and/or restrictions on data export. Failure to comply with these obligations could subject the Enlarged Group to liability and, to the extent that the Enlarged Group needs to alter its business model or practices to adapt to these obligations, it could incur additional expenses.

**The reputation of the Enlarged Group and its relationships with audience, creators and brands would be harmed if its data, particularly billing data, were to be accessed by unauthorized persons**

The Enlarged Group maintains personal data regarding its members, including names and billing data. This data is maintained on third parties services which the Enlarged Group uses in its operations. With respect to billing data, payment methods (Paypal, Payoneer), the Enlarged Group relies on third party software services to secure such information. These third party software services could experience an unauthorized intrusion into members' data. In the event of such a breach, current and potential members may become unwilling to provide the information to the Enlarged Group necessary for such members to become creators or future customers. Additionally, the Enlarged Group could face legal claims or regulatory fines or penalties for such a breach. The costs relating to any data breach could be material, and the Enlarged Group currently does not carry insurance against the risk of a data breach. For these reasons, should an unauthorized intrusion into members' data occur, even via the third-party service providers that the Enlarged Group use, the business of the Enlarged Group could be adversely affected.

**The Enlarged Group is subject to payment processing risk**

The Enlarged Group relies on third party software and payment service's internal systems to process payment. Acceptance and processing of these payment methods are subject to certain rules and regulations and require payment of interchange and other fees. To the extent there are disruptions in payment processing systems used by the Enlarged Group, increases in payment processing fees, material changes in the payment ecosystem, such as delays in receiving payments from payment processors and/or changes to rules or regulations concerning payment processing, the Enlarged Group's revenue, operating expenses and results of operation could be adversely impacted. In addition, from time to time, the Enlarged Group encounters fraudulent use of payment methods, which, if such fraudulent use were to occur in the future, could impact its results of operation and if not adequately controlled and managed could create negative consumer perceptions of the service provided.

**The Enlarged Group could be subject to economic, political, regulatory and other risks arising from its international operations**

Operating in international markets requires significant resources and management attention and will subject the Enlarged Group to regulatory, economic and political risks that may be different from or incremental to those in the United States of America. In addition to the risks that the Enlarged Group faces in the United States of America, its international operations involve risks that could adversely affect its business, including:

- the need to adapt the content and user interfaces for specific cultural and language differences, including licensing a certain portion of its content assets on less advantageous terms, before a full appreciation of best practices and performance have been developed within a given territory;
- difficulties and costs associated with staffing and managing foreign operations;
- management distraction;
- political or social unrest and economic instability;
- difficulties in understanding and complying with local laws, regulations and customs in foreign jurisdictions;
- regulatory requirements or government action against its service, whether in response to enforcement of actual or purported legal and regulatory requirements or otherwise, that results in disruption or non-availability of its service or particular content in the applicable jurisdiction;

- less favourable foreign intellectual property laws;
- adverse domestic or international tax consequences such as those related to repatriation of cash from foreign jurisdictions into the United States, non-income related taxes such as value-added tax or other indirect taxes, changes in tax laws or tax rates or their interpretations and the related application of judgment in determining its global provision for income taxes, deferred tax assets or liabilities or other tax liabilities given the ultimate tax determination is uncertain;
- fluctuations in currency exchange rates, which the Enlarged Group does not use foreign exchange contracts or derivatives to hedge against and which could impact revenues and expenses of the Enlarged Group's international operations and expose it to foreign currency exchange rate risk;
- profit repatriation and other restrictions on the transfer of funds;
- differing payment processing systems as well as consumer use and acceptance of electronic payment methods, such as payment cards;
- new and different sources of competition;
- censorship requirements that cause the Enlarged Group to remove or edit popular content, leading to consumer disappointment or dissatisfaction with its service;
- low usage and/or penetration of internet-connected consumer electronic devices;
- different and more stringent user protection, data protection, privacy and other laws including the GDPR;
- availability of reliable broadband connectivity and wide area networks in targeted areas for expansion;
- integration and operational challenges as well as potential unknown liabilities in connection with companies it may acquire or control; and
- differing, and often more lenient, laws and consumer understanding/attitudes regarding the illegality of piracy.

The Enlarged Group's failure to manage any of these risks successfully could harm its international operations and its overall business, and results of its operations.

### **The Enlarged Group's operations will be subject to sanctions and anti-corruption risks**

The operations of the Enlarged Group will be exposed to the risk of trade and economic sanctions and other restrictions imposed by the United States, the European Union and other governments or organisations. Violation of such sanctions and wider conduct of business laws and regulations, including the UK Bribery Act of 2010 (the "Bribery Act") and the U.S. Foreign Corrupt Practices Act (the "FCPA") and those established by the Office of Foreign Assets Control ("OFAC"), could carry criminal penalties. Under these laws and regulations, various government agencies may require export licences, may seek to impose modifications to business practices, including cessation of business activities in sanctioned countries or with sanctioned persons or entities, and modifications to compliance programmes, which may increase compliance costs, and may subject the Enlarged Group to fines, penalties and other sanctions. A violation of these laws or regulations, whether by the Enlarged Group itself or by the products and services it offers, could adversely impact its business, financial condition, operating results or prospects. There can be no assurance that the current sanctions or any further sanctions imposed by the European Union, the United States or other international interests will not materially adversely affect third-parties to which the Enlarged Group will be exposed or its own operations.

### **The Enlarged Group's insurance cover may not be adequate enough to fully cover its liabilities Post Admission**

The Enlarged Group will have extensive insurance covering risks relating to its liabilities for operations and other generally insured risks, however, there can be no certainty that the Enlarged Group's insurance cover is adequate to protect against every eventuality. The Company cannot be certain that the Enlarged Group may not become a part to any insurance claim made either directly against a member of the Enlarged Group, a supplier or a customer. The occurrence of an event for which the

Enlarged Group did not have adequate insurance cover could have a materially adverse effect on the business, financial condition and results of operations of the Enlarged Group.

#### **The Enlarged Group could be subject to future litigation**

From time to time, the Enlarged Group may be subject, directly or indirectly, to litigation arising out of its operations, with and without merit. Damages claimed under such litigation may be material or may be indeterminate, and the outcome of such litigation may materially impact the Enlarged Group's business, results of operations or financial condition. While the Enlarged Group assesses the merits of each lawsuit and defends itself accordingly, it may be required to incur significant expenses or devote significant resources to defending itself against such litigation.

Defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty in the litigation process, there can be no assurance that there will be resolution of any particular legal proceeding. In addition, the adverse publicity surrounding such claims could have a material adverse effect on the Enlarged Group's business, results of operations and financial condition.

### **4. RISKS RELATING TO THE PLACING**

#### **Concert Party influence**

Following Admission, the aggregate beneficial interest of the Concert Party assuming only the Options held by the Concert Party are exercised (and no new Ordinary Shares are issued in the meantime), the Concert Party will hold 26,862,824 Ordinary Shares, being 50.67 percent of the Enlarged Issued Share Capital. Accordingly, the Concert Party is in a position to have significant influence over the Company's operations and business strategy.

Investors may negatively perceive this level and concentration of share ownership due to the influence that the Concert Party may resultantly exert, which may adversely affect the market value of the Ordinary Shares. To illustrate this, as the Concert Party, in aggregate, holds greater than 25 per cent. of the Ordinary Shares in issue from time to time, and assuming the Concert Party acts together, the Concert Party could prevent the passing of any special resolution which the Company may propose (which would require approval from a majority of at least 75 per cent. of the Ordinary Shares to be passed).

Furthermore, the Concert Party's interest may not be aligned with those of the Enlarged Group or the other Shareholders.

#### **The costs of compliance with AIM corporate governance and accounting requirements are significant**

In becoming a public company, the Company will be subject to enhanced requirements in relation to disclosure controls and procedures and internal control over financial reporting. The Company may incur significant costs associated with its public company reporting requirements, including costs associated with applicable AIM corporate governance requirements. The Company expects to incur significant legal and financial compliance costs as a result of these rules and regulations and if the Enlarged Group does not comply with all applicable legal and regulatory requirements, this may have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

#### **An active, liquid trading market for Ordinary Shares may not develop.**

Prior to this offering, there has been no public market for the EAI Group shares. The extent to which investor interest in the Enlarged Group will lead to the development of an active trading market or how liquid that market may become is uncertain. If an active trading market does not develop, Investors have difficulty selling any Ordinary Shares purchased. The Placing Price may not be indicative of share prices that will prevail after the completion of this Placing. The market price of Ordinary Shares may decline below the Placing price, and Investors may not be able to resell Ordinary Shares at, or above, the Placing Price.

#### **Trading of Ordinary Shares may be volatile and Investors could lose all or part of their investment.**

Securities markets worldwide have experienced in the past, and are likely to experience in the future, significant price and volume fluctuations. The trading price of the Ordinary Shares may be subject to

wide fluctuations in response to this market volatility, as well as general economic, market, or political conditions regardless of the results of operations of the Enlarged Group. Factors, including, among other things, the risk factors described herein and other factors beyond the Enlarged Group's control may influence the trading price.

**Transfer restrictions for shareholders located in the US or who are US Persons may make it difficult to resell the Ordinary Shares or may have an adverse impact on the market price of the Shares**

The Ordinary Shares have not been registered in the United States under the Securities Act or under any other applicable securities law and are subject to restrictions on transfer contained in such laws. There are additional restrictions on the resale of Ordinary Shares by Shareholders who are located in the United States or who are U.S. persons. These restrictions may make it more difficult to resell the Ordinary Shares in some instances and this could have an adverse impact on the market value of the Ordinary Shares. The Company can offer no guarantee that U.S. persons will be able to locate acceptable purchasers or resell the Ordinary Shares pursuant to an exemption from the registration requirements of the Securities Act and applicable local securities laws.

**Tagasauris, GTChannel and Entertainment AI stockholders may have appraisal rights under Delaware law**

Under Delaware law, stockholders of any of Tagasauris, GTChannel or Entertainment AI who do not vote in favour of adoption of the Acquisition Agreement, and otherwise properly perfect any applicable rights, may be entitled to "appraisal rights" in connection with the Acquisition, which generally may entitle stockholders to receive in lieu of the Consideration Shares a cash payment of an amount determined by the Delaware Court of Chancery to be equal to the fair value of their common stock in Tagasauris, GTChannel or Entertainment AI, as applicable, as of the effective time of the Acquisition. Should a material number of stockholders of Tagasauris, GTChannel or Entertainment AI attempt to make an argument that they have appraisal rights and/or attempt to exercise any appraisal rights, and should the Court determine that such holders are entitled to appraisal rights and that the fair value of each share of common stock of Tagasauris, GTChannel or Entertainment AI, respectively, owned by them in the absence of the transaction is materially greater than the price per share of the Consideration Shares, it could have a material adverse effect on the financial condition and results of operations of the Enlarged Group.

## **5. RISKS RELATING TO TAXATION**

**Future changes in tax legislation applicable to the Company's entities may reduce net returns to Shareholders**

The tax treatment of the Enlarged Group entities is subject to changes in tax legislation or practices in territories in which Enlarged Group entities are resident for tax purposes. Such changes may include (but are not limited to) the taxation of operating income, investment income, dividends received or (in the specific context of withholding tax) dividends paid. Any changes to tax legislation or practices in countries in which the Enlarged Group entities are resident for tax purposes may have a material adverse effect on the financial position of the Company and/or the Enlarged Group entities, potentially reducing net returns to Shareholders.

**EIS and VCT status**

The EIS and VCT Placing Shares will be issued to investors seeking to benefit from the tax advantages available pursuant to the VCT and/or EIS legislation. The Company has obtained advance assurance from HMRC that the VCT Placing Shares will constitute a qualifying holding for VCTs and that the EIS Placing Shares will satisfy the requirements for tax relief under EIS under Part 5 ("EIS") and Part 6 ("VCT") of Chapter 4 of the Income Tax Act 2007, and that the Ordinary Shares will be eligible shares for the purposes of section 173 and section 285(3A) of the Income Tax Act 2007.

The advance assurance only relates to the qualifying status of the Company and its Ordinary Shares and will not guarantee that any particular investment will be a qualifying holding for a VCT investor or that any particular investor will qualify for EIS relief in respect of an acquisition of Ordinary Shares. The continuing availability of EIS relief and the status of the relevant VCT Placing Shares as a qualifying holding for VCT purposes will be conditional, amongst other things, on the Company continuing to satisfy the requirements for a qualifying company throughout the period of three years from the date of the investor making its investment (under EIS) and, for VCT purposes, throughout the

period the Ordinary Shares are held as a “qualifying holding”. Neither the Company nor its Directors or Proposed Directors nor the Company’s advisers is giving any warranties or undertakings that any relief under the EIS or that VCT qualifying status will be available in respect of the Placing, or that in due course such relief or status will not be withdrawn.

EIS eligibility is also dependent on a Shareholder’s own position and not just that of the Company. Any person who is in any doubt as to their taxation position should consult their professional tax adviser in order that they may fully understand how the rules apply in their individual circumstances.

**Any change in the Company’s tax status or in taxation law could negatively affect the Company’s ability to provide returns to Shareholders**

Statements in this document concerning the taxation of the Enlarged Group or of Shareholders are based on current tax law and practice, which is subject to change. The taxation of an investment in the Company also depends on the individual circumstances of the relevant Shareholder. Any Shareholder who is in doubt as to its tax position should consult an appropriate adviser.

**There may be adverse tax and employment law consequences if the independent contractor status of the Enlarged Group’s consultants or the exempt status of its employees is successfully challenged**

Tagasauris and GTChannel have, in the past, retained consultants from time to time as independent contractors. The tests governing the determination of whether an individual is considered to be an independent contractor or an employee are typically fact sensitive and vary from jurisdiction to jurisdiction. Laws and regulations that govern the status and misclassification of independent contractors are subject to change or interpretation by various authorities. If a federal, state or foreign authority or court enacts legislation or adopts regulations that change the manner in which employees and independent contractors are classified or makes any adverse determination with respect to some or all of the Enlarged Group’s independent contractors, the Enlarged Group could incur significant costs under such laws and regulations, including for prior periods, in respect of tax withholding, social security taxes or payments, workers’ compensation and unemployment contributions, and recordkeeping, or the Enlarged Group may be required to modify its business model, any of which could materially adversely affect the business, financial condition and results of operations.

**The IRS may not agree that the Enlarged Group should be treated as a foreign corporation for U.S. federal tax purposes, and substantial U.S. federal income taxes may be payable**

The Proposed Directors believe that under current law, the Enlarged Group will be treated as a foreign corporation for U.S. federal tax purposes due to being a UK incorporated entity. Despite this, the U.S. Internal Revenue Service (the “IRS”) may assert that the Enlarged Group should be treated as a U.S. corporation (and, therefore, a U.S. tax resident) for U.S. federal tax purposes pursuant to Section 7874 of the IRC (“Section 7874”). For U.S. federal tax purposes, a corporation is considered a tax resident in the jurisdiction of its organization or incorporation, except as provided under Section 7874. Subject to the discussion of Section 7874 below, because the Enlarged Group is a UK incorporated entity, it would be classified as a foreign corporation (and, therefore, a non-U.S. tax resident) under these rules. Section 7874 provides an exception under which a foreign incorporated entity may, in certain circumstances, be treated as a U.S. corporation for U.S. federal tax purposes.

For the Enlarged Group to be treated as a foreign corporation for U.S. federal tax purposes under Section 7874, in connection with the Acquisition, either (i) the former stockholders of EAI Group must own (within the meaning of Section 7874) less than 80 per cent. (by both vote and value) of outstanding shares by reason of holding shares of EAI Group’s stock, or (ii) must have substantial business activities in the UK after the Acquisition.

The Proposed Director’s believe that because the former stockholders of EAI Group own (within the meaning of Section 7874) less than 80 per cent. (by both vote and value) of their shares by reason of holding shares of Entertainment AI Group’s stock, the test set forth above to treat us as a foreign corporation was satisfied in connection with the Acquisition. However, the IRS may disagree with the calculation of the percentage of shares deemed held by former holders of EAI Group’s stock by reason of being former holders of EAI Group’s stock due to the calculation provisions laid out under Section 7874 and accompanying regulations (the “Section 7874 Percentage”). The final regulations relating to calculating the Section 7874 Percentage are new and subject to interpretation and thus it cannot be assured that the IRS will agree that the ownership requirements to treat us as a foreign

corporation were met. In addition, there have been legislative proposals to expand the scope of U.S. corporate tax residence, including by potentially causing the Enlarged Group to be treated as a U.S. corporation if management and control and affiliates were determined to be located primarily in the U.S. The applicable U.S. Treasury Regulations were finalized on July 12, 2018, and the Proposed Directors continue to believe that the Enlarged Group will be treated as a foreign corporation for U.S. federal tax purposes. If the Enlarged Group were to be treated as a U.S. corporation for U.S. federal income tax purposes, the business could be subject to substantially greater U.S. tax liability than currently contemplated as a non-U.S. corporation.

**The IRS may not agree with the conclusion that Section 7874 does not limit EAI Groups' and its U.S. affiliates' ability to utilize their U.S. tax attributes and does not impose an excise tax on gain recognized by certain individuals**

If the Section 7874 Percentage is calculated to be at least 60 per cent. but less than 80 per cent., Section 7874 imposes a minimum level of tax on any "inversion gain" of a U.S. corporation (and any U.S. person related to the U.S. corporation) after the acquisition. Inversion gain is defined as (i) the income or gain recognized by reason of the transfer of property to a foreign related person during the 10-year period following the Acquisition, and (ii) any income received or accrued during such period by reason of a license of any property by the U.S. corporation to a foreign related person. The effect of this provision is to deny the use of certain U.S. tax attributes (including net operating losses and certain tax credits) to offset U.S. tax liability, if any, attributable to such inversion gain. In addition, the U.S. Treasury Department issued final regulations that further limited benefits of certain post-combination transactions for combinations resulting in a Section 7874 Percentage of at least 60 per cent. but less than 80 per cent.

Additionally, if the Section 7874 Percentage is calculated to be at least 60 per cent. but less than 80 per cent., Section 7874 and related regulations would impose an excise tax under Section 4985 of the IRC ("Section 4985 Excise Tax") on the gain recognized by certain "disqualified individuals" (including officers and directors of Entertainment AI Group) on certain Entertainment AI Group stock-based compensation held thereby at a rate equal to 15 per cent. If the Section 4985 Excise Tax is applicable, the compensation committee of the Entertainment AI Group board determined that it is appropriate to provide such individuals with a payment with respect to the excise tax, so that, on a net after-tax basis, they would be in the same position as if no such excise tax had been applied.

The Proposed Director's believe the Section 7874 Percentage following the Acquisition will be more than 80 per cent. As a result, (i) the EAI Group and its U.S. affiliates will be able to utilize their U.S. tax attributes to offset their U.S. tax liability, if any, resulting from certain subsequent specified taxable transactions, and (ii) "disqualified individuals" will not be subject to the Section 4985 Excise Tax. However, the final regulations relating to calculating the Section 7874 Percentage are new and subject to interpretation, and thus it cannot be assured that the IRS will agree that the Section 7874 Percentage following the Acquisition was less than 60 per cent.

## **6. RISKS RELATING TO INVESTMENT AND AIM**

### **Suitability**

Investment in the Ordinary Shares may not be suitable for all readers of this document. Readers are accordingly strongly advised to consult a person authorised under FSMA who specialises in investments of this nature before making any investment decisions.

### **Investment in AIM-traded securities**

Investment in shares traded on AIM involves a higher degree of risk, and such shares may be less liquid, than shares in companies which are listed on the Official List. The AIM Rules are less demanding than those rules that govern companies admitted to the Official List. It is emphasised that no application is being made for the admission of the Company's securities to the Official List. An investment in the Ordinary Shares may be difficult to realise. Prospective investors should be aware that the value of an investment in the Company may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Company. Investors may therefore realise less than, or lose all of, their investment.

Further, neither the London Stock Exchange nor the FCA has examined or approved the contents of this document.

### **Third party commentary in relation to the Company, the Enlarged Group and its activities may be published which are not accurate**

The Directors and Proposed Directors are aware that there has been and may be in future, third party commentary published in relation to the Company, the Enlarged Group and its activities. Such commentary may include, but is not limited to, statements by third parties on bulletin boards, newspaper articles and analyst equity research notes. Shareholders should make their investment decision on the information provided by the Enlarged Group in this document and in subsequent announcements to be released through a Regulatory Information Service (as defined in the AIM Rules) and not on statements made by third parties in respect of the Enlarged Group.

### **Access to further capital and dilution**

The Enlarged Group may require additional funds to enhance existing services; fuel growth strategies, respond to business challenges and further develop its sales and marketing channels and capabilities. Accordingly, the Company may need to engage in public or private equity financings or by raising debt securities convertible into Ordinary Shares, or rights to acquire these securities to secure additional funds. Any such issues may exclude the pre-emption rights pertaining to the then outstanding shares.

If the Company raises additional funds through further issues of equity or convertible debt securities, existing Shareholders could suffer significant dilution, and any new equity securities could have rights, preferences and privileges superior to those of current shareholders.

Any debt financing secured by the Company in the future could involve restrictive covenants relating to its capital-raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions.

In addition, the Company may not be able to obtain additional financing on terms favourable to it, if at all. If the Company is unable to obtain adequate financing or financing on terms satisfactory to it, when required, its ability to continue to support its business growth and to respond to business challenges could be significantly limited.

Moreover, the further issue of Ordinary Shares could have a negative impact on the trading price and increase the volatility of the market price of the Ordinary Shares. The Company may also issue further Ordinary Shares, or create further Options over Ordinary Shares, as part of its employee remuneration policy, which could in aggregate create a substantial reduction in the value of the Ordinary Shares and dilute the proportion of the Company's share capital in which investors are interested.

### **Future sale of Ordinary Shares**

The Company is unable to predict when and if substantial numbers of Ordinary Shares will be sold in the open market following Admission especially given risks about liquidity and volatility of shares discussed herein. Any such sales, or the perception that such sales might occur, could result in a material adverse effect on the market price of the Ordinary Shares.

### **Dividends**

There can be no assurance as to the availability or level of future dividends. Subject to compliance with the Act and the Articles, the declaration, payment and amount of any future dividends are subject to, in the case of a final dividend, to the approval of the shareholders and, in the case of an interim dividend to the decision of the board of directors, and will depend on, *inter alia*, the Company's earnings, financial position, cash requirements, availability of profits for reinvestment and the Company's ability to access, and repatriate within the Enlarged Group, cash flow and profits generated outside the United Kingdom. There is no guarantee that a dividend will ever be paid.

### **Legislation and compliance**

This document has been prepared on the basis of current legislation, rules and practice and the Directors' and the Proposed Directors' interpretation thereof. Such interpretation may not be correct and it is always possible that legislation, rules and practice may change.

## **Estimates in financial statements**

Preparation of consolidated financial statements requires the Enlarged Group to use estimates and assumptions. Accounting for estimates requires the Enlarged Group to use its judgment to determine the amount to be recorded on its financial statements in connection with these estimates. The Enlarged Group's accounting policies require management to make certain estimates and assumptions as to future events and circumstances. In addition, the carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. If the estimates and assumptions are inaccurate, the Enlarged Group could be required to write down the value of certain assets. On an ongoing basis, the Enlarged Group re-evaluates its estimates and assumptions. However, the actual amounts could differ from those based on estimates and assumptions.

## **OTHER RISKS**

### **Foreign currency risk**

Future international revenues and a smaller portion of expenses may be denominated in currencies other than the US\$ and the Enlarged Group therefore may have foreign currency risk related to these currencies in the future, which are primarily the euro and the British pound. The Enlarged Group may also experience fluctuations in its net income as a result of gains (losses) on the settlement and the re measurement of monetary assets and liabilities denominated in currencies that are not the functional currency.

### **Macroeconomic risk; Brexit risk**

The effect of the UK leaving the European Union ("Brexit") cannot currently be quantified. The long-term nature of the UK's relationship with the European Union is unclear and there is considerable uncertainty when any relationship will be agreed and implemented. The political and economic instability created by Brexit may cause volatility in global financial markets and may create uncertainty regarding the regulation of data protection and IP in the UK. Consequently, no assurance can be given about the impact of Brexit on the Enlarged Group's business, financial condition, operating results or prospects or on the markets in which the Enlarged Group will operate, including the UK.

The trading activities of the Enlarged Group will, to a certain extent, be dependent on the general economic environment. Factors such as inflation, currency fluctuations, interest rates, supply and demand of capital and industrial disruption have an impact on-demand, business costs and stock market prices. An economic downturn either globally or locally in any area in which the Enlarged Group operates may have an adverse effect on the demand for the Enlarged Group's products and services. A more prolonged economic downturn may lead to an overall decline in the Enlarged Group's revenues.

## **PART III**

### **HISTORICAL FINANCIAL INFORMATION**

#### **SECTION A: HISTORICAL FINANCIAL INFORMATION OF ENTERTAINMENT AI INC.**

Entertainment AI Inc. was incorporated on 4 March 2015 in the United States of America, originally under the name Deep Markets Holdings Inc. Deep Markets Holdings Inc remained a dormant company and on 7 December 2018, the Company changed its name to Entertainment AI Inc. for the purposes of acting as the holding company of GT Channel Inc. and Tagasauris Inc. For transaction planning reasons, it was decided that Entertainment AI Inc. would not be the holding company of GTChannel Inc and Tagasauris Inc.

Since the date of its incorporation, Entertainment AI Inc. has not yet commenced operations and has no material assets or liabilities. As such, no separate financial information on Entertainment AI Inc. is presented in this document.

## SECTION B: ACCOUNTANT'S REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF GT CHANNEL INC.



11 September 2019

The Directors  
Blockchain Worldwide Plc  
4th Floor  
43-44 Albemarle Street  
London W1S 4JJ

The Directors  
W.H. Ireland Limited  
24 Martin Lane  
London EC4R 0DR

Dear Sirs,

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### INTRODUCTION

We report on the audited aggregated historical financial information of GT Channel Inc. ("GTC") set out in Part III Section C (the "Historical Financial Information of GTC") of the Admission document dated 11 September 2019 (the "Document") of Blockchain Worldwide Plc (the "Company"). The Historical Financial Information of GTC has been prepared for inclusion in the Document on the basis of preparation and accounting policies set out in note 1 to the Historical Financial Information of GTC. This report is required by paragraph 20.1 of Annex 1 of the Prospectus Directive Regulation as applied by part (a) of Schedule Two to the AIM Rules for Companies (the "AIM Rules") and is given for the purposes of complying with the AIM Rules and for no other purpose.

### RESPONSIBILITIES

The directors of the Company (the "Directors") are responsible for preparing the Historical Financial Information of GTC in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

It is our responsibility to form an opinion on the Historical Financial Information of GTC as to whether it gives a true and fair view, for the purposes of the Document and to report our opinion to you.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any person other than the addressees of this letter for any loss suffered by any such person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Paragraph (a) of Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Document.

### BASIS OF OPINION

We conducted our work in accordance with Standards of Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the Historical Financial Information of GTC. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information underlying the Historical Financial Information of GTC and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Historical Financial Information of GTC is free from material misstatement, whether caused by fraud or other irregularity or error.

**OPINION**

In our opinion, the Historical Financial Information of GTC gives, for the purposes of the Document, a true and fair view of the state of affairs of GTC as at the date stated and of the results, financial position, cash flows and changes in equity for the period then ended in accordance with the basis of preparation set out in note 1 to the Historical Financial Information of GTC and International Financial Reporting Standards as adopted by the European Union.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in any jurisdictions other than the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those other standards and practices.

**DECLARATION**

For the purposes of paragraph (a) of Schedule Two of the AIM Rules for Companies, we are responsible for this report as part of the Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Document in compliance with Paragraph (a) of Schedule Two of the AIM Rules.

Yours faithfully,

**Crowe U.K. LLP**

*Chartered Accountants*

## SECTION C: HISTORICAL FINANCIAL INFORMATION OF GT CHANNEL INC.

### STATEMENT OF COMPREHENSIVE INCOME

The statements of comprehensive income of GTC for each of the three years ended 31 December 2018 are set out below:

	Note	2016 (\$)	2017 (\$)	2018 (\$)
Revenue	12	1,068,479	2,182,958	6,539,795
Cost of Sales	13	<u>(728,160)</u>	<u>(1,493,888)</u>	<u>(5,158,038)</u>
<b>Gross Profit/(Loss)</b>		<b>340,319</b>	<b>689,070</b>	<b>1,381,757</b>
<b>Operating Expenses</b>				
Selling, general and administration	13	<u>(398,964)</u>	<u>(652,525)</u>	<u>(1,398,246)</u>
<b>Profit/(Loss) from Operations</b>		<b>(58,645)</b>	<b>36,545</b>	<b>(16,489)</b>
<b>Other Expense</b>				
Finance cost	14	<u>(33,610)</u>	<u>(38,713)</u>	<u>(41,177)</u>
<b>Loss before Provision for Income Tax Expense</b>		<b>(92,255)</b>	<b>(2,168)</b>	<b>(57,666)</b>
Benefit (provision) for Income Tax Expense	7	<u>7,358</u>	<u>(37,572)</u>	<u>73,611</u>
<b>Net Profit/(Loss) and Total Comprehensive Profit/(Loss)</b>		<b><u>(84,897)</u></b>	<b><u>(39,740)</u></b>	<b><u>15,945</u></b>
<b>Basic and diluted earnings/(net loss) per share</b>	8	(0.012)	(0.006)	0.002

## STATEMENT OF FINANCIAL POSITION

The statements of financial position of GTC at 31 December 2016, 2017, and 2018 are set out below:

	Note	31 December 2016 (\$)	31 December 2017 (\$)	31 December 2018 (\$)
<b>Assets</b>				
<b>Current Assets</b>				
Cash		189,119	134,197	188,349
Accounts receivable	3	126,231	386,886	990,120
Other asset		1,800	1,800	1,800
<b>Total Current Assets</b>		<b>317,150</b>	<b>522,883</b>	<b>1,180,269</b>
<b>Non-Current Assets</b>				
Deferred tax assets	7	76,434	38,862	112,473
<b>Total Assets</b>		<b>393,584</b>	<b>561,745</b>	<b>1,292,742</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable		20,430	11,826	7,842
Accrued liabilities	4	258,763	475,268	1,169,818
Due to officers	9	198,000	198,000	198,000
Debt	5	620,000	620,000	644,486
<b>Total Liabilities</b>		<b>1,097,193</b>	<b>1,305,094</b>	<b>2,020,146</b>
<b>Equity</b>				
Share capital	6	900	900	900
Treasury stock	6	(21,875)	(21,875)	(21,875)
Accumulated deficit		(682,634)	(722,374)	(706,429)
<b>Total Equity</b>		<b>(703,609)</b>	<b>(743,349)</b>	<b>(727,404)</b>
<b>Total Liabilities and Equity</b>		<b>393,584</b>	<b>561,745</b>	<b>1,292,742</b>

## STATEMENT OF CASH FLOWS

The statements of cash flows of GTC for each of the three years ended 31 December 2018 are set out below:

	Note	2016 (\$)	2017 (\$)	2018 (\$)
<b>Cash Flows from Operating Activities</b>				
<b>Net loss</b>		(84,897)	(39,740)	15,945
<b>Adjustments to reconcile net loss to net cash used in operating activities:</b>				
Deferred income taxes		(7,358)	37,572	(73,611)
<b>Changes in operating assets and liabilities:</b>				
Accounts receivable		(27,234)	(260,655)	(603,234)
Other assets		(1,800)	–	–
Accounts payable		(106,982)	(8,604)	(3,984)
Accrued expenses		173,745	216,505	694,550
<b>Net cash generated from (used in) operations</b>		<b><u>(54,526)</u></b>	<b><u>(54,922)</u></b>	<b><u>29,666</u></b>
<b>Cash Flows from Financing Activities</b>				
Proceeds from issuance of debt		–	–	40,000
Repayment of debt		–	–	(15,514)
Repayment of due to officers		(30,991)	–	–
<b>Net cash provided by (used in) financing activities</b>		<b><u>(30,991)</u></b>	<b><u>–</u></b>	<b><u>24,486</u></b>
<b>Net increase (decrease) in Cash</b>		<b><u>(85,517)</u></b>	<b><u>(54,922)</u></b>	<b><u>54,152</u></b>
<i>Cash – Beginning of year</i>		274,636	189,119	134,197
<i>Cash – End of year</i>		189,119	134,197	188,349
<b>Supplemental Disclosure of Cash Flow Information</b>				
Cash Payments for Interest		5,310	10,413	8,724

## STATEMENT OF CHANGES IN EQUITY

The statements of changes in equity of GTC for each of the three years ended 31 December 2018 are set out below:

	Share Capital (\$)	Treasury Stock (\$)	Accumulated Deficit (\$)	Total (\$)
<b>1 January 2016</b>	<b>900</b>	<b>(21,875)</b>	<b>(597,737)</b>	<b>(618,712)</b>
Net loss	–	–	(84,897)	(84,897)
<b>31 December 2016</b>	<b>900</b>	<b>(21,875)</b>	<b>(682,634)</b>	<b>(703,609)</b>
Net loss	–	–	(39,740)	(39,740)
<b>31 December 2017</b>	<b>900</b>	<b>(21,875)</b>	<b>(722,374)</b>	<b>(743,349)</b>
Net profit	–	–	15,945	15,945
<b>31 December 2018</b>	<b>900</b>	<b>(21,875)</b>	<b>(706,429)</b>	<b>(727,404)</b>

## **Notes to the Historical Financial Information**

### **1. DESCRIPTION OF BUSINESS, BASIS OF PREPARATION AND GOING CONCERN**

GT Channel Inc. (“GTC”) was incorporated in Delaware, on 23 July 2013. GTC is located in El Segundo, California and produces video content for digital video consumption, primarily in the automotive and lifestyle entertainment sector, while working with independent creators across most social media platforms to assist them in monetising their videos, building audience, revenue, and brand value.

The main revenue driver comes from the advertising area which is created by selling pre-roll video ads, overlay ads on videos, and banner advertising that sit alongside video players. GTC’s primary source of advertising sales comes from the Google/YouTube platform. GTC also creates its own content and videos which run ads; and through working with creator partners, GTC then shares the revenue with these creator partners of any advertising sold.

#### **BASIS OF PREPARATION**

The financial information of GTC has been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The financial information is presented in U.S. dollars, which is Tag’s functional currency.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

#### **SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS**

The preparation of the financial information in accordance with IFRS requires the use of estimates and assumptions to be made in applying the accounting policies that affect the reported amounts of assets, liabilities, revenue and expenses and the disclosure of contingent assets and liabilities. The estimates and related assumptions are based on previous experiences and other factors considered reasonable under the circumstances, the results of which form the basis for making the assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant accounts that require estimates as the basis for determining the stated amounts include expected credit loss allowance for accounts receivable, expected realisation of deferred tax assets, and performance obligations surrounding revenue recognition.

#### **FINANCIAL INSTRUMENTS**

GTC adopted IFRS 9 on 1 January 2018, using the retrospective approach. IFRS 9 includes a new “expected credit loss” model which could impact accounts receivable. The adoption of IFRS 9 did not impact the carrying amounts of GTC’s financial assets or liabilities on the adoption date. IFRS 9 introduced new classification and measurement models for financial assets. Financial assets held with an objective to hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest are measured at amortised cost using the effective interest method. Debt investments held with an objective to hold both assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of fair value. All other financial assets are classified and measured at fair value through profit or loss (“FVTPL”). Financial liabilities are classified as either FVTPL or other financial liabilities. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities, other than financial assets and financial liabilities classified as FVTPL, are added to or deducted from the fair value on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as FVTPL are recognised immediately in net income loss.

## **DERECOGNITION**

### **Financial assets**

Tag derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which Tag neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that is created or retained by Tag is recognised as a separate asset or liability.

### **Financial liabilities**

A financial liability is derecognised when it is extinguished, that is, when the obligation specified in the contract is either discharged, cancelled or expires. Where there has been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for an extinguishment of the original financial liability and the recognition of a new financial liability. A gain or loss from extinguishment of the original financial liability is recognised in profit or loss.

GTC's financial instruments include cash, accounts receivable, accounts payable, accrued liabilities, due to officers and debt. A table outlining the classification of financial instruments IFRS 9 can be found at Note 15.

## **ACCOUNTS RECEIVABLES**

Accounts receivable are amounts due from customers from the sale of products or services in the ordinary course of business. Accounts receivables are classified as current if payment is due within one year of the reporting period date and are initially recognised at fair value and substantially measured at amortised cost.

The provision policy for doubtful accounts of GTC is based on the aging analysis and management's ongoing evaluation of the recoverability of the outstanding receivables. GTC utilises a provision matrix, as permitted under the simplified approach to measure expected credit loss. In doing so, management considered historical credit losses, forward-looking factors specific to GTC's debtors and other macro-economic factors to determine any expected default rates. The default rates would then be applied to GTC's aging to determined expected credit losses.

The carrying amount of the accounts receivables would be reduced by the expected credit losses. If financial conditions of these customers were to deteriorate and Tag determines that no recovery of an accounts receivable is possible, the amount would be deemed irrecoverable and subsequently written-off.

## **REVENUE RECOGNITION**

On 1 January 2018, GTC adopted IFRS 15 – Revenue from Contracts with Customers, using the modified retrospective method. The adoption of this standard did not materially impact the timing of revenue recognition for customer sales prior to fiscal 2018.

Revenue is measured at the fair value of the consideration received or receivable. Revenue from advertisement contract postings of content digital video media on public internet platforms is recognised upon fulfillment of the advertisement by way of the ad actually showing up on such postings. GTC also produces their own video content which run advertisements, thus revenue is recognised in the same way.

GTC recognises revenue utilising the five-step framework of IFRS 15. As such, GTC recognises revenue for advertisements at a point in time based on the delivery of the advertisement (ad actually showing up). Revenue is reported at the estimated net realisable amounts from customers and is subject to audit and retroactive adjustment based on actual payments. This adjustment occurs in the next subsequent month, thus, no provisions for settlement or un-collectability is deemed necessary. No payments are received in advance, thus no contract assets are recorded. See Note 12.

## **INCOME TAXES**

### **Deferred Income Taxes**

Deferred income taxes are provided for the differences between the financial information and tax bases of assets and liabilities, and on operating loss carryovers, using tax rates in effect in years in which the differences are expected to be reverse.

### **Recently Enacted U.S. Federal Tax Legislation**

Introduced initially as the Tax Cuts and Job Act, the Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018 (the "Act") was enacted on 22 December 2017. The Act applies to corporations generally beginning with taxable years starting after 31 December 2017 and reduces the corporate tax rate from a graduated set of rates with a maximum 34 per cent. tax rate to a flat 21 per cent. tax rate.

Additionally, the Act introduces other changes that impact corporations, including net operating losses ("NOL") deduction annual limitation, an interest expense deduction annual limitation, elimination of the alternative minimum tax, and reform that moves the U.S. toward a territorial system in which income earned in other countries will generally not be subject to U.S. taxation. However, the accumulated foreign earnings of certain foreign corporations will be subject to a one-time transition tax, which can be elected to be paid over an eight-year tax transition period, using specified percentages, or in one lump sum. NOL and foreign tax credit ("FTC") carry forwards can be used to offset the transition tax liability. See Note 7.

### **CASH AND CONCENTRATION OF CREDIT RISK**

For the purposes of reporting cash flows, GTC considers all cash accounts that are not subject to withdrawal restrictions and highly liquid instruments with a maturity of three months or less, when purchased, as cash and cash equivalents.

GTC has cash in financial institutions that fully insure its deposits up to \$250,000 per depositor through the Federal Deposit Insurance Corporation ("FDIC"). The portion of the deposit in excess of FDIC coverage is not subject to such insurance and represents a credit risk to GTC. At times GTC's deposits may exceed the FDIC coverage. GTC has not experienced any losses from such excess deposits.

### **RECENT ACCOUNTING PRONOUNCEMENTS**

#### **Recently adopted accounting policy**

IFRS 9, Financial Instruments, replaces IAS 39, Financial Instruments: Recognition and Measurement. The new standard was adopted on 1 January 2018 using the retrospective method and introduces new classification and measurement requirements for assets and liabilities and a new expected loss impairment model that will require more timely recognition of expected credit losses for financial instruments. Entities will also be required to have additional disclosure to provide information that explains the basis for their expected credit loss calculations and how they measure expected credit losses and assess changes in credit risk. The standard also introduces a new hedge accounting model that aligns the accounting treatment with risk-management activities.

IFRS 15, Revenue from Contracts with Customers was adopted on 1 January 2018. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time and over time. The model features a contract-based five-step analysis of transactions to determine whether how much and when revenue is recognised. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognised. Tag adopted the policy using the modified retrospective method.

#### **Recent accounting pronouncement that may affect GTC**

IFRS 16, Leases ("IFRS 16") sets out the principles for the recognition, measurement, presentation and disclosures of leases for both parties to a contract, the customer (lessee) and the supplier (lessor). This will replace IAS 17, Leases ("IAS 17") and related interpretations. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all leases and requires a lessee to recognise right-of-use assets and lease liabilities for lease with terms of more than 12 months, unless the underlying assets is of low value, and depreciation of lease assets is reported separately from interest on lease liabilities in the income statement. Under IFRS 16, lessor accounting for operating

and finance leases will remain substantially unchanged. IFRS 16 is effective for annual periods beginning on or after 1 January 2019, with earlier application permitted for entities that apply IFRS 15, Revenue from Contracts from Customers. GTC assessed the impact of this standard on its financial information and determined there was no material impact.

There are no other standards in effect or in effect in the future which are expected to have a material impact on the financial position or performance.

### 3. ACCOUNTS RECEIVABLE

	31 December 2016 (\$)	31 December 2017 (\$)	31 December 2018 (\$)
Accounts receivable	126,231	386,886	990,120
Allowance for doubtful accounts	—	—	—
	<u>126,231</u>	<u>386,886</u>	<u>990,120</u>

In determining the recoverability of accounts receivable, GTC considers any changes in the credit quality of the accounts receivable from the date credit was initially granted up to the reporting date. The accounts receivables that are neither past due nor impaired relates to customers that GTC has assessed to be creditworthy based on the credit evaluation process performed by management which considers both customers' overall credit profile and its payment history with GTC. Any loss allowance is determined in accordance with IFRS 9.

### 4. ACCRUED LIABILITIES

	31 December 2016 (\$)	31 December 2017 (\$)	31 December 2018 (\$)
Accrued interest	80,715	109,015	137,316
Network partner fees and agency administrative fees	139,601	294,091	995,966
Payroll related liabilities	3,673	3,013	—
Provision for legal case	—	35,000	—
Credit card liability	34,774	34,149	36,536
	<u>258,763</u>	<u>475,268</u>	<u>1,169,818</u>

Payroll related liabilities include payroll related taxes payable and salaries to the Chief Executive Officer of GTC.

### 5. DEBT

Convertible debt consists of the following:

	July 2013 Convertible Notes [a] (\$)	March 2015 Convertible Notes [b] (\$)	April 2015 Convertible Notes [c] (\$)	2018 Kabbage Loan [d] (\$)	Total (\$)
<b>At 1 January 2016</b>	<b>392,623</b>	<b>259,208</b>	<b>20,585</b>	—	<b>672,416</b>
Imputed interest	17,500	10,000	800	—	28,300
<b>At 31 December 2016</b>	<b>410,123</b>	<b>269,208</b>	<b>21,385</b>	—	<b>700,716</b>
Imputed interest	17,500	10,000	800	—	28,300
<b>At 31 December 2017</b>	<b>427,623</b>	<b>279,208</b>	<b>22,185</b>	—	<b>729,016</b>
New issuance	—	—	—	40,000	40,000
Imputed interest	17,500	10,000	800	4,153	32,453
Payments	—	—	—	(19,667)	(19,667)
<b>At 31 December 2018</b>	<b>445,123</b>	<b>289,208</b>	<b>22,985</b>	<b>24,486</b>	<b>781,802</b>
Current portion of debt					<u>644,486</u>
Accrued interest					<u>137,316</u>

The convertible debt instruments were initially recognised at fair value, and subsequently they were measured at amortised cost using the effective interest rate method. The initial fair values were calculated with a valuation technique that uses parameters obtained from observable markets,

including credit spread and interest rate volatility. The prevailing interest rate used in the valuations of the convertible debt instruments ranged from 4-5 per cent. at initial recognition.

- [a] On 23 July 2013, GTC issued a secured convertible note payable, at 5 per cent. per annum. The note matured on 31 December 2014, and is due on demand. The conversion provisions were not exercised by the note holder based on the terms disclosed in the agreement at maturity and expired.
- [b] On 26 March 2015, GTC issued a secured convertible note payable, at 4 per cent. per annum. The note matured on 30 September 2016, and is now due on demand. The note agreement contained conversion provisions to exchange the note for preferred stock in GTC upon conditions stipulated in the agreement. The conversion provisions were not exercised by the note holder based on the terms disclosed in the agreement at 31 December 2016, 2017 and 2018.
- [c] On 8 April 2015, GTC issued a secured convertible note payable, at 4 per cent. per annum. The note matured on 30 September 2016, and is now due on demand. The note agreement contained conversion provisions to exchange the note for preferred stock in GTC upon conditions stipulated in the agreement. The conversion provisions were not exercised by the note holder based on the terms disclosed in the agreement at 31 December 2016, 2017 and 2018.

GTC evaluated the conversion feature of the convertible notes at the time of issuance to determine whether the conversion feature should be bifurcated from the host instrument. As such, at the time of issuance, GTC determined the fair value of the conversion feature was de-minimus and GTC did not record the conversion feature. Further, it was determined that upon maturity, the conversion feature terminated regardless of whether the note(s) remained outstanding. In accordance with the adoption of IFRS 9, GTC de-recognised the conversion feature at the maturity date, which was the timing of when the conversion feature itself terminated. As the fair value of the conversion feature was deemed to be de-minimus, no gain or loss was recorded in accordance with the adoption of IFRS 9.

- [d] In 2018, GTC borrowed \$40,000 from a lending company, Kabbage (the loan), at an annual percentage rate of 29.36 per cent., maturing on 5 July 2019. The loan requires six monthly instalment payments including principal and interest at approximately \$3,933.33 per month, plus six additional monthly instalment payments including principal and interest at approximately \$3,833.33 per month. As of 31 December 2018, the loan balance was \$24,486. The principal amount paid for the year ended 31 December 2018, excluding imputed interest of \$4,153, was \$15,514.

## **6. SHARE CAPITAL**

GTC was founded in July 2013 and incorporated in the State of Delaware, United States of America. GTC authorised 20,000,000 shares of common stock at a par value of \$0.0001.

Initially GTC issued to its founding shareholders 9,000,000 shares of common stock with such shares fully vested at incorporation. In August 2014, GTC repurchased 2,187,500 shares of common stock from a shareholder at a cost of \$21,875.

In June 2018, GTC settled a lawsuit with an existing shareholder that required GTC to pay \$35,000. As part of the agreement, the shareholder surrendered to GTC 75,000 shares of common stock, at no additional cost to GTC, of which GTC recorded treasury stock in the amount of \$0.

As of 31 December 2018, GTC had 6,737,500 shares of common stock (net of 2,262,500 shares of treasury stock) issued and outstanding.

## 7. INCOME TAX PROVISION

The major components of income tax expense for the years ended 31 December 2016, 2017 and 2018 are as follows:

	2016 (\$)	2017 (\$)	2018 (\$)
<b>Current income tax</b>	–	–	–
<b>Deferred tax:</b>			
Federal	(5,703)	28,212	(49,950)
State	(1,655)	9,360	(23,661)
	<u>(7,358)</u>	<u>37,572</u>	<u>(73,611)</u>

GTC offsets current tax assets with current tax liabilities and deferred tax assets with deferred tax liabilities if, and only if, it has a legal enforceable right to set off current tax assets and current tax liabilities, and they relate to taxes levied by the same taxation authority. On 22 December 2017, the United States enacted new tax reform (“Tax Cuts and Jobs Act”). The Tax Cuts and Jobs Act contains provisions with separate effective dates, but is generally effective for taxable years beginning after 31 December 2017. Beginning with the year ending 31 December 2018, the corporate statutory rate on U.S. earnings was reduced from 34 per cent. to 21 per cent.. As a result of this new regulation, GTC reduced its deferred tax asset by \$16,686 in 2017.

The recoverability of the net deferred tax assets is expected because it is more likely than not that GTC will realise future benefits associated with these net deferred tax assets. Deferred tax assets require management judgement and estimation in determining the amounts to be recognised. In particular, when assessing the extent to which deferred tax assets should be recognised, significant judgement is used when considering the timing of the recognition and estimation is used to determine the level of future taxable income.

Other than the reduction in statutory rate, GTC does not believe the new tax regulations will have any additional material impact on income taxes.

The recoverability of the net deferred tax assets is not expected because it is more likely than not that Tag will not realise future benefits associated with these net deferred tax assets.

The benefit of the following deductible temporary differences have not been recognised in the financial information, as deferred tax assets for the years ending 31 December 2016, 2017 and 2018:

	2016 (\$)	2017 (\$)	2018 (\$)
Net accrual to cash basis tax adjustment	61,185	28,058	52,511
Net operating losses	15,249	10,804	59,962
<b>Total</b>	<u>76,434</u>	<u>38,862</u>	<u>112,473</u>

The remaining tax loss carry forward amounts and years of expiry are as follows:

Year of Loss	Federal (\$)	State (\$)	Year of expiry
2015	544	–	2035
2016	38,300	38,044	2036
2017	–	–	2037
2018	175,562	175,562	2038
	<u>214,406</u>	<u>213,606</u>	

GTC follows the accounting standard on uncertain tax positions, which addresses whether any additional tax for uncertainties should be recorded in the financial information. Management evaluated GTC’s tax positions and concluded that GTC has taken no uncertain tax positions that require adjustment to the financial information to comply with the provisions of this guidance.

GTC’s federal net operating losses that have been incurred prior to 31 December 2017 will continue to have a 20-year carry forward limitation applied and will need to be evaluated for recoverability in

the future as such. Net operating losses incurred after 31 December 2017 will have an indefinite life, but usage will be limited to 80 per cent. of taxable income in any given year.

The tax on GTC's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits and losses as follows:

	2016 (\$)	2017 (\$)	2018 (\$)
<b>Loss before tax on ordinary activities</b>	<b>(92,255)</b>	<b>(2,168)</b>	<b>(57,666)</b>
Computed tax at federal rates (2016: 31%, 2017: 25%, and 2018: 19%)	(28,599)	(542)	(10,957)
<b>Tax effects of:</b>			
Losses carried forward	(11,873)	14,723	(33,357)
State taxes, net of federal taxes	(8,303)	(195)	(5,190)
Change in rates	–	–	(16,686)
Other tax adjustments	41,417	23,586	(7,421)
<b>Taxation (benefit) expense recognised in income statement</b>	<b>(7,358)</b>	<b>37,752</b>	<b>(73,611)</b>

## 8. EARNINGS PER SHARE

The earnings (loss) per share has been calculated using the loss for the year and the weighted average number of ordinary shares outstanding during the year. The balance for the years ended 31 December 2016, 2017 and 2018 were as follows:

	2016	2017	2018
<b>Earnings (loss) for the year attributable to equity holders (\$)</b>	<b>(84,897)</b>	<b>(39,740)</b>	<b>15,945</b>
Weighted average number of ordinary shares – basic and diluted	6,812,500	6,812,500	6,772,021
Basic and diluted loss per share (\$)	(0.012)	(0.006)	0.002

## 9. TRANSACTIONS WITH RELATED PARTIES

At 31 December 2015, GTC had a loan payable to an officer in the amount of \$198,000. The loan has not been repaid as at 31 December 2018. Management believes the loan amount is expected to be repaid but has no repayment terms or stated interest rates.

At 31 December 2015, GTC had a loan payable to an officer in the amount of \$30,991. The loan was repaid in 2016.

In 2016, 2017 and 2018, GTC paid for consulting services in the amount of \$246,925, \$136,000, and \$134,423, respectively to an affiliate, which is owned by an officer of GTC.

Compensation to key management personnel for the years ended 31 December 2016, 2017 and 2018 were as follows:

	2016 (\$)	2017 (\$)	2018 (\$)
Salaries	102,115	126,000	123,577

All transactions with related parties are measured at the exchange amounts, which are the amounts of consideration established and agreed to by the related parties.

## 10. COMMITMENT AND CONTINGENCIES

During 2016 and 2017, GTC relocated its office and storage leased space and signed agreements with a lessor on a month-to-month basis that required a monthly payment of approximately \$1,450. During 2018, GTC leased office and storage space on a month-to-month basis and required a monthly payment of approximately \$3,200. Total rent for the years ended 31 December 2016, 2017 and 2018 was \$18,988, \$16,280, and \$23,750, respectively.

GTC is subject to legal proceedings and claims which arise in the ordinary course of its business and are covered by insurance. GTC believes that it has accrued adequate reserves individually and

in the aggregate for such legal proceedings. Should actual litigation results differ from GTC's estimates, revisions to increase or decrease the accrued reserves may be required.

## 11. MAJOR CUSTOMERS

In 2018, revenue from one customer amounted to \$6,495,815 and comprised 99 per cent. of the total revenue for the year ended 31 December 2018. Accounts receivable from the same customer as of 31 December 2018 amounted to \$983,552 and comprised 99 per cent. of total trade receivables.

In 2017, revenue from one customer amounted to \$2,158,355 and comprised 99 per cent. of the total revenue for the year ended 31 December 2017. Accounts receivable from the same customer as of 31 December 2017 amounted to \$381,732 and comprised 99 per cent. of total trade receivables.

In 2016, revenue from one customer amounted to \$937,681 and comprised 88 per cent. of the total revenue for the year. Accounts receivable from the same customer as of 31 December 2016 amounted to \$93,282 and comprised 74 per cent. of total trade receivables.

## 12. REVENUE

On 1 January 2018, GTC adopted IFRS 15 – Revenue from Contracts with Customers, using the modified retrospective method. The adoption of this standard did not materially impact the timing of revenue recognition for customer sales prior to fiscal 2018.

### DISAGGREGATED REVENUES

GTC disaggregates revenue by two principal business lines: advertising income and other revenues, which typically comprises of project based work on behalf of third parties relating to content production. All of GTC's revenues are generated in the United States of America and GTC is paid in U.S. Dollars.

The breakdown by revenue line of GTC's revenues for the years ended 31 December 2016, 2017 and 2018 is as follows:

	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>
Advertising	940	2,127	6,502
Other	128	56	38
	<u><b>1,068</b></u>	<u><b>2,183</b></u>	<u><b>6,540</b></u>

### PERFORMANCE OBLIGATIONS

For advertising revenue, GTC manages on an exclusive worldwide basis, its customers' video content. GTC generates income against such content, largely through advertising, and when such income is generated and reported to GTC, GTC is deemed to have fulfilled its performance obligation. GTC retains a fixed, agreed percentage of such income and distributes the remainder to its customers.

In relation to other revenues, GTC typically satisfies its performance obligations when services are rendered or projects are delivered and accepted by the customer. Consideration is fixed and payment terms are consistent with GTC's terms for the project.

### 13. EXPENSES BY NATURE

Expenses included in the statement of income for the years ended 31 December 2016, 2017 and 2018 are as follows:

	31 December 2016 (\$)			31 December 2017 (\$)			31 December 2018 (\$)		
	Cost of goods sold	General and Administrative	Total	Cost of goods sold	General and Administrative	Total	Cost of goods sold	General and Administrative	Total
Salaries and short-term benefits	—	141,893	141,893	—	166,378	166,378	—	122,920	122,920
Consulting services	—	152,473	152,473	—	143,500	143,500	—	267,525	267,525
Agency fees	—	4,000	4,000	—	244,503	244,503	—	913,745	913,745
Rent	—	23,740	23,740	—	16,280	16,280	—	18,988	18,988
Network partner fees	677,951	—	677,951	1,476,588	—	1,476,588	5,144,468	—	5,144,468
Video production	39,649	—	39,649	17,300	—	17,300	13,570	—	13,570
Project costs	10,560	—	10,560	—	—	—	—	—	—
Professional fees	—	26,176	26,176	—	2,601	2,601	—	23,359	23,359
Other	—	50,682	50,682	—	79,263	79,263	—	51,709	51,709
	<b>728,160</b>	<b>398,964</b>	<b>1,127,124</b>	<b>1,493,888</b>	<b>652,525</b>	<b>2,146,413</b>	<b>5,158,038</b>	<b>1,398,246</b>	<b>6,556,284</b>

#### 14. FINANCE COSTS

Finance costs for the years ended 31 December 2016, 2017 and 2018 are as follows:

	2016 (\$)	2017 (\$)	2018 (\$)
Interest on July 2013 convertible note	17,500	17,500	17,500
Interest on March 2015 convertible note	10,000	10,000	10,000
Interest on April 2015 convertible note	800	800	800
Kabbage note	–	–	4,153
Interest on credit card	5,310	10,413	8,724
	<b>33,610</b>	<b>38,713</b>	<b>41,177</b>

#### 15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at the dates presented, GTC has classified its financial instruments as follows:

At 31 December 2016	Loans and Receivables at Amortised Cost (\$)	Other Financial Liabilities at Amortised Cost (\$)	Total (\$)
<b>Financial Assets</b>			
Cash	189,119	–	<b>189,119</b>
Trade receivables and other assets	128,031	–	<b>128,031</b>
<b>Financial Liabilities</b>			
Trade and other payables	–	279,193	<b>279,193</b>
Due to officers	–	198,000	<b>198,000</b>
Debt	–	620,000	<b>620,000</b>
At 31 December 2017	Loans and Receivables at Amortised Cost (\$)	Other Financial Liabilities at Amortised Cost (\$)	Total (\$)
<b>Financial Assets</b>			
Cash	134,197	–	<b>134,197</b>
Trade receivables and other assets	388,686	–	<b>388,686</b>
<b>Financial Liabilities</b>			
Trade and other payables	–	487,094	<b>487,094</b>
Due to officers	–	198,000	<b>198,000</b>
Debt	–	620,000	<b>620,000</b>
At 31 December 2018	Loans and Receivables at Amortised Cost (\$)	Other Financial Liabilities at Amortised Cost (\$)	Total (\$)
<b>Financial Assets</b>			
Cash	188,349	–	<b>188,349</b>
Trade receivables and other assets	991,920	–	<b>991,920</b>
<b>Financial Liabilities</b>			
Trade and other payables	–	1,177,660	<b>1,177,660</b>
Due to officers	–	198,000	<b>198,000</b>
Debt	–	644,486	<b>644,486</b>

#### FAIR VALUE OF FINANCIAL INSTRUMENTS

The debt instruments were initially recognised at fair value, and subsequently they were measured at amortised cost using the effective interest rate method, whereby the fair value of the debt approximates their carrying value. As at 31 December 2018, GTC's cash and debt are carried on the statements of financial position at amortised cost.

#### CREDIT RISK

GTC is exposed to credit risk associated with its accounts receivable. Credit risk is minimised substantially by ensuring the credit worthiness of the entities with which it carries on business. Credit terms are provided on a case by case basis. GTC has not experienced any significant instances of non-payment from its customers. No provision has been made for potentially uncollectable amounts.

GTC's accounts receivable aging at 31 December 2016, 2017 and 2018 was as follows:

	2016 (\$)	2017 (\$)	2018 (\$)
Current	93,382	385,731	989,952
1 – 30 days	29,250	15	43
31 – 60 days	47	–	–
61 – 90 days	–	–	–
> 90 days	3,552	1,140	125
	<u>126,231</u>	<u>386,886</u>	<u>990,120</u>

## LIQUIDITY RISK

Liquidity risk represents the contingency that GTC is unable to gather the funds required with respect to its financial obligations at the appropriate time and under reasonable conditions in order to meet their current obligations. GTC attempts to manage this risk so as to ensure that it has sufficient liquidity at all times to be able to honour its current and future financial obligations under normal conditions and in exceptional circumstances. Financing strategies to ensure the management of this risk include the issuance of equity or debt securities as deemed necessary.

## Reconciliation of liabilities arising from financing activities

The changes in GTC's liabilities arising from financing activities can be classified as follows:

	Long-term borrowings (\$)	Short-term borrowings (\$)	Total (\$)
<b>At 1 January 2016</b>	–	620,000	620,000
<b>Cash Flows</b>			
Repayment	–	–	–
Proceeds	–	–	–
<b>Non-Cash</b>	–	–	–
<b>As at 31 December 2016</b>	–	620,000	620,000
	Long-term borrowings (\$)	Short-term borrowings (\$)	Total (\$)
<b>At 1 January 2017</b>	–	620,000	620,000
<b>Cash Flows</b>			
Repayment	–	–	–
Proceeds	–	–	–
<b>Non-Cash</b>	–	–	–
<b>As at 31 December 2017</b>	–	620,000	620,000
	Long-term borrowings (\$)	Short-term borrowings (\$)	Total (\$)
<b>At 1 January 2018</b>	–	620,000	620,000
<b>Cash Flows</b>			
Repayment	–	(15,514)	(15,514)
Proceeds	–	40,000	40,000
<b>Non-Cash</b>	–	–	–
<b>As at 31 December 2018</b>	–	644,486	644,486

## **INTEREST RATE RISK**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates. GTC's exposure to interest rate risk is based on short-term fixed interest rates for both cash and convertible debt. As of 31 December 2016, 2017 and 2018, GTC's exposure to interest rate risk was determined to be nominal.

## **16. SUBSEQUENT EVENTS**

On the closing date of the Acquisition (for the purposes of the Acquisition Agreement) the Company will file certificates of merger with the Secretary of State of the State of Delaware, United States of America. Upon the certificates of merger taking effect MergerCo, GTC MergerCo and TAG MergerCo, shall be merged with and into Entertainment AI, GTChannel and Tagasauris respectively, with Entertainment AI, GTChannel and Tagasauris existing as the surviving corporations and therefore the wholly-owned subsidiaries of the Company on Admission.

## **17. NATURE OF FINANCIAL INFORMATION**

The financial information presented above does not constitute statutory financial statements for the period under review.

## SECTION D: ACCOUNTANT'S REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF TAGASAURIS INC



11 September 2019

The Directors  
Blockchain Worldwide Plc  
4th Floor  
43-44 Albemarle Street  
London W1S 4JJ

The Directors  
W.H. Ireland Limited  
24 Martin Lane  
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Dear Sirs,

Crowe U.K. LLP  
*Chartered Accountants*  
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### INTRODUCTION

We report on the audited aggregated historical financial information of Tagasauris Inc. ("Tagasauris") set out in Part III Section E (the "Historical Financial Information of Tagasauris") of the Admission document dated 11 September 2019 (the "Document") of Blockchain Worldwide Plc (the "Company"). The Historical Financial Information of Tagasauris has been prepared for inclusion in the Document on the basis of preparation and accounting policies set out in note 1 to the Historical Financial Information of Tagasauris. This report is required by paragraph 20.1 of Annex 1 of the Prospectus Directive Regulation as applied by part (a) of Schedule Two to the AIM Rules for Companies (the "AIM Rules") and is given for the purposes of complying with the AIM Rules and for no other purpose.

### RESPONSIBILITIES

The directors of the Company (the "Directors") are responsible for preparing the Historical Financial Information of Tagasauris in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

It is our responsibility to form an opinion on the Historical Financial Information of Tagasauris as to whether it gives a true and fair view, for the purposes of the Document and to report our opinion to you.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any person other than the addressees of this letter for any loss suffered by any such person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Paragraph (a) of Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Document.

### BASIS OF OPINION

We conducted our work in accordance with Standards of Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the Historical Financial Information of Tagasauris. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information underlying the Historical Financial Information of Tagasauris and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance

that the Historical Financial Information of Tagasauris is free from material misstatement, whether caused by fraud or other irregularity or error.

#### **OPINION**

In our opinion, the Historical Financial Information of Tagasauris gives, for the purposes of the Document, a true and fair view of the state of affairs of Tagasauris as at the date stated and of the results, financial position, cash flows and changes in equity for the period then ended in accordance with the basis of preparation set out in note 1 to the Historical Financial Information of Tagasauris and International Financial Reporting Standards as adopted by the European Union.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in any jurisdictions other than the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those other standards and practices.

#### **DECLARATION**

For the purposes of paragraph (a) of Schedule Two of the AIM Rules for Companies, we are responsible for this report as part of the Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Document in compliance with Paragraph (a) of Schedule Two of the AIM Rules.

Yours faithfully,

**Crowe U.K. LLP**

*Chartered Accountants*

## SECTION E: HISTORICAL FINANCIAL INFORMATION OF TAGASOURIS INC.

### STATEMENT OF COMPREHENSIVE INCOME

The statements of comprehensive income of Tagasauris for each of the three years ended 31 December 2018 are set out below:

	Note	2016 (\$)	2017 (\$)	2018 (\$)
Revenue	13	20,000	92,235	81,015
Cost of Sales	14	(36,241)	(53,608)	(38,067)
<b>Gross Profit (Loss)</b>		<b>(16,241)</b>	<b>38,627</b>	<b>42,948</b>
<b><i>Operating Expenses</i></b>				
Selling, general and administration	14	(488,217)	(298,230)	(236,151)
Research and development	2	(234,040)	(98,035)	(13,741)
<b>Loss from Operations</b>		<b>(738,498)</b>	<b>(357,638)</b>	<b>(206,944)</b>
<b><i>Other Expense</i></b>				
Finance cost	15	(62,483)	(124,222)	(76,469)
Change in fair value of embedded derivative	7	18,348	(1,683)	(8,010)
<b>Loss before Provision for Income Tax Expense</b>		<b>(782,633)</b>	<b>(483,543)</b>	<b>(291,423)</b>
Benefit for Income Tax Expense	8	195,538	15,877	32,927
<b>Net Loss and Total Comprehensive Loss</b>		<b>(587,095)</b>	<b>(467,666)</b>	<b>(258,496)</b>
<b>Basic and diluted net loss per share</b>	9	(0.04)	(0.03)	(0.02)
<b>Diluted net loss per share</b>	9	(0.04)	(0.03)	(0.02)

## STATEMENT OF FINANCIAL POSITION

The statements of financial position of Tagasauris at 31 December 2016, 2017, and 2018 are set out below:

	Note	31 December 2016 (\$)	31 December 2017 (\$)	31 December 2018 (\$)
<b>Assets</b>				
<b>Current Assets</b>				
Cash		–	6,216	289
Accounts receivable	3	–	37,235	–
Other asset		1,304	1,750	2,200
<b>Total Current Assets</b>		<b>1,304</b>	<b>45,201</b>	<b>2,489</b>
<b>Non-Current Assets</b>				
Deferred tax assets	8	438,927	454,804	487,731
<b>Total Assets</b>		<b>440,231</b>	<b>500,005</b>	<b>490,220</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable		628,427	811,475	937,557
Accrued liabilities		62,567	62,106	53,379
Due to affiliate	10	–	57,000	83,059
Due to officers	10	12,020	12,020	12,020
Current portion of convertible debt	7	119,326	318,050	467,492
Embedded derivative liabilities	7	138,895	188,125	196,135
<b>Total Current Liabilities</b>		<b>961,235</b>	<b>1,448,776</b>	<b>1,749,642</b>
<b>Non-Current Liabilities</b>				
Convertible debt, less current portion	7	169,484	86,438	–
<b>Total Liabilities</b>		<b>1,130,719</b>	<b>1,535,214</b>	<b>1,749,642</b>
<b>Equity</b>				
Share capital	4	99	99	99
Preferred stock	5	64	64	64
Stock subscription	4	–	–	–
Contributed surplus		2,218,751	2,218,751	2,218,751
Accumulated deficit		(2,909,402)	(3,254,123)	(3,478,336)
<b>Total Equity</b>		<b>(690,488)</b>	<b>(1,035,209)</b>	<b>(1,259,422)</b>
<b>Total Liabilities and Equity</b>		<b>440,231</b>	<b>500,005</b>	<b>490,220</b>

## AGGREGATED STATEMENT OF CASH FLOWS

The aggregated statements of cash flows of Tagasauris for each of the three years ended 31 December 2018 are set out below:

	Note	2016 (\$)	2017 (\$)	2018 (\$)
<b>Cash Flows from Operating Activities</b>				
Net loss		(587,095)	(467,666)	(258,496)
<b>Adjustments to reconcile net loss to net cash used in operating activities:</b>				
Deferred income taxes		(195,538)	(15,877)	(32,927)
Share-based compensation	6	185,541	122,945	34,283
Imputed interest	7	58,237	113,225	63,004
Changes in fair value of embedded derivative	7	(18,348)	1,683	8,010
Changes in operating assets and liabilities:				
Accounts receivable		–	(37,235)	37,235
Other assets		(440)	(446)	(450)
Accounts payable		258,869	183,049	126,082
Accrued expenses		13,657	(462)	(8,727)
<b>Cash generated from operations</b>		<b>(285,117)</b>	<b>(100,784)</b>	<b>(31,986)</b>
<b>Net Cash Used in Operating Activities</b>		<b>(285,117)</b>	<b>(100,784)</b>	<b>(31,986)</b>
<b>Cash Flows from Financing Activities</b>				
Proceeds from issuance of convertible debt	7	226,724	50,000	–
Proceeds from officers	10	12,020	–	–
Proceeds from an affiliate	10	–	57,000	26,059
Proceeds from issuance of preferred stocks	5	–	–	–
<b>Net Cash Provided by Financing Activities</b>		<b>238,744</b>	<b>107,000</b>	<b>26,059</b>
<b>Net Increase (Decrease) in Cash</b>		<b>(46,373)</b>	<b>6,216</b>	<b>(5,927)</b>
<i>Cash – Beginning of year</i>		46,373	–	6,216
<i>Cash – End of year</i>		–	6,216	289
<b>Supplemental Disclosure of Cash Flow Information</b>				
Cash Payments for Interest		4,246	10,997	13,465
<b>Supplemental Disclosure of Non-Cash Flow Information</b>				
Addition of embedded derivative liability		78,253	47,547	–

## STATEMENT OF CHANGES IN EQUITY

The statements of changes in equity of Tagasauris for each of the three years ended 31 December 2018 are set out below:

	Share Capital (\$)	Preferred Stock (\$)	Contributed Surplus (\$)	Accumulated Deficit (\$)	Total (\$)
<b>1 January 2016</b>	<b>99</b>	<b>64</b>	<b>2,218,751</b>	<b>(2,507,848)</b>	<b>(288,934)</b>
Share-based compensation	–	–	–	185,541	185,541
Net loss	–	–	–	(587,095)	(587,095)
<b>31 December 2016</b>	<b>99</b>	<b>64</b>	<b>2,218,751</b>	<b>(2,909,402)</b>	<b>(690,488)</b>
Share-based compensation	–	–	–	122,945	122,945
Net loss	–	–	–	(467,666)	(467,666)
<b>31 December 2017</b>	<b>99</b>	<b>64</b>	<b>2,218,751</b>	<b>(3,254,123)</b>	<b>(1,035,209)</b>
Share-based compensation	–	–	–	34,283	34,283
Net loss	–	–	–	(258,496)	(258,496)
<b>31 December 2018</b>	<b>99</b>	<b>64</b>	<b>2,218,751</b>	<b>(3,478,336)</b>	<b>(1,259,422)</b>

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 1. DESCRIPTION OF BUSINESS AND BASIS OF PREPARATION

Tagasauris Inc. (“Tagasauris”) was incorporated in Delaware on 6 December 2010. Tagasauris is located in New York and is a technology company focused on media annotation by means of human and computer interaction. Tagasauris operates a cloud native content description service integrating both human and machine intelligence.

Tagasauris has begun developing content description services powered by human and computer interaction and consisting of cloud native microservices that provide a smart way to describe audio-visual content including schema, vocabularies and semantics. The content description services also store the descriptions of the content including querying and inferencing over the data; and an architecture and process that allows for the capture of consolidated machine, expert and end user perspectives for describing continuously improving the meta representations of the underlying content.

### BASIS OF PREPARATION

The financial information of Tagasauris has been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The financial information is presented in U.S. dollars, which is Tagasauris’ functional currency.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the financial information in accordance with IFRS requires the use of estimates and assumptions to be made in applying the accounting policies that affect the reported amounts of assets, liabilities, revenue and expenses and the disclosure of contingent assets and liabilities. The estimates and related assumptions are based on previous experiences and other factors considered reasonable under the circumstances, the results of which form the basis for making the assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant accounts that require estimates as the basis for determining the stated amounts include share-based compensation, fair value embedded derivative liabilities, expected credit loss allowance for accounts receivable, expected realisation of deferred tax assets, and performance obligations surrounding revenue recognition.

#### [i] Share-Based Compensation

Tagasauris measures the cost of equity-settled transactions with employees by reference to the fair value of equity instruments at the date at which they are granted. Estimating fair value for share-based payments requires determining the most appropriate valuation model for a grant of such instruments, which is dependent on the terms and conditions of the grant. The estimate also requires determining the most appropriate inputs to the Black-Scholes option pricing model, including the expected life of the instrument, risk-free rate, volatility and dividend yield.

#### [ii] Fair Value of Embedded Derivative Liabilities

In determining the fair values of the embedded derivative liabilities, Tagasauris used a MonteCarlo option pricing model with the following assumptions: volatility rate, risk-free rate and the remaining expected life. In particular, changes in the fair value of the embedded derivative liabilities can have a material impact on the reported loss for the applicable reporting period.

### FINANCIAL INSTRUMENTS

Tagasauris adopted IFRS 9 on 1 January 2018, using the retrospective approach. IFRS 9 includes a new “expected credit loss” model which could impact accounts receivable. The adoption of IFRS 9 did not impact the carrying amounts of Tagasauris’ financial assets or liabilities on the adoption date.

IFRS 9 introduced new classification and measurement models for financial assets. Financial assets held with an objective to hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest are measured at amortised cost using the effective interest method. Debt investments held with an objective to hold both assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of fair value. All other financial assets are classified and measured at fair value through profit or loss (“FVTPL”). Financial liabilities are classified as either FVTPL or other financial liabilities. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities, other than financial assets and financial liabilities classified as FVTPL, are added to or deducted from the fair value on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as FVTPL are recognised immediately in net income loss.

## **DERECOGNITION**

### **Financial assets**

Tagasauris derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which Tagasauris neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that is created or retained by Tagasauris is recognised as a separate asset or liability.

### **Financial liabilities**

A financial liability is derecognised when it is extinguished, that is, when the obligation specified in the contract is either discharged, cancelled or expires. Where there has been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for an extinguishment of the original financial liability and the recognition of a new financial liability. A gain or loss from extinguishment of the original financial liability is recognised in profit or loss.

Tagasauris’ financial instruments include cash, accounts receivable, accounts payable, accrued liabilities, due to affiliates and officers, embedded derivative, and debt. A table outlining the classification of financial instruments IFRS 9 can be found at Note 15.

## **ACCOUNTS RECEIVABLES**

Accounts receivable are amounts due from customers from the sale of products or services in the ordinary course of business. Accounts receivables are classified as current if payment is due within one year of the reporting period date and are initially recognised at fair value and substantially measured at amortised cost.

The provision policy for doubtful accounts of Tagasauris is based on the aging analysis and management’s ongoing evaluation of the recoverability of the outstanding receivables. Tagasauris utilises a provision matrix, as permitted under the simplified approach to measure expected credit loss. In doing so, management considered historical credit losses, forward-looking factors specific to Tagasauris’ debtors and other macro-economic factors to determine any expected default rates. The default rates would then be applied to Tagasauris’ aging to determined expected credit losses. The carrying amount of the accounts receivables would be reduced by the expected credit losses. If financial conditions of these customers were to deteriorate and Tagasauris determines that no recovery of an accounts receivable is possible, the amount would be deemed irrecoverable and subsequently written-off. For the year ended 31 December 2018, Tagasauris reserved for the entire accounts receivable balance.

## **REVENUE RECOGNITION**

On 1 January 2018, Tagasauris adopted IFRS 15 – Revenue from Contracts with Customers, using the modified retrospective method. The adoption of this standard did not materially impact the timing of revenue recognition for customer sales prior to fiscal 2018.

Revenue is measured at the fair value of the consideration received or receivable. Tagasauris recognises revenue utilising the five-step framework of IFRS 15. As such, Tagasauris recognises revenue from configuration, service, and consulting contracts in the period services are performed. Revenue is reported at the estimated net realisable amounts from customers and is subject to audit and retroactive adjustment based on actual payments. This adjustment occurs soon after services are performed, thus, no provisions for settlement or un-collectability is deemed necessary. No payments are received in advance, thus no contract assets are recorded. See Note 13.

## **INCOME TAXES**

### **Deferred Income Taxes**

Deferred income taxes are provided for the differences between the financial information and tax bases of assets and liabilities, and on operating loss carryovers, using tax rates in effect in years in which the differences are expected to be reverse. Deferred tax assets are recorded when considered recoverable.

### **Recently Enacted U.S. Federal Tax Legislation**

Introduced initially as the Tax Cuts and Job Act, the Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018 (the "Act") was enacted on 22 December 2017. The Act applies to corporations generally beginning with taxable years starting after 31 December 2017 and reduces the corporate tax rate from a graduated set of rates with a maximum 34 per cent. tax rate to a flat 21 per cent. tax rate. Additionally, the Act introduces other changes that impact corporations, including net operating losses ("NOL") deduction annual limitation, an interest expense deduction annual limitation, elimination of the alternative minimum tax, and reform that moves the U.S. toward a territorial system in which income earned in other countries will generally not be subject to U.S. taxation. However, the accumulated foreign earnings of certain foreign corporations will be subject to a one-time transition tax, which can be elected to be paid over an eight-year tax transition period, using specified percentages, or in one lump sum. NOL and foreign tax credit ("FTC") carryforwards can be used to offset the transition tax liability. See Note 8.

## **CASH AND CONCENTRATION OF CREDIT RISK**

For the purposes of reporting cash flows, Tagasauris considers all cash accounts that are not subject to withdrawal restrictions and highly liquid instruments with a maturity of three months or less, when purchased, as cash and cash equivalents.

Tagasauris has cash in financial institutions that fully insure its deposits up to \$250,000 per depositor through the Federal Deposit Insurance Corporation ("FDIC"). The portion of the deposit in excess of FDIC coverage is not subject to such insurance and represents a credit risk to Tagasauris. At times Tagasauris' deposits may exceed the FDIC coverage. Tagasauris has not experienced any losses from such excess deposits.

## **RESEARCH AND DEVELOPMENT**

Expenditures on research activities, undertaken with prospect of gaining new scientific or technical knowledge and understanding, is recognised in the statement of income as incurred. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalised only if development cost can be measured reliably, the product process is technically, and commercially feasible, future economic benefits are probable, and Tagasauris has sufficient resources to complete development and to use or sell the asset. There have been no expenditures capitalised during the years ended 31 December 2016, 2017 or 2018, and therefore, other development expenditures have been recognised in the statement of income as incurred.

## **SHARE-BASED COMPENSATION**

Employees (including senior executives) of Tagasauris receive compensation in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

Tagasauris accounts for share-based compensation based on the fair value of share-base payment awards on the date of grant as required by authorised guidance. The fair value portion of the award

that is ultimately expected to vest is recognised as an expense over the requisite service periods in the statement of income.

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using the Black-Scholes option pricing model. That cost is recognised in employee benefits expense together with a corresponding increase in equity over the period in which the service conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and Tagasauris' best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of income for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of Tagasauris' best estimate of the number of equity instruments that will ultimately vest.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

The assumptions and models use estimating fair value for share-based payment transactions are discussed further below in Note 6.

## **RECENT ACCOUNTING PRONOUNCEMENTS**

### **Recently adopted accounting policy**

IFRS 9, Financial Instruments, replaces IAS 39, Financial Instruments: Recognition and Measurement. The new standard was adopted on 1 January 2018 using the retrospective method and introduces new classification and measurement requirements for assets and liabilities and a new expected loss impairment model that will require more timely recognition of expected credit losses for financial instruments. Entities will also be required to have additional disclosure to provide information that explains the basis for their expected credit loss calculations and how they measure expected credit losses and assess changes in credit risk. The standard also introduces a new hedge accounting model that aligns the accounting treatment with risk-management activities.

IFRS 15, Revenue from Contracts with Customers was adopted on 1 January 2018. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time and over time. The model features a contract-based five-step analysis of transactions to determine whether how much and when revenue is recognised. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognised. Tagasauris adopted the policy using the modified retrospective method.

### **Recent accounting pronouncement that may affect Tag**

IFRS 16, Leases ("IFRS 16") sets out the principles for the recognition, measurement, presentation and disclosures of leases for both parties to a contract, the customer (lessee) and the supplier (lessor). This will replace IAS 17, Leases ("IAS 17") and related interpretations. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all leases and requires a lessee to recognise right-of-use assets and lease liabilities for lease with terms of more than 12 months, unless the underlying assets is of low value, and depreciation of lease assets is reported separately from interest on lease liabilities in the income statement. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for annual periods beginning on or after 1 January 2019, with earlier application permitted for entities that apply IFRS 15, Revenue from Contracts from Customers. Tagasauris assessed the impact of this standard on its financial information and determined there was no material impact.

There are no other standards in effect or in effect in the future which are expected to have a material impact on the financial position or performance.

## **DERIVATIVE INSTRUMENTS**

Tagasauris issued certain convertible notes in 2016 and 2017 which contained various embedded derivative instruments. In particular, the convertible debt contained a conversion feature in which conversions would be made to investors in the event of a sale of Tagasauris prior to the closing of a qualified equity financing. An embedded derivative is a feature within a contract, such that the cash flows associated with that feature behave in a similar fashion to a stand-alone derivative. Embedded derivatives that are separated from the host contract are accounted for at FVTPL.

Tagasauris determined that the conversion feature was an embedded derivative liability that required separation from the financial liability host contract. Due to the fact that the number of shares to be issued upon a qualified financing arrangement varies, along with the fact that the amount of cash (or carrying amount of the liability) converted into shares varies, the embedded derivative is deemed to be properly recorded as a liability.

The embedded derivative liability is recognised and measured at fair value at each reporting date with changes in fair value recorded in financial expenses in profit and loss in the period in which they arise. The liability component is determined at inception by deducting the fair value of the embedded derivative from the fair value of the instrument as a whole. See Note 16 – Financial Instruments and Risk Management.

## **FAIR VALUE MEASUREMENTS**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by Tagasauris.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Tagasauris uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial information at fair value on a recurring basis, Tagasauris determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Tagasauris determines the policies and procedures for recurring fair value measurements. At each reporting date, Tagasauris analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per Tagasauris' accounting policies. For this analysis, Tagasauris verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. Tagasauris also compares the

change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, Tagasauris has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

### 3. ACCOUNTS RECEIVABLE

	31 December 2016 (\$)	31 December 2017 (\$)	31 December 2018 (\$)
Accounts receivable	–	37,235	46,545
Allowance for doubtful accounts	–	–	(46,545)
	<u>–</u>	<u>37,235</u>	<u>–</u>

In determining the recoverability of accounts receivable, Tagasauris considers any changes in the credit quality of the accounts receivable from the date credit was initially granted up to the reporting date. The accounts receivable that are neither past due nor impaired relate to customers that Tagasauris has assessed to be creditworthy based on the credit evaluation process performed by management, which considers both customers' overall credit profile and its payment history with Tagasauris. Any loss allowance is determined in accordance with IFRS 9.

### 4. SHARE CAPITAL

Tagasauris was founded in December 2010 and incorporated in the State of Delaware, United States of America. Tagasauris authorised 30,000,000 shares of common stock at a par value of \$0.00001.

In 2011, Tagasauris issued to its founding shareholders 9,500,000 shares of common stock at a par value of \$0.00001, of which such shares were fully vested at incorporation and had no value as founding shares.

In September 2013, a board member exercised 300,000 shares of stock options (Note 6). The board member signed a secured promissory note in the amount of \$33,000 for the respective number of shares received. The note is dated September 2013, bears interest at a rate of 1.3 per cent, compounded annually with no maturity date. The notes are secured by the security interest in the shareholder's respective shares.

In 2013, Tagasauris issued 100,000 shares of common stock for a value of \$10,000 to New York University (NYU). The agreement restricts NYU from transferring any shares and provides Tagasauris certain research rights performed by NYU pursuant to the terms of the agreement.

In 2014, 50,000 shares of common stock options (Note 6) were exercised. Tagasauris received proceeds in the amount of \$5,000.

Tagasauris' ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instrument. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from proceeds. Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

	31 December 2016 (\$)	31 December 2017 (\$)	31 December 2018 (\$)
<b>Share Capital</b>			
Number of shares authorised	30,000,000	30,000,000	30,000,000
Number of shares issued and outstanding	9,950,000	9,950,000	9,950,000
Par value	0.00001	0.00001	0.00001

### 5. PREFERRED STOCK

In 2013, Tagasauris issued 3,440,140 shares of Preferred Series Seed Stock, in the amount of \$0.3043 per share aggregating to a total value of \$1,046,973, with a par value of \$0.00001.

In 2014, Tagasauris issued 1,952,843 shares of Preferred Series Seed Stock, in the amount of \$0.3043 per share, aggregating to a total value of \$594,250, with a par value of \$0.00001.

In 2015, Tagasauris issued 1,008,246 of Preferred Series Seed Stock, in the amount of \$0.3043 per share, aggregating to a total value of \$306,810, with a par value of \$0.00001.

Tagasauris did not issue any Preferred Stock in 2016 and 2017.

Dividends: No dividends will be paid on preferred stock or common stock unless declared by the Board of Directors. No dividends were declared by the Board of Directors for the years ended 31 December 2016, 2017 and 2018.

	<b>31 December 2016 (\$)</b>	<b>31 December 2017 (\$)</b>	<b>31 December 2018 (\$)</b>
<b>Preferred Stock</b>			
Number of shares authorised	7,400,000	7,400,000	7,400,000
Number of shares issued and outstanding	6,401,229	6,401,229	6,401,229
Par value	0.00001	0.00001	0.00001

## **VOTING RIGHTS AND RANK**

Each holder of outstanding shares of preferred stock shall be entitled to cast the number of votes equal to the number of whole shares of common stock into which the shares of preferred stock held by such holder are convertible as of the record date for determining stockholders entitled to vote on such matter, pursuant to the terms of the agreement. The holders of preferred stock shall vote together with the holders of common stock as a single class on an as-converted basis, shall have full voting rights and powers equal to the voting rights and power of holders of common stock in accordance with the bylaws of Tagasauris.

## **CONVERSION RIGHTS**

Each share of preferred stock shall be convertible, at the option of the holder thereof, at any time without payment of additional consideration into such number of fully paid and nonassessable shares of common stock as determined by dividing the Original Issue Price for such series of preferred stock by the conversion price (\$0.3043 per share for the Series Seed Preferred Stock), pursuant to the terms of the agreement. Also, the conversion rights of a preferred stock shall terminate upon a contingency event in accordance with the terms of the agreement.

## **LIQUIDATION PREFERENCES**

Before any payment shall be made to the holders of common stock by reason of their ownership thereof, the holders of shares of preferred stock then outstanding shall be entitled to be paid out of the funds and assets available for distribution to its shareholders, an amount per share equal to the greater of (a) Original Issue Price (\$0.3043 per share for the Series Seed Preferred Stock), plus any dividends declared but unpaid thereon, or (b) such amount per share as would have been payable had all shares of preferred stock been converted into common stock. If upon any such liquidation, dissolution, or winding up or deemed liquidation event of Tagasauris, the funds and assets available for distribution to the stockholders of Tagasauris shall share rateably in any distribution of the funds available for distribution in proportion to the respective amounts that would otherwise be payable in respect of the share of preferred stock held by them upon such distribution if all amounts payable on or with respect to such shares were paid in full.

## **6. SHARE-BASED COMPENSATION**

In 2011, Tagasauris adopted "2011 Equity Incentive Plan" and at its discretion, may grant share options to employees who have completed the number of years of service in their respective award agreements. Vesting of the share options is dependent based on the employees' award agreement and is typically over a period of time from the date of grant. The fair value of share options granted is estimated at the date of grant using a Black-Scholes option pricing model, taking into account the terms and conditions on which the share options were granted. The exercise price of the share options is equal to \$0.11. The contractual term of the share options is ten years and there are no cash settlement alternatives for the employees. Tagasauris does not have a past practice of cash settlement for these awards.

As of 31 December 2018, Tagasauris has outstanding 4,761,186 shares of common stock options, with an exercise price of \$0.11 per share and a vesting period pursuant to the terms of the agreements at the date of the grant.

The expense recognised for employee services received during the year is shown in the following table:

	2016 (\$)	2017 (\$)	2018 (\$)
<b>Expense arising from share-based</b>			
Payment transactions	185,541	122,945	34,283

Stock compensation expense has been recorded in the statement of income as selling, general and administrative expenses.

There were no cancellations or modifications to the awards in 2016, 2017 or 2018.

As of 31 December 2018, the unrecognised compensation expense related to unvested stock awards was \$328,194, which is expected to be recognised.

The following table summarises the activity of the Plans for the years ended 31 December 2016, 2017 and 2018:

	Options (\$)	Weighted Average Exercised Price (\$)	Weighted Average Contractual Life (\$)
<b>Outstanding as of 1 January 2016</b>	<b>10,208,213</b>	<b>0.11</b>	<b>9.04</b>
Granted	1,273,786	0.11	
Exercised	–	–	
Forfeited	–	0.11	
<b>Outstanding as of 31 December 2016</b>	<b>11,481,999</b>	<b>0.11</b>	<b>8.44</b>
Granted	–	0.11	
Exercised	–	–	
Forfeited	(6,288,370)	0.11	
<b>Outstanding as of 31 December 2017</b>	<b>5,193,629</b>	<b>0.11</b>	<b>7.44</b>
Granted	–	0.11	
Exercised	–	–	
Forfeited	(432,443)	0.11	
<b>Outstanding as of 31 December 2018</b>	<b>4,761,186</b>	<b>0.11</b>	<b>6.44</b>

The following table lists the inputs to the model used to calculate the fair value of awards on the date of grant using a Black-Scholes option pricing model for the years ended 31 December 2016, 2017 and 2018.

	31 December 2016 (\$)	31 December 2017 (\$)	31 December 2018 (\$)
Weighted average fair values at the measurement date (\$)	0.08	0.08	0.08
Risk-free interest rate	1.59%-1.88%	2.16%-2.25%	2.16%-2.25%
Service (vesting) periods in years	0 – 4	0 – 4	0 – 4
Expected dividend yield	0	0	0
Expected volatility	62%	62%	62%
Expected life share options (years)	10	10	10
Weighted average share price (\$)	0.10	0.10	0.10

The following table summarises information about the stock options exercisable as of:

	<b>Options Exercisable (Vested)</b>	
	<b>Exercisable</b>	<b>Weighted Average Exercise Prices (\$)</b>
31 December 2016	4,204,175	0.11
31 December 2017	3,002,743	0.11
31 December 2018	4,602,339	0.11

## 7. CONVERTIBLE DEBT

The initial fair value of the liability of the notes payable was determined using a market interest rate for an equivalent non-convertible bond at the issue date. The liability is subsequently recognised on an amortised cost basis until extinguished on conversion or maturity of the debt. The interest charged for the year is calculated by applying an effective interest rate of 39 per cent. to the debt component for the period since the loan notes were issued.

Convertible debt consists of the following:

	2015 Convertible Notes [a] (\$)	2016 Convertible Notes [b] (\$)	2017 Convertible Notes [c] (\$)	Total (\$)
<b>At 1 January 2016</b>	<b>82,102</b>	–	–	<b>82,102</b>
New issuance	–	83,471	65,000	148,471
Imputed interest	37,224	21,013	–	58,237
<b>At 31 December 2016</b>	<b>119,326</b>	<b>104,484</b>	<b>65,000</b>	<b>288,810</b>
New issuance	–	–	2,453	2,453
Imputed interest	51,383	42,857	18,985	113,225
<b>At 31 December 2017</b>	<b>170,709</b>	<b>147,341</b>	<b>86,438</b>	<b>404,488</b>
New issuance	–	–	–	–
Imputed interest	6,320	28,349	28,335	63,004
<b>At 31 December 2018</b>	<b>177,029</b>	<b>175,690</b>	<b>114,773</b>	<b>467,492</b>

The embedded derivative for the conversion feature was calculated utilising a Monte Carlo option pricing model and the residual value of the proceeds received was recognised as the convertible note. Subsequently, they were measured at amortised cost using the effective interest rate method. The outstanding face value of debt, excluding any discounts or interest, as of 31 December 2016, 2017 and 2018 was \$319,725, \$434,725 and \$434,725, respectively. The outstanding fair value of debt, excluding any discounts or interest, as of 31 December 2016, 2017 and 2018, was, \$228,751, \$231,204 and, \$231,204, respectively. The balance of imputed interest as of 31 December 2016, 2017 and 2018, was \$60,059, \$173,284 and \$236,288, respectively.

### [a] 2015 Convertible Notes

In 2015, Tagasauris issued six secured convertible notes at 4 per cent., matured in December 2017, and are due on demand. The Convertible notes are secured by the assets of Tagasauris and are convertible into classes of Tagasauris preferred stock designated as Preferred stock Series Seed, pursuant to the terms of the agreement.

### [b] 2016 Convertible Notes

In 2016, Tagasauris issued five secured convertible notes at 4 per cent., matured in December 2017, and are due on demand. The Convertible notes are secured by the assets of Tagasauris and are convertible into classes of Tagasauris preferred stock designated as Preferred stock Series Seed, pursuant to the terms of the agreement.

### [c] 2017 Convertible Notes

In 2017, Tagasauris issued two secured convertible notes at 4 per cent., all maturing in March 2019; of which Tagasauris received \$65,000 in 2016 and \$50,000 in 2017. The Convertible notes are secured by the assets of Tagasauris and are convertible into class of preferred stock designated as Preferred stock Series Seed, pursuant to the terms of the agreement and secured by all of the assets of Tagasauris.

Current maturities amounted to \$119,326, \$318,050 and \$467,492, for the years ended 31 December 2016, 2017 and 2018, respectively.

## EMBEDDED DERIVATIVE LIABILITIES

The convertible notes, described above, have been bifurcated and accounted as embedded derivative liabilities separately from the debt host. Tagasauris has recorded the embedded derivative liabilities initially at fair value, with gains and losses arising for changes in fair value recognised in the

statement of income at each period end while such instruments are outstanding. The liabilities are being valued using the Monte Carlo option pricing model.

The following table represents the movements in the embedded derivative liabilities to 31 December 2018:

	\$
<b>1 January 2016</b>	<b>78,990</b>
New issuance	78,253
Change in fair value	(18,348)
<b>31 December 2016</b>	<b>138,895</b>
New issuance	47,547
Change in fair value	1,683
<b>31 December 2017</b>	<b>188,125</b>
New issuance	–
Change in fair value	8,010
<b>31 December 2018</b>	<b>196,135</b>

## 8. INCOME TAX PROVISION

The major components of income tax expense for the years ended 31 December 2016, 2017 and 2018 are as follows:

	2016 (\$)	2017 (\$)	2018 (\$)
<b>Current income tax</b>	–	–	–
<b>Deferred tax:</b>			
Federal	(139,670)	34,768	(19,119)
State	(55,868)	(50,645)	(13,808)
	<b>(195,538)</b>	<b>(15,877)</b>	<b>(32,927)</b>

Tagasauris offsets current tax assets with current tax liabilities and deferred tax assets with deferred tax liabilities if and only if it has a legal enforceable right to set off current tax assets and current tax liabilities, and they relate to taxes levied by the same taxation authority. On 22 December 2017, the United States enacted new tax reform (“Tax Cuts and Jobs Act”).

The Tax Cuts and Jobs Act contains provisions with separate effective dates but is generally effective for taxable years beginning after 31 December 2017. Beginning with the year ending 31 December 2018, the corporate statutory rates on U.S. earnings were reduced from 34 per cent. to 21 per cent.. As a result of this new regulation, Tagasauris reduced its deferred tax asset by \$595,576 in 2017.

Other than the reduction in statutory rate, Tagasauris does not believe the regulations have any additional material impact on income taxes.

The recoverability of the net deferred tax assets is not expected because it is more likely than not that Tagasauris will not realise future benefits associated with these net deferred tax assets.

The benefit of the following deductible temporary differences have not been recognised in the financial information for the years ending 31 December 2016, 2017 and 2018:

	2016 (\$)	2017 (\$)	2018 (\$)
<b>Net accrual to cash basis tax adjustment</b>			
Receivables, payables, and accruals	315,442	312,985	317,348
Amortisation of debt discount	25,226	53,719	73,250
Stock compensation	98,259	88,100	97,133
Net operating losses	1,216,819	852,169	613,380
	<u>1,655,746</u>	<u>1,306,973</u>	<u>1,101,111</u>
Net unrecognised deferred tax assets	(1,216,819)	(852,169)	(613,380)
<b>Future income tax assets recognised</b>	<b><u>438,927</u></b>	<b><u>454,804</u></b>	<b><u>487,731</u></b>

The remaining tax loss carry forward amounts and years of expiry are as follows:

<b>Year of Expiry</b>	<b>US Losses (\$)</b>
2031	182,453
2032	205,271
2033	101,175
2034	989,695
2035	465,567
2036	310,975
2037	92,113
–	34,936
	<b><u>2,382,185</u></b>

Tagasauris follows the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial information. Management evaluated the Tagasauris' tax positions and concluded that Tagasauris had taken no uncertain tax positions that require adjustment to the financial information to comply with the provisions of this guidance.

Tagasauris' federal net operating losses that have been incurred prior to 31 December 2017 will continue to have a 20-year carry forward limitation applied and will need to be evaluated for recoverability in the future as such. Net operating losses incurred after 31 December 2017 will have an indefinite life, but usage will be limited to 80 per cent. of taxable income in any given year.

The tax on Tagasauris' loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits and losses as follows:

	<b>2016 (\$)</b>	<b>2017 (\$)</b>	<b>2018 (\$)</b>
<b>Loss before tax on ordinary activities</b>	<b><u>(782,633)</u></b>	<b><u>(483,543)</u></b>	<b><u>(291,423)</u></b>
Computed tax at federal rates (2016: 30%, 2017: 24%, and 2018: 18%)	(234,790)	(116,050)	(52,456)
Tax effects of:			
Non-deductible expenses	–	–	–
Losses carried forward	(93,293)	(22,107)	(6,288)
State taxes, net of federal taxes	(93,916)	(58,024)	(37,884)
Change in rates	–	(595,576)	–
Other tax adjustments	226,461	775,880	63,701
<b>Taxation (benefit) expense recognised in income statement</b>	<b><u>(195,538)</u></b>	<b><u>(15,877)</u></b>	<b><u>(32,927)</u></b>

## 9. EARNINGS PER SHARE

The loss per share has been calculated using the loss for the year and the weighted average number of ordinary shares outstanding during the year. Basic loss per share is computed by dividing the net loss by the weighted average number of shares of common stock outstanding during the period. Diluted loss per share is computed using the weighted average number of shares of common stock outstanding and, if dilutive, potential shares of common stock outstanding during the period. Potential common shares consist of incremental shares of common stock issuable upon (a) the exercise of stock options; (b) the conversion of preferred stock; (c) the conversion of convertible notes payable. Diluted loss per share excludes the potential common shares, as their effect is antidilutive. The balance for the years ended 31 December 2016, 2017 and 2018 were as follows:

	<b>2016 (\$)</b>	<b>2017 (\$)</b>	<b>2018 (\$)</b>
<b>Loss for the year attributable to equity holders</b>	<b><u>(587,095)</u></b>	<b><u>(467,666)</u></b>	<b><u>(258,496)</u></b>
Weighted average number of ordinary shares – basic and diluted	16,351,229	16,351,229	16,351,229
<b>Basic and diluted loss per share</b>	<b><u>(0.036)</u></b>	<b><u>(0.029)</u></b>	<b><u>(0.016)</u></b>

## 10. TRANSACTIONS WITH RELATED PARTIES

Tagasauris has the following related party balances:

In 2016, 2017, and 2018, Tagasauris had a loan payable to an officer in the amount of \$12,020. The loan amount is expected to be repaid but was not as at 31 December 2018. There are no repayment terms or stated interest rates.

In 2017 and 2018, Tagasauris has a loan payable to affiliates in the amount of \$57,000 and \$83,059, respectively. The loan amount is expected to be repaid but was not as at 31 December 2018. There are no repayment terms or stated interest rates.

Consulting services are provided to Tagasauris through two entities owned by an officer of Tagasauris. The expense for these services is recorded within officer compensation which is located in selling, general and administrative expenses on the statement of income. For the years ended 31 December 2016, 2017 and 2018, expenses paid to the consulting companies were \$20,500, \$27,500 and \$53,000, respectively.

Compensation to key management personnel for the years ended 31 December 2016, 2017 and 2018 were as follows:

	2016 (\$)	2017 (\$)	2018 (\$)
Salaries	171,808	127,552	93,768

All transactions with related parties are measured at the exchange amounts, which are the amounts of consideration established and agreed to by the related parties.

## 11. COMMITMENT AND CONTINGENCIES

Tagasauris is subject to legal proceedings and claims which arise in the ordinary course of its business and/or which are covered by insurance. Tagasauris believes that it has accrued adequate reserves individually and in the aggregate for such legal proceedings. Should actual litigation results differ from Tagasauris' estimates, revisions to increase or decrease the accrued reserves may be required.

Tagasauris lease office space in New York based on a month to month agreement during 2016. Total lease expense in 2016, 2017 and 2018 was \$10,765, \$0 and \$0, respectively.

## 12. MAJOR CUSTOMERS

In 2016, revenue from one customer amounted to \$20,000 and comprised 100 per cent. of the total revenue for the year.

In 2017, revenue from one customer amounted to \$67,235 and comprised 82 per cent. of the total revenue for the year. At 31 December 2017, the same customer accounted for 100 per cent. of total contract receivables in the amount of \$37,235.

In 2018, revenue from one customer amounted to \$81,015 and comprised 100 per cent. of the total revenue for the year.

## 13. REVENUE

On 1 January 2018, Tagasauris adopted IFRS 15 – Revenue from Contracts with Customers, using the modified retrospective method. The adoption of this standard did not materially impact the timing of revenue recognition for customer sales prior to fiscal 2018.

### DISAGGREGATED REVENUES

Tagasauris disaggregates revenue by business line. In each of the financial years covered in this document, Tagasauris only had one line of business, project work with all revenues derived in the United States of America. This is expected to change going forward and should additional revenue streams be added, Tagasauris will report against these going forward.

### PERFORMANCE OBLIGATIONS

Tagasauris typically satisfies its performance obligations when services are rendered or projects are delivered and accepted by the customer. Consideration is fixed and payment terms are consistent with Tagasauris' terms for the project.

#### 14. EXPENSES BY NATURE

Expenses included in the statement of income for the years ended 31 December 2016, 2017 and 2018 are as follows:

	31 December 2016 (\$)		31 December 2017 (\$)		31 December 2018 (\$)	
	Cost of goods sold	General and Administrative	Cost of goods sold	General and Administrative	Cost of goods sold	General and Administrative
Salaries and short-term benefits	—	239,031	—	155,052	—	146,768
Share-based compensation	—	185,541	—	122,945	—	34,283
Rent	—	10,765	—	—	—	—
Internet hosting	36,241	—	53,608	—	38,067	—
Professional fees	—	34,976	—	3,702	—	3,150
Other	—	17,904	—	16,531	—	51,950
	<b>36,241</b>	<b>488,217</b>	<b>53,608</b>	<b>298,230</b>	<b>38,067</b>	<b>236,151</b>
		<b>524,458</b>		<b>351,838</b>		<b>274,218</b>

## 15. FINANCE COSTS

Finance costs for the years ended 31 December 2016, 2017 and 2018 are as follows:

	2016 (\$)	2017 (\$)	2018 (\$)
Imputed interest on long-term debt	58,237	113,225	63,004
Other	4,246	10,997	13,465
	<u>62,483</u>	<u>124,222</u>	<u>76,469</u>

## 16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at the dates presented, Tagasauris has classified its financial instruments as follows:

	Loans and Receivables at Amortised Cost (\$)	Other Financial Liabilities at Amortised Cost (\$)	Fair Value Through Profit or Loss (\$)	Total (\$)
<b>At 31 December 2016</b>				
<b>Financial Assets</b>				
Trade receivables and other assets	1,304	–	–	<b>1,304</b>
<b>Financial Liabilities</b>				
Trade and other payables	–	690,994	–	<b>690,994</b>
Embedded derivative liability	–	–	138,895	<b>138,895</b>
Long-term debt and due to officers	–	300,830	–	<b>300,830</b>
<b>At 31 December 2017</b>				
<b>Financial Assets</b>				
Cash	6,216	–	–	<b>6,216</b>
Trade receivables and other assets	38,985	–	–	<b>38,985</b>
<b>Financial Liabilities</b>				
Trade and other payables	–	873,581	–	<b>873,581</b>
Embedded derivative liability	–	–	188,125	<b>188,125</b>
Long-term debt and due to affiliate and due to officers	–	473,508	–	<b>473,508</b>
<b>At 31 December 2018</b>				
<b>Financial Assets</b>				
Cash	289	–	–	<b>289</b>
Trade receivables and other assets	2,200	–	–	<b>2,200</b>
<b>Financial Liabilities</b>				
Trade and other payables	–	990,936	–	<b>990,936</b>
Long-term debt and due to affiliate and due to officers	–	562,571	–	<b>562,571</b>

## FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of the embedded derivative liability was estimated using a Monte Carlo option pricing model incorporating various inputs including the underlying price volatility and discount rate, see Note 7. All other notes payable were initially recognised at fair value, and subsequently they were measured at amortised cost using the effective interest rate method, whereby the fair value of the notes payable approximates their carrying value. At 31 December 2018, Tagasauris' cash, embedded derivative liability, and notes payable, are carried on the statements of financial position at amortised cost.

## CREDIT RISK

Tagasauris is exposed to credit risk associated with its accounts receivable. Credit risk is minimised substantially by ensuring the credit worthiness of the entities with which it carries on business. Credit terms are provided on a case by case basis. In 2018, Tagasauris experienced a significant instance of non-payment from its customers, thus a provision has been made for potentially uncollectable amounts.

Tagasauris' accounts receivable aging at 31 December 2016, 2017 and 2018 was as follows:

	2016 (\$)	2017 (\$)	2018 (\$)
Current	–	27,235	–
31 – 60 days	–	10,000	–
61 – 90 days	–	–	–
> 90 days	–	–	46,545
	<hr/>	<hr/>	<hr/>
	–	37,235	46,545
Allowance for doubtful accounts	–	–	(46,545)
	<hr/>	<hr/>	<hr/>
	–	<b>37,235</b>	–
	<hr/>	<hr/>	<hr/>

## LIQUIDITY RISK

Liquidity risk represents the contingency that Tagasauris is unable to gather the funds required with respect to its financial obligations at the appropriate time and under reasonable conditions in order to meet their current obligations. Tagasauris attempts to manage this risk so as to ensure that it has sufficient liquidity at all times to be able to honour its current and future financial obligations under normal conditions and in exceptional circumstances. Financing strategies to ensure the management of this risk include the issuance of equity or debt securities as deemed necessary.

### Reconciliation of liabilities arising from financing activities

The changes in Tagasauris' liabilities arising from financing activities can be classified as follows:

	Long-term borrowings (\$)	Short-term borrowings (\$)	Total (\$)
<b>At 1 January 2016</b>	<b>82,102</b>	–	<b>82,102</b>
<b>Cash Flows</b>			
Proceeds	107,398	119,326	<b>226,724</b>
	<hr/>	<hr/>	<hr/>
<b>Non-Cash</b>			
Addition of embedded derivative liability	(78,253)	–	<b>(78,253)</b>
Amortisation of debt	58,237	–	<b>58,237</b>
	<hr/>	<hr/>	<hr/>
<b>As at 31 December 2016</b>	<b>169,484</b>	<b>119,326</b>	<b>288,810</b>
	<hr/>	<hr/>	<hr/>
	Long-term borrowings (\$)	Short-term borrowings (\$)	Total (\$)
<b>At 1 January 2017</b>	<b>169,484</b>	<b>119,326</b>	<b>288,810</b>
<b>Cash Flows</b>			
Proceeds	50,000	–	<b>50,000</b>
	<hr/>	<hr/>	<hr/>
<b>Non-Cash</b>			
Reclassification	(198,724)	198,724	–
Addition of embedded derivative liability	(47,547)	–	<b>(47,547)</b>
Amortisation of debt	113,225	–	<b>113,225</b>
	<hr/>	<hr/>	<hr/>
<b>As at 31 December 2017</b>	<b>86,438</b>	<b>318,050</b>	<b>404,488</b>
	<hr/>	<hr/>	<hr/>

	Long-term borrowings (\$)	Short-term borrowings (\$)	Total (\$)
<b>At 1 January 2018</b>	<b>86,438</b>	<b>318,050</b>	<b>404,488</b>
<b>Cash Flows</b>			
Proceeds	—	—	—
<b>Non-Cash</b>			
Reclassification	(86,438)	86,438	—
Amortisation of debt	—	63,004	<b>63,004</b>
<b>As at 31 December 2018</b>	<b>—</b>	<b>467,492</b>	<b>467,492</b>

## INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates. Tagasauris' exposure to interest rate risk is based on short-term fixed interest rates for both cash and convertible debt. As of 31 December 2016, 2017 and 2018, Tagasauris' exposure to interest rate risk was determined to be nominal.

## 17. SUBSEQUENT EVENTS

In 2019, Tagasauris issued eleven secured convertible notes at 4 per cent. with a principle value of \$840,583, all maturing in March 2021. The Convertible notes are secured by all of the assets of Tagasauris, rank above all other securities in Tagasauris and are convertible into common stock at 5 cents per share, pursuant to the terms of the agreement, including upon a transaction involving Tagasauris.

On the closing date of the Acquisition (for the purposes of the Acquisition Agreement) the Company will file certificates of merger with the Secretary of State of the State of Delaware, United States of America. Upon the certificates of merger taking effect MergerCo, GTC MergerCo and TAG MergerCo, shall be merged with and into Entertainment AI, GTChannel and Tagasauris respectively, with Entertainment AI, GTChannel and Tagasauris existing as the surviving corporations and therefore the wholly-owned subsidiaries of the Company on Admission.

## 18. NATURE OF FINANCIAL INFORMATION

The financial information presented above does not constitute statutory financial statements for the period under review.

## **SECTION F: HISTORICAL FINANCIAL INFORMATION OF BLOCKCHAIN WORLDWIDE PLC**

The historic financial information relating to Blockchain Worldwide Plc is publically available on the Company's website. This information has been appended below, without further adjustment, from the audited financial results for the 12 month period ended 30 June 2018 and the audited results for the 12 month period ended 30 June 2019.

**BLOCKCHAIN WORLDWIDE PLC**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**30 JUNE 2019**

**Company Number: 10621059**

**BLOCKCHAIN WORLDWIDE PLC**  
**REPORT AND FINANCIAL ACTIVITIES**  
**FOR THE YEAR ENDED 30 JUNE 2019**

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	<b>Page</b>
Company information	1
Chairman's statement	2
Strategic report	3
Directors' report	4-7
Independent auditors' report	8-12
Statement of comprehensive income	13
Statement of financial position	14
Statement of changes in equity	15
Statement of cash flows	16
Notes to the financial statements	17-23

**BLOCKCHAIN WORLDWIDE PLC**

**COMPANY INFORMATION**

**FOR THE YEAR ENDED 30 JUNE 2019**

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<b>Directors</b>	R Sargent J Hale
<b>Secretary</b>	R Sargent
<b>Registered Office</b>	4 <sup>th</sup> floor 43-44 Albemarle Street London England W1S 4JJ
<b>Company number</b>	10621059
<b>Auditors</b>	Haysmacintyre LLP 10 Queen Street Place London EC4R 1AG

## **BLOCKCHAIN WORLDWIDE PLC**

### **CHAIRMAN'S STATEMENT**

**FOR THE YEAR ENDED 30 JUNE 2019**

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I am pleased to present the audited results for the year ended 30 June 2019.

#### **BUSINESS REVIEW**

During the year, Blockchain Worldwide Plc recorded a loss of £379,458 (17 months ended 30 June 2018: £82,251) and the loss per share was 1.04p (2018: 0.38p). The vast majority of this was due to the aborted Chorum acquisition, as outlined below.

The company held cash reserves at the period end of over £1m (2018: £1.4m) with no debt financing (2018: none).

On 7 November 2018, Blockchain announced the proposed acquisition of Chorum Group Limited ('Chorum'), subject to due diligence and a successful fundraise. The company's shares were suspended pending the outcome of this process. On 8 February 2019, the company announced it had withdrawn from the proposed acquisition of Chorum due to greatly reduced levels of activity in London's equity markets.

The company's investment criteria was extended to include high growth opportunities within the wider technology sector, including the blockchain industry. The shares were re-listed on 13 February 2019.

On 23 May 2019, the company announced it had made a non-legally binding offer to acquire the entire issued share capital of Entertainment AI, Inc, an artificial intelligence and machine learning focused company operating in the media space (the 'Acquisition'). The Acquisition is subject to, amongst other things, legal, financial and other due diligence, entry into a legally binding acquisition agreement and certain shareholder approvals being obtained. Completion of the Acquisition would amount to a reverse takeover under the Listing Rules

As Blockchain was unable to provide full disclosure in relation to the target company, its share listing was suspended with immediate effect. Listing of the company's ordinary shares will remain suspended until such time as either: the company publishes a prospectus or a restoration request has been submitted and approved by the FCA. Should the company publish an AIM admission document relating to the Acquisition, the company's ordinary shares will remain suspended until cancellation, after which time they are expected to be admitted to trading on AIM.

#### **Outlook**

The proposed acquisition of Entertainment AI has progressed significantly since May 2019. I hope that a further update can be given to shareholders in early September 2019

**Jon Hale**  
**Chairman**

**30 August 2019**

## **BLOCKCHAIN WORLDWIDE PLC**

### **STRATEGIC REPORT**

**FOR THE YEAR ENDED 30 JUNE 2019**

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The directors present the Strategic Report for the year ended 30 June 2019.

#### **RESULTS**

The company made a loss for the period of £379,458 (2018: loss of £82,251).

#### **REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS**

Information on the company's activities is contained in the Chairman's Statement on page 2.

#### **KEY PERFORMANCE INDICATORS**

The board seeks to maximise share value by investing in businesses with high growth potential. When an investment has been identified, the board will assess it against a number of KPIs to assess its suitability.

#### **PRINCIPAL RISKS AND UNCERTAINTIES AND RISK MANAGEMENT**

##### **Capital risk management**

The company manages its capital to ensure that it will be able to continue as a going concern while maximising returns to the shareholders. It is the current strategy of the company to finance its activities from existing equity and reserves and by the issue of new equity whenever required.

##### **Financial risk management**

The directors consider the company to be exposed to the following financial risks:

- a. Price risk: the price paid for securities is subject to market movement that will have an impact on the operations of the company.
- b. Cash flow interest rate risk: the company has significant cash balances which exposes it to movements in the market interest rates.
- c. Liquidity risk: the Company manages its cash requirements in order to maximise interest income.

Given the relatively small sized and operation of the company in the period, the directors have not delegated the responsibility of risk monitoring to a sub-committee of the board, but will closely monitor the risks on a regular basis. The directors consider their exposure in the financial period to have been low.

**Rodger Sargent**  
**CEO**  
**30 August 2019**

**BLOCKCHAIN WORLDWIDE PLC**

**DIRECTORS' REPORT**

**FOR THE YEAR ENDED 30 JUNE 2019**

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The directors present their report together with the financial statements for the year ended 30 June 2019.

**PRINCIPAL ACTIVITY**

Blockchain Worldwide Plc is seeking to undertake an acquisition within the blockchain and high growth technology industry.

**RESULTS AND DIVIDENDS**

The loss before and after taxation for the year was £379,458. The directors do not recommend payment of a dividend.

**DIRECTORS**

The directors who served the company during the year and to the date of these financial statements were:

R Sargent  
J Hale

The directors of the company held the following interests in the shares of Blockchain Worldwide Plc at 30 June 2019:

Directly and indirectly held by the directors:		
R Sargent	775,000	2.1%
J Hale	1,550,000	4.2%

**DIRECTORS' REMUNERATION**

This report is submitted in accordance with Schedule 8 of the Large and Medium sized Companies (Accounts and Reports) (Amendment) Regulations 2013 in respect of the year ended 30 June 2019. The reporting requirements entail two sections to be included, a Policy Report and an Annual Remuneration Report which are presented below.

The company's auditor, Haysmacintyre LLP, is required to give its opinion on certain information included in this report, this comprises the directors' Remuneration and the information on directors' shareholdings which is detailed above and also forms part of this directors' remuneration report. Their report on these and other matters is set out on pages 8 to 12.

The company's directors as a whole considers directors' remuneration and has not sought advice or services from any person in respect of its consideration of directors' remuneration during the period although the directors expect from time to time to review the fees against those paid to boards of directors of comparable organisations and appointments.

The directors received no remuneration. This will continue until the first investment is made, and will then be reconsidered.

## BLOCKCHAIN WORLDWIDE PLC

### DIRECTORS' REPORT (continued)

#### FOR THE YEAR ENDED 30 JUNE 2019

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#### SUBSTANTIAL SHAREHOLDING

On 30 June 2019, the following interests in 3% or more of the issued share capital appear in the register:

Hargreaves Lansdown	4,757,955	13.0%
Interactive Investor	3,733,108	10.2%
Canaccord Genuity Wealth Management	3,400,000	9.3%
Mohamed Patel	1,800,000	4.9%
Courtney Investments	1,680,000	4.6%
Jon Hale	1,550,000	4.2%
Mr A N Headley	1,250,000	3.4%

On 30 August 2019, the following interests in 3% or more of the issued share capital appear in the register:

Hargreaves Lansdown	4,757,955	13.0%
Interactive Investor	3,733,108	10.2%
Canaccord Genuity Wealth Management	3,400,000	9.3%
Mohamed Patel	1,800,000	4.9%
Courtney Investments	1,680,000	4.6%
Jon Hale	1,550,000	4.2%
Mr A N Headley	1,250,000	3.4%

#### CORPORATE GOVERNANCE

As a company listed on the Standard Segment of the Official List of the UK Listing Authority, the Company is not required to comply with the provisions of the UK Corporate Governance Code. Although the company does not comply with the UK Corporate Governance Code, the company intends to have regard for the provision of the QCA Corporate Governance Code insofar as is appropriate, save as set out below:

Until an acquisition is made the company will not have nomination, remuneration, audit or risk committees. The board as a whole will instead review its size, structure and composition, the scale and structure of the directors' fees (taking into account the interests of Shareholders and the performance of the company), take responsibility for the initial appointment of auditors and payment of their audit fee, monitor and review the integrity of the company's financial statements, the Board's performance and take responsibility for any formal announcements on the company's financial performance. Following an acquisition the Board intends to put in place nomination, remuneration and audit and risk committees. The Board has adopted the Model Code for directors' dealings contained in the Listing Rules of the UK Listing Authority. The Board will be responsible for taking all proper and reasonable steps to ensure compliance with the Model Code by the Directors.

The Directors are responsible for internal control in the company and for reviewing its effectiveness. Due to the size of the company, all key decisions are made by the board in full. The directors have reviewed the effectiveness of the company's systems during the period under review and consider that there have been no material losses, contingencies or uncertainties due to the weakness in the controls. The board do not consider the internal audit function to be necessary due to the company being a special purpose acquisition company.

## **BLOCKCHAIN WORLDWIDE PLC**

### **DIRECTORS' REPORT (continued)**

#### **FOR THE YEAR ENDED 30 JUNE 2019**

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#### **GOING CONCERN**

The directors have assessed the company's position as at 30 June 2019 and for the following 18 month period, and consider it appropriate to prepare the financial statements on a going concern basis. There are cash reserves of over £1m as at 30 June 2019 which the directors consider sufficient to ensure that the company will be able to continue to meet its commitments as they fall due for at least twelve months from the date of approval of the financial statements.

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare company financial statements for each financial year. Under that law the directors are required to prepare the company financial statements in accordance with IFRS's as adopted by the EU.

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit and loss of the company for that period.

In preparing the company financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS's as adopted by the EU subject to any material departures disclosed and explained in the Company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to safeguard the assets of the company and to prevent and detect fraud and other irregularities. Under applicable law and regulations, the directors are also responsible for preparing a Directors' Report to comply with that law and those regulations. In determining how amounts are presented within terms in the income statement and statement of financial position the directors have had regard to the substance of the reported transaction or arrangement in accordance with generally accepted accounting principles or practice.

In the case of each person who was a director at the time this report was approved:

- so far as that director is aware there is no relevant audit information of which the company's auditor is unaware:  
and
- that director has taken all steps that the director ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

**BLOCKCHAIN WORLDWIDE PLC**

**DIRECTORS' REPORT (continued)**

**FOR THE YEAR ENDED 30 JUNE 2019**

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**DISCLOSURE OF INFORMATION TO THE AUDITORS**

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and they have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**AUDITORS**

A resolution to re-appoint Haysmacintyre LLP as auditors will be presented to the members at the Annual General Meeting in accordance with Section 485(2) of the Companies Act 2006.

**Rodger Sargent**  
**On behalf of the Board**

**30 August 2019**

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF BLOCKCHAIN WORLDWIDE PLC**

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#### **Opinion**

We have audited the financial statements of Blockchain Worldwide Plc (the 'company') for the period ended 30 June 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2019 and of the company's loss for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## INDEPENDENT AUDITORS' REPORT

### TO THE MEMBERS OF BLOCKCHAIN WORLDWIDE PLC

	<b>The risk</b>	<b>Our response to the risk:</b>
<b>Going concern</b>	At the planning stage we identified that there was a risk that the going concern basis of preparation may not be appropriate. Ongoing losses within the company indicate a potential risk that the company is not going concern.	<p>As described in the accounting policies (see note 2) the directors' have concluded that the company is a going concern.</p> <p>We understand that the company is currently looking at a potential acquisition of a trading business. The directors believe that the company will have sufficient cash for the foreseeable future as they will be raising additional funds to fund the acquisition. Should the acquisition not go ahead, the directors consider that the level of cash in the business will be sufficient to fund the ongoing operations.</p> <p>We reviewed the forecasts and correspondence regarding the proposed acquisition.</p>
	<b>Key observations communicated to the Audit Committee</b>	
	The financial statements have been prepared on a going concern basis and our testing did not identify any reasons to suggest the company is not a going concern.	
<b>Understatement of creditors</b>	Due to the aborted transaction during the year and the prospective post year-end acquisition which was first announced in May 2019, we identified there to be a risk that costs associated with these two transactions, have not been appropriately recognised or accrued for.	<p>We reviewed and challenged post year-end invoices and bank statements for evidence of unidentified accruals.</p> <p>We reviewed contracts with service providers expected to work on the acquisition to understand whether any costs have been incurred as at the year-end.</p> <p>We performed supplier circularisation, writing to professional advisors confirming balances and unbilled WIP.</p>
	<b>Key observations communicated to the Audit Committee</b>	
	We did not identify any non-trivial costs which should have been recognised in the year. We understand that for the proposed acquisition, the company agreed with service providers that any financial obligation falls due only on completion of a successful transaction. We reviewed expected and actual costs for the aborted transaction in the year and did not identify any costs which should be accrued for as at the year-end.	

#### **Our application of materiality**

The scope and focus of our audit was influenced by our assessment and application of materiality. We define materiality as the magnitude of misstatement that could reasonably be expected to influence the readers and the economic decisions of the users of the financial statements. We use materiality to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. For the purpose of this audit, a materiality level of 2% of gross assets was utilised being £24,000. Performance materiality was set at 75% of materiality. Any misstatements identified above 5% of materiality and not adjusted were reported to the directors as unadjusted misstatements. Materiality was based on gross assets as the company currently holds cash and is looking for investment opportunities.

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF BLOCKCHAIN WORLDWIDE PLC**

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#### **An overview of the scope of our audit**

The scope of the audit has been tailored to the company. The audit work covered total expenditure, total assets, liabilities and equities. We considered the accounting processes and controls and the industry in which the company operates. The company is currently seeking investment opportunities and hence our audit work focussed on professional services fees and potential liabilities.

#### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements; and
- the Directors' Remuneration report has been properly prepared in accordance with the Companies Act 2006.

#### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

#### **Responsibilities of Directors**

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative to do so.

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF BLOCKCHAIN WORLDWIDE PLC**

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#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they can reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

#### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

The objectives of our audit, in respect to fraud are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are the Companies Act 2006, the Listing Rules and the UK Corporate Governance Code.
- We understood how the Group is complying with those frameworks through discussions with the Audit Committee and management in combination with a review of the Group's documented policies and procedures.
- We assessed the susceptibility of the Group's financial statements to material misstatement including how fraud might occur by considering the key risks impacting the financial statements. Given the activities of the Group, we consider management override as being most likely to occur in the understatement of creditors, our procedures in this regard are stated in the Key Audit Matter above.
- We have reviewed that the Group's control environment is adequate for the size and operating model of such a listed Company.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Other matters we are required to address**

We were appointed by the directors on 20 August 2018 to audit the financial statements for the period ending 30 June 2018. Our total uninterrupted period of engagement is 2 years, covering the periods ending 30 June 2018 to 30 June 2019.

During the year we were engaged as reporting accountants on a prospective transaction which was subsequently aborted. We were engaged to report on the company raising additional funds on the stock market to acquire a trading company as part of a reverse acquisition. The transaction was aborted, and we were paid fees totaling £40,000 plus VAT in respect of our work.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

## **INDEPENDENT AUDITORS' REPORT**

**TO THE MEMBERS OF BLOCKCHAIN WORLDWIDE PLC**

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### **Use of this report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Ian Cliffe**  
**Senior Statutory Auditor**  
**for and on behalf of Haysmacintyre LLP**  
**Statutory Auditors**

**10 Queen Street Place**  
**London**  
**EC4R 1AG**

**Date: 30 August 2019**

**BLOCKCHAIN WORLDWIDE PLC**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2019**

	<b>Note</b>	<b>2019</b> <b>£</b>	<b>17 months</b> <b>to 30 June</b> <b>2018</b> <b>£</b>
Turnover		-	-
Administrative expenses		(385,792)	(84,671)
<b>OPERATING LOSS</b>	<b>4</b>	<b>(385,792)</b>	<b>(84,671)</b>
Interest income		6,334	2,420
<b>LOSS FOR THE PERIOD BEFORE TAXATION</b>		<b>(379,458)</b>	<b>(82,251)</b>
Taxation	<b>7</b>	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>(379,458)</b>	<b>(82,251)</b>
<b>BASIC AND DILUTED LOSS PER SHARE (PENCE)</b>		<b>1.04</b>	<b>0.38</b>

There was no other comprehensive income in 2019 (2018: Nil).

The notes on pages 17 to 23 form part of these financial statements.

## STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Note	2019 £	2018 £
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	1,018,415	1,412,288
<b>TOTAL ASSETS</b>		<u>1,018,415</u>	<u>1,412,288</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	(25,994)	(40,409)
<b>NET ASSETS</b>		<u>992,421</u>	<u>1,371,879</u>
<b>EQUITY</b>			
Share capital	10	365,000	365,000
Share premium account	10	1,089,130	1,089,130
Retained losses		(461,709)	(82,251)
<b>TOTAL EQUITY</b>		<u>992,421</u>	<u>1,371,879</u>

These financial statements were approved by the Board of Directors on 30 August 2019 and were signed on its behalf by:

.....  
**Rodger Sargent (CEO)**

The notes on pages 17 to 23 form part of these financial statements.

**BLOCKCHAIN WORLDWIDE PLC****STATEMENT OF CHANGES IN EQUITY****FOR THE YEAR ENDED 30 JUNE 2019**

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	<b>Share Capital £</b>	<b>Share Premium £</b>	<b>Retained Losses £</b>	<b>Total Equity £</b>
On incorporation	-	-	-	-
Loss for the period and total comprehensive loss	-	-	(82,251)	(82,251)
Share issue	365,000	-	-	365,000
Share premium (net of issue costs)		1,089,130		1,089,130
Balance at 30 June 2018	<u>365,000</u>	<u>1,089,130</u>	<u>(82,251)</u>	<u>1,371,879</u>
Loss for the period and total comprehensive loss	-	-	(379,458)	(379,458)
Balance at 30 June 2019	<u><u>365,000</u></u>	<u><u>1,089,130</u></u>	<u><u>(461,709)</u></u>	<u><u>992,421</u></u>

Share premium is stated net of issue costs of £170,870 (2018: £170,870).

The notes on pages 17 to 23 form part of these financial statements.

**BLOCKCHAIN WORLDWIDE PLC****STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2019 £	17 months to 30 June 2018 £
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss after taxation		(379,458)	(82,251)
<i>Adjustments for:</i>			
Interest income		(6,334)	(2,420)
(Increase)/Decrease in trade and other payables		(14,415)	40,409
<b>NET CASH OUTFLOW USED IN OPERATING ACTIVITIES</b>		<b>(400,207)</b>	<b>(44,262)</b>
Interest income		6,334	2,420
Issue of shares (net of issue costs)		-	1,454,130
<b>NET CASH INFLOW FROM FINANCING ACTIVITIES</b>		<b>6,334</b>	<b>1,456,550</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(393,873)</b>	<b>1,412,288</b>
Cash and cash equivalents brought forward		1,412,288	-
<b>CASH AND CASH EQUIVALENTS CARRIED FORWARD</b>	8	<b>1,018,415</b>	<b>1,412,288</b>

There was no debt in the company for the year (2018: no debt).

The notes on pages 17 to 23 form part of these financial statements.

# BLOCKCHAIN WORLDWIDE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2019

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#### 1. GENERAL INFORMATION

Blockchain Worldwide Plc is a public limited company registered and incorporated in the England and Wales. The company's principal activities are described in the Directors' Report. The company's registered office and principal place of business is 4<sup>th</sup> floor, 43-44 Albemarle Street, London, England, W1S 4JJ. The company's registered number is 10621059.

#### 2. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

The financial statements are presented in pounds sterling (£) which is the functional currency of the company.

An overview of standards, amendments and interpretations to IFRSs issued but not yet effective, and which have not been adopted early by the company are presented below under 'Statement of Compliance'.

##### Statement of compliance

The financial statements comply with IFRS as adopted by the European Union. At the date of authorisation of these financial statements the following Standards and Interpretations affecting the company, which have not been applied in these financial statements, were in issue, but not yet effective. The company does not plan to adopt these standards early.

- IFRS 16 Leases (effective for accounting periods beginning on or after 1 January 2019)

The implementation of this standard is not expected to have any material effect on the company's financial statements. The company has assessed the impact of implementing the above standard on the financial statements, there is no impact in the current period.

##### Going Concern

The directors have assessed the company's position as at 30 June 2019 and for the following 18 month period and consider it appropriate to prepare the financial statements on a going concern basis. There are cash reserves of over £1m as at 30 June 2019 which the directors consider sufficient to ensure that the company will be able to continue to meet its commitments as they fall due for at least twelve months from the date of approval of the financial statements.

##### Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

The directors are of the opinion that the company is not currently engaged in any more than a single sector as it has not yet traded and has incurred only set up fees and the costs of running a business for the period. Accordingly, no segmental analysis is considered necessary. The company is based in the United Kingdom.

## BLOCKCHAIN WORLDWIDE PLC

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30 JUNE 2019

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## 2. ACCOUNTING POLICIES (continued)

### Expenses

All expenses are accounted for on an accruals basis and are presented through the Statement of Comprehensive Income.

### Taxation

Current taxation is the taxation currently payable on taxable profit for the year.

### Trade and other receivables

Trade and other receivables are recognised and carried at original invoice value less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

### Cash and Cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

### Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

### Financial instruments

The company's financial assets comprise cash and cash equivalents.

The company's financial liabilities comprise trade payables. Financial liabilities are obligations to pay cash or other financial assets and are recognised when the company becomes a party to the contractual provisions of the instruments.

### Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- "Retained losses" represents cumulative net gains and losses recognised in the Statement of Comprehensive Income

### Critical Accounting Estimates and Judgements

The preparation of financial statement in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. These estimates and assumptions are based upon management's knowledge and experience of the amounts, events or actions. Actual results may differ from such estimates.

The directors consider the only area subject to estimation and judgement to be accrued costs. The directors' have reviewed contracts and ongoing projects with major suppliers and accrued any costs they believe relate to the year ended 30 June 2019. This area is reviewed on a regular basis to ensure that to the best of their knowledge, the appropriate costs have been recognised in the income statement.

# BLOCKCHAIN WORLDWIDE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2019

#### 3. SEGMENTAL INFORMATION

The company is organised around one business class and the results are reported to the Chief Operating Decision Maker according to this class. There is one continuing class of business, being the seeking of investments in line with the company's investment strategy.

Given that there is only one continuing class of business, operating within the UK, no further segmental information has been provided.

4. EXPENSES BY NATURE	2019	17 months to 30 June 2018
	£	£
Legal and professional	317,120	23,939
Bank charges	420	443
Administrative expenses	68,252	60,289
	<u>385,792</u>	<u>84,671</u>

#### 5. STAFF COSTS

Staff costs for all employees, including directors, were £nil (2018: £nil) and therefore remuneration of key management personnel was £nil (2018: £nil). The average monthly number of employees during the year, including directors, was 2 (2018: 2).

6. AUDITOR'S REMUNERATION	2019	17 months to 30 June 2018
	£	£
During the year the company obtained the following services from the company's auditor:		
Fees payable to the company's auditors for the audit of the company's annual accounts	15,000	13,200
Fees payable to the company's auditors for other services: Other services pursuant to legislation	48,000	12,600
	<u>63,000</u>	<u>25,800</u>

**BLOCKCHAIN WORLDWIDE PLC****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 JUNE 2019****7. TAXATION**

Due to tax losses sustained there was no corporation tax payable by the company in the period (2018: £nil). The tax charge for the year is different from the standard rate of corporation tax in the United Kingdom. The difference is reconciled as follows: -

	<b>2019</b>	<b>17 months to</b>
	<b>£</b>	<b>30 June 2018</b>
	<b>£</b>	<b>£</b>
Loss on ordinary activities before tax	(379,458)	(82,251)
Loss on ordinary activities at the effective rate of corporation tax of 19%	72,097	15,628
Expenses not deductible	-	-
Losses not utilised	(72,097)	(15,628)
<b>Total tax charge</b>	<u>-</u>	<u>-</u>

No deferred tax asset has been recognised as the directors cannot be certain that future profits will be sufficient for this asset to be realised.

**8. CASH AND CASH EQUIVALENTS**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Cash at bank	1,018,415	1,412,288

The directors consider that the carrying amount of cash and cash equivalent represents their fair value.

**9. TRADE AND OTHER PAYABLES**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Trade payables	5,994	11,967
Accruals	20,000	28,442
	<u>25,994</u>	<u>40,409</u>

The fair value of trade and other payables is considered by the directors not to be materially different to carrying amounts.

**BLOCKCHAIN WORLDWIDE PLC****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 JUNE 2019**

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<b>10. ISSUED SHARE CAPITAL</b>	<b>2019</b>	<b>2018</b>
Number of Shares	36,500,000	36,500,000
Nominal Value (£)	365,000	365,000
Share Premium (£)	1,089,130	1,089,130

Share premium is stated net of issue costs of £170,870 (2018: £170,870). Included within these costs is a share-based payment expense recognised against share premium for the year end 30 June 2019 was £nil (2018: £75,000).

Fully paid ordinary shares, which have a par value of 1p, carry one vote per share and rank equally in respect of dividends.

<b>Reserve</b>	<b>Description and Purpose</b>
Share premium	Amount subscribed for share capital in excess of nominal value.
Retained Losses	Cumulative net gains and losses recognised in the income statement.

**Capital management**

The company manages its capital to ensure that it will be able to continue as a going concern while maximising returns to shareholders. It is the current strategy of the company to finance its activities from existing equity and reserves and by the issue of new equity as required.

The board's policy is to maintain a strong capital base so as to maintain investors, creditors and market confidence and to sustain future development of the business. The board manages the company's affairs to achieve shareholders returns through capital growth and income.

The company is not subject to externally imposed capital requirements.

**11. LOSS PER SHARE**

The calculation of loss per ordinary share is based on the loss attributable to ordinary shareholders divided by the weighted average number of shares in issue during the period.

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Loss before tax	(379,458)	(82,251)
Weighted Average number of shares	36,500,000	21,516,000
Basic and diluted earnings per share 2019	(1.04p)	(0.38p)

There is no difference between the basic and diluted loss per share.

## BLOCKCHAIN WORLDWIDE PLC

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30 JUNE 2019

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#### 12. NET ASSET VALUATION

The net asset valuation per share is calculated by dividing the net assets attributable to the equity holders of the company at the end of the reporting period by the number of shares in issue.

	2019 £	2018 £
Net assets	992,421	1,371,897
Number of ordinary shares in issue	36,500,000	36,500,000
Net asset valuation per share	2.7p	3.8p

#### 13. FINANCIAL INSTRUMENTS

The company's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk, cash flow interest rate risk and equity price risk.

Risk management is carried out by the board of directors.

##### (a) Capital management

The company's objectives when managing capital are:

- to safeguard the company's ability to continue as a going concern, so that it continues to provide returns and benefits for shareholders;
- to support the company's growth; and
- to provide capital for the purpose of strengthening the company's risk management capability.

The company actively and regularly reviews and manages its capital structure to ensure an optimal capital structure and equity holder returns, taking into consideration the future capital requirements of the company and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. Management regards total equity as capital and reserves, for capital management purposes.

##### (b) Credit risk

The main credit risk relates to liquid funds held at banks. The credit risk in respect of these bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

##### (c) Liquidity risk

The company seeks to manage financial risk, to ensure sufficient liquidity is available to meet foreseeable needs. An analysis of trade and other payables is given in note 9. These payables are payable within a year.

**BLOCKCHAIN WORLDWIDE PLC**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2019**

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**13. FINANCIAL INSTRUMENTS (Continued)**

**CATEGORIES OF FINANCIAL INSTRUMENTS**

The IFRS 9 categories of financial asset included in the statement of financial position and the headings in which they are included are as follows:

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Financial assets:</b>		
Cash and bank balances	1,018,415	1,412,288
	<u>                    </u>	<u>                    </u>
<b>Financial liabilities at amortised cost:</b>		
Trade and other payables	25,994	40,409
	<u>                    </u>	<u>                    </u>

**14. ULTIMATE CONTROLLING PARTY**

The directors do not consider there to be one ultimate controlling party.

**15. CONTINGENT LIABILITIES**

On 23 May 2019, the company announced it had made a non-legally binding offer to acquire the entire share capital of Entertainment AI Inc. The company entered into a number of engagements with professional advisors prior to the year-end as a result of this proposed transaction but any financial obligation falls due only on completion of a successful transaction and therefore no provision has been made as at 30 June 2019.

**BLOCKCHAIN WORLDWIDE PLC  
(FORMERLY STAPLETON CAPITAL PLC)**

**REPORT AND FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED**

**30 JUNE 2018**

**Company Number: 10621059**

**BLOCKCHAIN WORLDWIDE PLC (FORMERLY STAPLETON CAPITAL PLC)**  
**REPORT AND FINANCIAL ACTIVITIES**  
**FOR THE PERIOD ENDED 30 JUNE 2018**

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	<b>Page</b>
Company information	1
Chairman’s statement	2
Strategic report	3
Directors’ report	4-7
Independent auditors’ report	8-9
Statement of comprehensive income	10
Statement of financial position	11
Statement of changes in equity	12
Statement of cash flows	13
Notes to the financial statements	14-20

**BLOCKCHAIN WORLDWIDE PLC (FORMERLY STAPLETON CAPITAL PLC)**

**COMPANY INFORMATION**

**FOR THE PERIOD ENDED 30 JUNE 2018**

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**Directors** R Sargent (appointed 15 February 2017)  
J Hale (appointed 30 May 2017)

**Secretary** R Sargent (appointed 15 February 2017)

**Registered Office** 4<sup>th</sup> floor  
43-44 Albemarle Street  
London  
England  
W1S 4JJ

**Company number** 10621059

**Auditors** haysmacintyre  
10 Queen Street Place  
London  
EC4R 1AG

## **BLOCKCHAIN WORLDWIDE PLC (FORMERLY STAPLETON CAPITAL PLC)**

### **CHAIRMAN'S STATEMENT**

**FOR THE PERIOD ENDED 30 JUNE 2018**

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#### **INTRODUCTION**

I am pleased to present the financial results for the period ended 30 June 2018. Blockchain Worldwide Plc incorporated on 15 February 2017 and floated on the London Stock Exchange on 29 September 2017. The Company was created to undertake an acquisition within the telecoms sector, but on 22 January 2018, the strategy was changed to seek investment opportunities within the blockchain technology industry. To reflect this change, the Company changed its name from Stapleton Capital Plc to Blockchain Worldwide Plc.

Blockchain is a digital networked database system of ledgers that can record almost any type of data or transaction. The system is continually reconciled and, as information is stored in multiple locations, it is public and easily verifiable. Currently blockchain's mainstream use is as the basis for digital currency, however it has applications across multiple other industries such as data, banking, gaming and communications. It is within these industries and applications, among others, where the Directors believe the technology has the potential to cause major disruption and that they will focus the Company's resources.

#### **BUSINESS REVIEW**

During this period, Blockchain Worldwide Plc recorded a loss of £82,251 and the loss per share was 0.38p. This reflects the costs of the formation of the Company and its admission to the London Stock Exchange. The Company held cash reserves at the period end of over £1.4m with no debt financing.

#### **FUTURE DEVELOPMENTS**

The sector continues to grow rapidly as evidenced by the attraction of large amounts of capital investment, the formation of new sub-sectors and the development of innovative applications for blockchain around the world

Since January, the board has examined a number of investment opportunities within the sector and remain confident we will identify and complete an acquisition to generate significant shareholder value in the near future. I look forward to being able to give shareholders further updates as soon as I can.

**Jon Hale**  
**Chairman**

**21 September 2018**

## **BLOCKCHAIN WORLDWIDE PLC (FORMERLY STAPLETON CAPITAL PLC)**

### **STRATEGIC REPORT**

**FOR THE PERIOD ENDED 30 JUNE 2018**

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The Directors present the Strategic Report for the period ended 30 June 2018.

Blockchain Worldwide Plc incorporated on 15 February 2017. On 19 January 2018, the Company changed its name from Stapleton Capital Plc to Blockchain Worldwide Plc.

### **RESULTS**

The Company made a loss for the period of £82,251.

### **REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS**

Information on the Company's activities is contained in the Chairman's Statement on page 2.

### **KEY PERFORMANCE INDICATORS**

The Board seeks to maximise share value by investing in businesses with high growth potential. When an investment has been identified, the Board will assess it against a number of KPIs to assess its suitability.

### **PRINCIPAL RISKS AND UNCERTAINTIES AND RISK MANAGEMENT**

#### **Capital risk management**

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising returns to the shareholders. It is the current strategy of the Group to finance its activities from existing equity and reserves and by the issue of new equity whenever required.

#### **Financial risk management**

The directors consider the Company to be exposed to the following financial risks:

- d. Price risk: the price paid for securities is subject to market movement that will have an impact on the operations of the Company.
- e. Cash flow interest rate risk: the company has significant cash balances which exposes it to movements in the market interest rates.
- f. Liquidity risk: the Company manages its cash requirements in order to maximise interest income.

Given the relatively small sized and operation of the Company in the period, the directors have not delegated the responsibility of risk monitoring to a sub-committee of the board, but will closely monitor the risks on a regular basis. The directors consider their exposure in the financial period to have been low.

**Rodger Sargent**  
**CEO**  
**21 September 2018**

## **BLOCKCHAIN WORLDWIDE PLC (FORMERLY STAPLETON CAPITAL PLC)**

### **DIRECTORS' REPORT**

#### **FOR THE PERIOD ENDED 30 JUNE 2018**

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The Directors present their report together with the financial statements for the period ended 30 June 2018.

#### **PRINCIPAL ACTIVITY**

Blockchain Worldwide plc is seeking to undertake an acquisition within the blockchain technology industry.

#### **RESULTS AND DIVIDENDS**

The loss before and after taxation for the year was £82,251. The directors do not recommend payment of a dividend.

#### **DIRECTORS**

The Directors who served the Company during the year and to the date of these financial statements were:

R Sargent (appointed 15 February 2017)

J Hale (appointed 30 May 2017)

J Channo (appointed 15 February 2017; resigned 30 May 2017)

The Directors of the Company held the following interests in the shares of Blockchain Worldwide Plc at 30 June 2018:

Directly and indirectly held by the directors:

R Sargent	775,000	2.1%
J Hale	1,550,000	4.2%

#### **DIRECTORS' REMUNERATION**

This report is submitted in accordance with Schedule 8 of the Large and Medium sized Companies (Accounts and Reports) (Amendment) Regulations 2013 in respect of the period ended 30 June 2018. The reporting requirements entail two sections to be included, a Policy Report and an Annual Remuneration Report which are presented below.

The Company's auditor, haysmacintyre, is required to give its opinion on certain information included in this report, this comprises the Directors' Remuneration and the information on directors' shareholdings which is detailed above and also forms part of this directors' remuneration report. Their report on these and other matters is set out on pages 7 and 8.

The Company's Directors as a whole considers Directors' remuneration and has not sought advice or services from any person in respect of its consideration of Directors' remuneration during the period although the Directors expect from time to time to review the fees against those paid to boards of directors of comparable organisations and appointments.

The Directors received no remuneration. This will continue until the first investment is made, and will then be reconsidered.

## **BLOCKCHAIN WORLDWIDE PLC (FORMERLY STAPLETON CAPITAL PLC)**

### **DIRECTORS' REPORT (continued)**

**FOR THE PERIOD ENDED 30 JUNE 2018**

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#### **SUBSTANTIAL SHAREHOLDING**

On 30 June 2018, the following interests in 3% or more of the issued share capital appear in the register:

Interactive Investor Services Nominees	5,600,872	15.3%
Hargreaves Lansdown (Nominees)	4,204,038	11.5%
HSBC Global Custody Nominee (UK)	3,400,000	9.3%
Rock (Nominees)	3,111,000	8.5%
Lynchwood Nominees	1,800,000	4.9%
CGWL Nominees	1,680,000	4.6%
Jon Hale	1,608,098	4.4%
JIM Nominees	1,550,000	4.2%

On 21 September 2018, the following interests in 3% or more of the issued share capital appear in the register:

Interactive Investor Services Nominees	5,033,804	13.8%
Hargreaves Lansdown (Nominees)	4,839,344	13.3%
HSBC Global Custody Nominee (UK)	4,425,000	12.1%
Barnards Nominees Ltd	3,538,500	9.7%
Rock (Nominees)	3,471,000	9.5%
JIM Nominees	1,920,277	5.3%
Lynchwood Nominees	1,800,000	4.9%
CGWL Nominees	1,680,000	4.6%
Jon Hale	1,550,000	4.2%

#### **CORPORATE GOVERNANCE**

As a company listed on the Standard Segment of the Official List of the UK Listing Authority, the Company is not required to comply with the provisions of the UK Corporate Governance Code. Although the Company does not comply with the UK Corporate Governance Code, the Company intends to have regard for the provision of the QCA Corporate Governance Code insofar as is appropriate, save as set out below:

Until an acquisition is made the Company will not have nomination, remuneration, audit or risk committees. The Board as a whole will instead review its size, structure and composition, the scale and structure of the Directors' fees (taking into account the interests of Shareholders and the performance of the Company), take responsibility for the initial appointment of auditors and payment of their audit fee, monitor and review the integrity of the Company's financial statements, the Board's performance and take responsibility for any formal announcements on the Company's financial performance. Following an acquisition the Board intends to put in place nomination, remuneration and audit and risk committees. The Board has adopted the Model Code for Directors' dealings contained in the Listing Rules of the UK Listing Authority. The Board will be responsible for taking all proper and reasonable steps to ensure compliance with the Model Code by the Directors.

The Directors are responsible for internal control in the Company and for reviewing its effectiveness. Due to the size of the Company, all key decisions are made by the Board in full. The Directors have reviewed the effectiveness of the Company's systems during the period under review and consider that there have been no

material losses, contingencies or uncertainties due to the weakness in the controls. The Board do not consider the internal audit function to be necessary due to the Company being a special purpose acquisition company.

## **BLOCKCHAIN WORLDWIDE PLC (FORMERLY STAPLETON CAPITAL PLC)**

### **DIRECTORS' REPORT (continued)**

**FOR THE PERIOD ENDED 30 JUNE 2018**

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#### **GOING CONCERN**

The directors have assessed the Company's position as at 30 June 2018 and consider it appropriate to prepare the financial statements on a going concern basis. There are cash reserves of £1.4m which the directors consider sufficient to ensure that the Company will be able to continue to meet its commitments as they fall due for at least twelve months from the date of approval of the financial statements.

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Company financial statements for each financial year. Under that law the directors are required to prepare the Company financial statements in accordance with IFRS's as adopted by the EU.

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit and loss of the Company for that period.

In preparing the Company financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS's as adopted by the EU subject to any material departures disclosed and explained in the Company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to safeguard the assets of the Company and to prevent and detect fraud and other irregularities. Under applicable law and regulations, the directors are also responsible for preparing a Directors' Report to comply with that law and those regulations. In determining how amounts are presented within terms in the income statement and statement of financial position the directors have had regard to the substance of the reported transaction or arrangement in accordance with generally accepted accounting principles or practice.

In the case of each person who was a director at the time this report was approved:

- so far as that director is aware there is no relevant audit information of which the Company's auditor is unaware:  
and
- that director has taken all steps that the director ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

**BLOCKCHAIN WORLDWIDE PLC (FORMERLY STAPLETON CAPITAL PLC)**

**DIRECTORS' REPORT (continued)**

**FOR THE PERIOD ENDED 30 JUNE 2018**

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**DISCLOSURE OF INFORMATION TO THE AUDITORS**

So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and they have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**AUDITORS**

A resolution to re-appoint haysmacintyre as auditors will be presented to the members at the Annual General Meeting in accordance with Section 485(2) of the Companies Act 2006.

**Rodger Sargent**  
**On behalf of the Board**

**21 September 2018**

## INDEPENDENT AUDITORS' REPORT

### TO THE MEMBERS OF BLOCKCHAIN WORLDWIDE PLC

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#### **Opinion**

We have audited the financial statements of Blockchain Worldwide Plc (the 'company') for the period ended 30 June 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2018 and of the company's loss for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The apportionment of transaction costs in accordance with IAS 32 between share premium and expenditure was identified as a key audit matter. The audit team reviewed the cost apportionment made by the directors against the expenditure listing and challenged the apportionment.

#### **Our application of materiality**

For the purpose of this audit, a materiality level of 2% of gross assets was utilised being £28,000. Performance materiality was set at 75% of materiality. Any misstatements identified above 5% of materiality and not adjusted were reported to the Directors as unadjusted misstatements.

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF BLOCKCHAIN WORLDWIDE PLC**

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#### **An overview of the scope of our audit**

The scope of the audit has been tailored to the company, work covering, total expenditure, total assets, liabilities and equities.

#### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements; and
- the Directors' Remuneration report has been properly prepared in accordance with the Companies Act 2006.

#### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

#### **Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Ian Cliffe**

**Senior Statutory Auditor  
for and on behalf of haysmacintyre  
Statutory Auditors**

**10 Queen Street Place  
London  
EC4R 1AG**

**Date: 21 September 2018**

**BLOCKCHAIN WORLDWIDE PLC (FORMERLY STAPLETON CAPITAL PLC)**

**STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE PERIOD ENDED 30 JUNE 2018**

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	<b>Note</b>	<b>2018 £</b>
<b>CONTINUING OPERATIONS</b>		
Turnover		-
Administrative expenses		(84,671)
		<hr/>
<b>OPERATING LOSS</b>	4	(84,671)
Interest income		2,420
		<hr/>
<b>LOSS FOR THE PERIOD BEFORE TAXATION</b>		(82,251)
Taxation	7	-
		<hr/>
<b>TOTAL COMPREHENSIVE INCOME</b>		(82,251)
		<hr/> <hr/>
<b>BASIC AND DILUTED LOSS PER SHARE (PENCE)</b>		0.38
		<hr/> <hr/>

There was no other comprehensive income in 2018.

The notes on pages 14 to 20 form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION**

**AS AT 30 JUNE 2018**

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	<b>Note</b>	<b>2018 £</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	8	1,412,288
<b>TOTAL ASSETS</b>		<u>1,412,288</u>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	9	(40,409)
<b>NET ASSETS</b>		<u>1,371,879</u>
<b>EQUITY</b>		
Share capital	10	365,000
Share premium account	10	1,089,130
Retained losses		(82,251)
<b>TOTAL EQUITY</b>		<u>1,371,879</u>

These financial statements were approved by the Board of Directors on 21 September 2018 and were signed on its behalf by:

.....  
**Rodger Sargent (CEO)**

The notes on pages 14 to 20 form part of these financial statements.

**BLOCKCHAIN WORLDWIDE PLC (FORMERLY STAPLETON CAPITAL PLC)**

**STATEMENT OF CHANGES IN EQUITY**

**FOR THE PERIOD ENDED 30 JUNE 2018**

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	<b>Share Capital £</b>	<b>Share Premium £</b>	<b>Retained Losses £</b>	<b>Total Equity £</b>
On incorporation	-	-	-	-
Loss for the period and total comprehensive loss	-	-	(82,251)	(82,251)
Shares issues	365,000	-	-	365,000
Share premium (net of expenses)	-	1,089,130	-	1,089,130
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Balance at 30 June 2018	<u>365,000</u>	<u>1,089,130</u>	<u>(82,251)</u>	<u>1,371,879</u>

Share premium is stated net of issue costs of £170,870.

The notes on pages 14 to 20 form part of these financial statements.

**BLOCKCHAIN WORLDWIDE PLC (FORMERLY STAPLETON CAPITAL PLC)****STATEMENT OF CASH FLOWS****FOR THE PERIOD ENDED 30 JUNE 2018**

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	<b>Note</b>	<b>2018</b>
		<b>£</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss after taxation		
<i>Adjustments for:</i>		(82,251)
Interest income		(2,420)
Increase in trade and other payables		40,409
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>		<u>(44,262)</u>
Interest income		2,420
Issue of shares (net of costs)		1,454,130
<b>NET CASH INFLOW FROM FINANCING ACTIVITIES</b>		<u>1,456,550</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<u>1,412,288</u>
Cash and cash equivalents brought forward		<u>-</u>
<b>CASH AND CASH EQUIVALENTS CARRIED FORWARD</b>	<b>8</b>	<u>1,412,288</u>

The cashflows during the year have had no impact on the movements in net debt; at the 30 June 2018 the company had no debt finance.

The notes on pages 14 to 20 form part of these financial statements.

## **BLOCKCHAIN WORLDWIDE PLC (FORMERLY STAPLETON CAPITAL PLC)**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **FOR THE PERIOD ENDED 30 JUNE 2018**

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#### **1. GENERAL INFORMATION**

Blockchain Worldwide Plc is a public limited company registered and incorporated in the England and Wales. The Company's principal activities are described in the Directors' Report. The Company's registered office and principal place of business is 4<sup>th</sup> floor, 43-44 Albemarle Street, London, England, W1S 4JJ. The Company's registered number is 10621059.

#### **2. ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

The financial statements are presented in pounds sterling (£) which is the functional currency of the company.

An overview of standards, amendments and interpretations to IFRSs issued but not yet effective, and which have not been adopted early by the Company are presented below under 'Statement of Compliance'.

##### **Statement of compliance**

The financial statements comply with IFRS as adopted by the European Union. At the date of authorisation of these financial statements the following Standards and Interpretations affecting the Company, which have not been applied in these financial statements, were in issue, but not yet effective. The company does not plan to adopt these standards early.

- Amendments to IFRS 2 Share Based Payment (effective for accounting periods beginning on or after 1 January 2018)
- Amendments to IFRS 12 Disclosure of Interests in Other Entities (effective for accounting periods beginning on or after 1 January 2017)
- IFRS 15 Clarification of Revenue from Contracts with Customers (effective for accounting periods beginning on or after 1 January 2018)
- IFRS 16 Leases (effective for accounting periods beginning on or after 1 January 2019)
- Amendments to IAS 7 Statement of Cash Flows (effective for accounting periods beginning on or after 1 January 2017)
- Amendments to IAS 12 Income Taxes (effective for accounting periods beginning on or after 1 January 2017)

The implementation of these standards is not expected to have any material effect on the company's financial statements. The company has assessed the impact of implementing the above standards on the financial statements, there is no impact in the current period.

##### **Going Concern**

The directors have assessed the Company's position as at 30 June 2018 and at the signing date and consider it appropriate to prepare the financial statements on a going concern basis. There are cash reserves of £1.4m which the directors consider sufficient to ensure that the Company will be able to continue to meet its commitments as they fall due for at least twelve months from the date of approval of the financial statements.

##### **Segment reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are

subject to risks and returns that are different from those of segments operating in other economic environments.

The directors are of the opinion that the Company is not currently engaged in any more than a single sector as it has not yet traded and has incurred only set up fees and the costs of running a business for the period. Accordingly, no segmental analysis is considered necessary. The Company is based in the United Kingdom.

## **BLOCKCHAIN WORLDWIDE PLC (FORMERLY STAPLETON CAPITAL PLC)**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **FOR THE PERIOD ENDED 30 JUNE 2018**

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## **2. ACCOUNTING POLICIES (continued)**

### **Expenses**

All expenses are accounted for on an accruals basis and are presented through the Statement of Comprehensive Income.

### **Taxation**

Current taxation is the taxation currently payable on taxable profit for the year.

### **Trade and other receivables**

Trade and other receivables are recognised and carried at original invoice value less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

### **Cash and Cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

### **Trade payables**

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

### **Financial instruments**

The Company's financial assets comprise cash and cash equivalents.

The Company's financial liabilities comprise trade payables. Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Company becomes a party to the contractual provisions of the instruments.

### **Equity**

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- "Retained losses" represents cumulative net gains and losses recognised in the Statement of Comprehensive Income

### **Critical Accounting Estimates and Judgements**

The preparation of financial statement in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. These estimates and assumptions are based upon management's knowledge and experience of the amounts, events or actions. Actual results may differ from such estimates.

The Directors' consider the only area subject to estimation and judgement to be transaction costs. The Directors have apportioned certain costs in accordance with IAS 32 to the share premium account as relating to the issue of shares. This area is reviewed on an annual basis by the Directors to ensure that to the best of their knowledge the appropriate costs have been apportioned between share premium and the income statement.

**BLOCKCHAIN WORLDWIDE PLC (FORMERLY STAPLETON CAPITAL PLC)**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED 30 JUNE 2018**

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**3. SEGMENTAL INFORMATION**

The Company is organised around one business class and the results are reported to the Chief Operating Decision Maker according to this class. There is one continuing class of business, being the investment in the blockchain technology industry.

Given that there is only one continuing class of business, operating within the UK, no further segmental information has been provided.

<b>4. EXPENSES BY NATURE</b>	<b>2018</b>
	<b>£</b>
Legal and professional	23,939
Bank charges	443
Administrative expenses	60,289
	<u>84,671</u>

**5. STAFF COSTS**

Staff costs for all employees, including directors, were £nil and therefore remuneration of key management personnel was £nil. The average monthly number of employees during the year, including directors, was 2.

<b>6. AUDITOR'S REMUNERATION</b>	<b>2018</b>
	<b>£</b>
During the year the Company obtained the following services from the Company's auditor:	
Fees payable to the Company's auditors for the audit of the Company's annual accounts	13,200
Fees payable to the Company's auditors for other services:	
Other services pursuant to legislation	12,600
	<u>25,800</u>

**BLOCKCHAIN WORLDWIDE PLC (FORMERLY STAPLETON CAPITAL PLC)**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED 30 JUNE 2018**

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**7. TAXATION**

Due to tax losses sustained there was no corporation tax payable by the company in the period. The tax charge for the year is different from the standard rate of corporation tax in the United Kingdom. The difference is reconciled as follows:-

	<b>2018</b>
	<b>£</b>
Loss on ordinary activities before tax	(82,251)
Loss on ordinary activities at the effective rate of corporation tax applicable to the Company of 19%	15,628
Expenses not deductible	-
Losses not utilized	(15,628)
	<hr/>
<b>Total tax charge</b>	<b>-</b>
	<hr/> <hr/>

No deferred tax asset has been recognised as the Directors cannot be certain that future profits will be sufficient for this asset to be realised.

**8. CASH AND CASH EQUIVALENTS**

**2018**  
**£**

Cash at bank	1,412,288
	<hr/> <hr/>

The Directors consider that the carrying amount of cash and cash equivalent represents their fair value.

**9. TRADE AND OTHER PAYABLES**

**2018**  
**£**

Trade payables	11,967
Accruals	28,442
	<hr/>
	40,409
	<hr/> <hr/>

The fair value of trade and other payables is considered by the Directors not to be materially different to carrying amounts.

**BLOCKCHAIN WORLDWIDE PLC (FORMERLY STAPLETON CAPITAL PLC)****NOTES TO THE FINANCIAL STATEMENTS****FOR THE PERIOD ENDED 30 JUNE 2018**

<b>10. ISSUED SHARE CAPITAL</b>	<b>Number of Shares No.</b>	<b>Nominal Value £</b>	<b>Share premium £</b>
<b>Issued and fully paid</b>			
At 30 June 2018:			
Ordinary shares of 1p each			
Issued on incorporation	1	0.01	-
Issued on 16 June 2017	4,999,999	49,999.99	-
Issued on 21 September 2017	31,500,000	315,000.00	1,089,130
	<u>36,500,000</u>	<u>365,000</u>	<u>1,089,130</u>

Share premium is stated net of issue costs of £170,870. Included within these costs is a share based payment expense recognised against share premium for the period end 30 June 2018 was £75,000.

Fully paid ordinary shares, which have a par value of 1p, carry one vote per share and rank equally in respect of dividends.

<b>Reserve</b>	<b>Description and Purpose</b>
Share premium	Amount subscribed for share capital in excess of nominal value.
Retained Losses	Cumulative net gains and losses recognised in the income statement.

**Capital management**

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising returns to shareholders. It is the current strategy of the Company to finance its activities from existing equity and reserves and by the issue of new equity as required.

The Board's policy is to maintain a strong capital base so as to maintain investors, creditors and market confidence and to sustain future development of the business. The Board manages the Company's affairs to achieve shareholders returns through capital growth and income.

The Company is not subject to externally imposed capital requirements.

**11. LOSS PER SHARE**

The calculation of loss per ordinary share is based on the loss attributable to ordinary shareholders divided by the weighted average number of shares in issue during the period.

	<b>Loss £</b>	<b>Weighted Average number of shares</b>	<b>Per shares amount pence</b>
Basic and diluted earnings per share 2017	(82,251)	21,516,000	(0.38)

There is no difference between the basic and diluted loss per share.

## BLOCKCHAIN WORLDWIDE PLC (FORMERLY STAPLETON CAPITAL PLC)

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE PERIOD ENDED 30 JUNE 2018

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#### 12. NET ASSET VALUATION

The net asset valuation per share is calculated by dividing the net assets attributable to the equity holders of the Company at the end of the reporting period by the number of shares in issue.

	<b>2018</b>
	<b>£</b>
Net assets	1,371,897
Number of ordinary shares in issue	36,500,000
Net asset valuation per share	<u>3.8p</u>

#### 13. FINANCIAL INSTRUMENTS

The Company's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk, cash flow interest rate risk and equity price risk.

Risk management is carried out by the Board of Directors.

##### (a) Capital management

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern, so that it continues to provide returns and benefits for shareholders;
- to support the Company's growth; and
- to provide capital for the purpose of strengthening the Company's risk management capability.

The Company actively and regularly reviews and manages its capital structure to ensure an optimal capital structure and equity holder returns, taking into consideration the future capital requirements of the Company and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. Management regards total equity as capital and reserves, for capital management purposes.

##### (d) Credit risk

The main credit risk relates to liquid funds held at banks. The credit risk in respect of these bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

##### (e) Liquidity risk

The Company seeks to manage financial risk, to ensure sufficient liquidity is available to meet foreseeable needs.

An analysis of trade and other payables is given in note 10. These payables are payable within a year.

**BLOCKCHAIN WORLDWIDE PLC (FORMERLY STAPLETON CAPITAL PLC)**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED 30 JUNE 2018**

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**13. FINANCIAL INSTRUMENTS (Continued)**

**CATEGORIES OF FINANCIAL INSTRUMENTS**

The IAS 39 categories of financial asset included in the statement of financial position and the headings in which they are included are as follows:

	<b>2018</b>
	<b>£</b>
<b>Financial assets:</b>	
Cash and bank balances	1,412,288
	<u>                    </u>
<b>Financial liabilities at amortised cost:</b>	
Trade and other payables	40,409
	<u>                    </u>

**14. ULTIMATE CONTROLLING PARTY**

The directors do not consider there to be one ultimate controlling party.

## PART IV

### PROFORMA STATEMENT OF NET ASSETS

#### SECTION A – ACCOUNTANT’S REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION



11 September 2019

The Directors  
Blockchain Worldwide Plc  
4th Floor  
43-33 Albemarle Street  
London W1S 4JJ

London EC4Y 8EH, UK  
The Directors  
W.H. Ireland Limited  
24 Martin Lane  
London EC4R 0DR

Dear Sirs,

Crowe U.K. LLP  
*Chartered Accountants*  
Member of Crowe Global  
St Bride’s House  
10 Salisbury Square  
London EC4Y 8EH, UK  
Tel +44 (0)20 7842 7100  
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#### INTRODUCTION

We report on the unaudited pro forma statement of net assets of the Group (the “Pro Forma Financial Information”) set out in Section B “*Unaudited Pro Forma Financial Information*” of Part IV of the Company’s AIM admission document dated 11 September (the “Admission Document”). The Pro Forma Financial Information has been prepared on the basis of the notes thereto, for illustrative purposes only, to provide information about how the acquisition of EAI INC. and its subsidiaries, GTChannel Inc. (“GTC”) and Tagasauris Inc. (“Tag”) and the receipt of net proceeds from the Placing and the conversion of the loan notes in Tag might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing its published financial statements as at 30 June 2019. This report is required by Schedule Two of the AIM Rules for Companies (the “AIM Rules”) and is given for the purpose of complying with that schedule and for no other purpose.

#### RESPONSIBILITIES

It is the responsibility of the directors of the Company (the “Directors”) to prepare the Pro Forma Financial Information. It is our responsibility to form an opinion on the Pro Forma Financial Information as to the proper compilation of the Pro Forma Financial Information and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

#### BASIS OF OPINION

We conducted our work in accordance with the Standards for Investment Reporting 4000 as issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial information with the Directors. We planned and performed our work so as to obtain all the information and explanations we considered necessary in order to provide us with reasonable

assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

#### **OPINION**

In our opinion:

- the Pro Forma Financial Information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of the Company.

#### **DECLARATION**

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully,

**Crowe U.K. LLP**

*Chartered Accountants*

## **SECTION B – UNAUDITED PRO FORMA FINANCIAL INFORMATION**

Set out below is an unaudited pro-forma statement of net assets of the Group (the “Pro Forma Financial Information”), which has been prepared on the basis of the financial information of the Company at 30 June 2019 and EAI INC., GTC and Tag as at 31 December 2018, as adjusted for:

- the receipt of the net proceeds from the Fundraising;
- acquisition of EAI INC. and its subsidiaries, GTC and Tag; and
- conversion of certain current liabilities of Tag and GTC into ordinary shares in the Company

as set out in the notes below. The Pro Forma Financial Information has been prepared for illustrative purposes only and because of its nature will not represent the actual consolidated financial position of the Group as at the date of Admission.

UNAUDITED PRO-FORMA STATEMENT OF NET ASSETS

	(Audited) The Company (Note 1)	(Unaudited) EAI INC. (Note 2)	(Audited) GTC (Note 3)	(Audited) Tag (Note 4)	Conversion to equity (Note 5)	Fundraising (Note 6)	(Unaudited) Pro forma Net assets of the Group
\$'000s							
<b>Non-current assets</b>							
Deferred tax assets	–	–	113	488	–	–	601
<b>Total non-current assets</b>	<b>–</b>	<b>–</b>	<b>113</b>	<b>488</b>	<b>–</b>	<b>–</b>	<b>601</b>
<b>Current assets</b>							
Trade and other receivables	–	–	990	–	–	–	990
Cash and cash equivalents	1,293	–	188	–	–	8,988	10,469
Prepayments and other assets	–	–	2	2	–	–	4
<b>Total current assets</b>	<b>1,293</b>	<b>–</b>	<b>1,180</b>	<b>2</b>	<b>–</b>	<b>8,988</b>	<b>11,463</b>
<b>Total assets</b>	<b>1,293</b>	<b>–</b>	<b>1,293</b>	<b>490</b>	<b>–</b>	<b>8,988</b>	<b>12,064</b>
<b>Current liabilities</b>							
Trade and other payables	33	–	1,177	991	(573)	–	1,628
Borrowings	–	–	645	468	–	–	1,113
Amounts due to officers	–	–	198	12	(210)	–	–
Amounts due to affiliates	–	–	–	83	(6)	–	77
Embedded derivatives	–	–	–	196	–	–	196
<b>Total current liabilities</b>	<b>33</b>	<b>–</b>	<b>2,020</b>	<b>1,750</b>	<b>(789)</b>	<b>–</b>	<b>3,014</b>
<b>Total liabilities</b>	<b>33</b>	<b>–</b>	<b>2,020</b>	<b>1,750</b>	<b>(789)</b>	<b>–</b>	<b>3,014</b>
<b>Net assets/(liabilities)</b>	<b>1,260</b>	<b>–</b>	<b>(727)</b>	<b>(1,260)</b>	<b>789</b>	<b>8,988</b>	<b>9,050</b>

**Notes:**

1. The financial information of the Company at 30 June 2019 has been extracted from the published financial statements, which can be found in Part III (F) of the Admission Document. The financial information has been converted from GBP to USD using the conversion rate of GBP1 : USD1.27.
2. There is no financial information of EAI INC. as the company remained dormant at 30 June 2019.
3. The financial information of GTC for the year ended 31 December 2018 has been extracted, without further adjustment, from Part III (C) of this Document "Historical Financial Information on GTC". No account has been taken of the activities of GTC subsequent to 31 December 2018.
4. The financial information of Tag for the year ended 31 December 2018 has been extracted, without further adjustment, from Part III (E) of this Document "Historical Financial Information on Tag". No account has been taken of the activities of Tag subsequent to 31 December 2018.
5. On 9 September 2019, current liabilities of \$789,000 were agreed to be converted into ordinary shares in the Company.
6. Fundraising proceeds of approximately \$10.588 million and associated costs of the Fundraising of approximately \$1.6 million (excluding VAT). The net proceeds from the Fundraising received by the Company were approximately \$8.988 million. The Fundraising proceeds were converted from GBP to USD using the conversion rate of GBP1 : USD1.23.

## PART V

### RULE 9 WAIVER INFORMATION

The information set out in this Part V, which relates to the Concert Party, has been accurately reproduced from information provided by the Concert Party. As far as the Company is aware and is able to ascertain from information provided by the Concert Party, no facts have been omitted which would render the information in this Part V, which relates to the Concert Party, inaccurate or misleading.

#### 1. INFORMATION ON THE CONCERT PARTY

The Concert Party is made up of the GTC Concert Party Members, being certain GTC Vendors, and the Tag Concert Party Members, being certain TAG Vendors, who are presumed under the Takeover Code to be acting in concert, by virtue of presumption 9 of the definition of acting in concert, whereby shareholders in a private company who sell their shares in that company in consideration for the issue of new shares in a company to which the Takeover Code applies, are presumed to be acting in concert. The Panel has agreed to rebut presumption 9 of the definition of acting in concert in respect of the remaining GTC Vendors and TAG Vendors as these investors are historic investors who have little or no personal, social or business connections with the members of the Concert Party. Full details of the members of the Concert Party are shown below. The members of the Concert Party have various personal, social and/or business connections which have existed for at least the 3 year period preceding the date of this document and which are expected to continue following Admission.

As a result of the issue of the Consideration Shares and the Fundraising Shares to members of the Concert Party, the Concert Party will acquire Control (as defined in the Takeover Code) of the Company.

#### **GTC Concert Party Members – Stephen Scott Schlichter, Taro Koki, Yuko Koki, Adam Shea Family and Lunzer Trust**

Stephen Scott Schlichter will have an interest in 5,870,406 Ordinary Shares representing 11.75 per cent. of the Enlarged Issued Share Capital. Mr Schlichter is chief executive officer of GTChannel and is proposed to be a director of the Enlarged Group. Further details on the Proposed Director are set out in paragraph 7 of Part I. Taro Koki will have an interest in 3,601,437 Ordinary Shares representing 7.21 per cent. of the Enlarged Issued Share Capital. Further details on the proposed senior managers are set out in paragraph 7 of Part I. Yuko Koki, sister of Taro Koki, will not hold an interest but will hold options over Ordinary Shares as set out in the table below. Stephen Scott Schlichter and Taro Koki are co-founders of GTChannel and both will be full time employees of the Enlarged Group. Adam Shea Family will have an interest in 763,396 Ordinary Shares representing 1.53 per cent. of the Enlarged Issued Share Capital. Adam Shea Family are personal and social connections of Stephen Scott Schlichter. Lunzer Trust will have an interest in 61,072 Ordinary Shares representing 0.12 per cent. of the Enlarged Issued Share Capital. The Lunzer family are personal and social connections of Stephen Scott Schlichter.

#### **Tag Concert Party Members – Todd Lawrence Carter, Patrick Jude DeSouza, Water Intelligence Plc and Michael Solomon**

Todd Lawrence Carter will have an interest in 2,963,021 Ordinary Shares representing 5.93 per cent. of the Enlarged Issued Share Capital. Mr Carter is the chief executive officer and a founder of Tagasauris and is proposed to be a director of the Enlarged Group. Further details on the Proposed Director are set out in paragraph 7 of Part I. Patrick Jude DeSouza will have an interest in 5,426,164 Ordinary Shares representing 10.86 per cent. of the Enlarged Issued Share Capital. Mr DeSouza is the chairman and chief executive officer of Water Intelligence Plc, a company in which he holds 20 per cent. of the voting rights. Mr DeSouza is also proposed to be a director of the Enlarged Group. Further details on the Proposed Director are set out in paragraph 7 of Part I. Water Intelligence Plc is admitted to trading on AIM and has proposed to subscribe for 1,157,405 Cross-Over Shares and as a previous investor in Tagasauris it will hold a total interest in 3,981,009 Ordinary Shares representing 7.97 per cent. of the Enlarged Issued Share Capital. Consequently, upon Admission, Mr DeSouza will have an indirect interest in 9,407,173 Ordinary Shares representing 18.83 per cent. of the Enlarged Issued Share Capital. Michael Solomon will have an interest in

1,142,648 Ordinary Shares representing 2.29 per cent. of the Enlarged Issued Share Capital. Mr Solomon is an investor and loan note holder in Tagasauris and has previously served as its chairman.

At the date of this document members of the Concert Party hold no Existing Ordinary Shares, or options or warrants to subscribe for Existing Ordinary Shares. Set out below is a table showing the potential interests of the members of the Concert Party in the Enlarged Issued Share Capital:

<b>Concert Party member</b>	<b>Number of Ordinary Shares on Admission</b>	<b>Percentage of Enlarged Issued Share Capital</b>	<b>Number of options over Ordinary Shares on Admission</b>	<b>Percentage of Enlarged Issued Share Capital on a fully diluted basis</b>
<b>GTC Concert Party Members</b>				
Scott Schlichter	5,870,406	11.75	nil	11.07
Taro Koki	3,601,437	7.21	1,064,583	8.80
Yuko Koki	nil	0.00	12,005	0.02
The Lunzer Trust	61,072	0.12	nil	0.12
Adam Shea Family	763,396	1.53	nil	1.44
<b>Tag Concert Party Members</b>				
Todd Carter*	2,963,021	5.93	1,977,083	9.32
Patrick De Souza	5,426,164	10.86	nil	10.24
Water Intelligence Plc	3,981,009	7.97	nil	7.51
Michael Solomon	1,142,648	2.29	nil	2.16
	<b>Total</b>	<b>47.66</b>		<b>50.67</b>

\* Held personally and through Tocarte, LLC, a Company wholly owned by Todd Carter.

The Enlarged Issued Share Capital in which the Concert Party will have an interest on Admission will be 23,809,153 Ordinary Shares representing 47.66 per cent. of the Enlarged Issued Share Capital. This is based on the following assumptions:

- the Resolutions are passed;
- completion of the Acquisition (resulting in the issue of the Consideration Shares);
- completion of the Fundraising (resulting in the issue of the Fundraising Shares);
- £7.36 million is raised in the Placing at 45 pence per Ordinary Share;
- £1.25 million is raised in the Cross-Over Round at 36 pence per Ordinary Share;
- there being no other issue of Existing Shares or Ordinary Shares, or conversion of Warrants or Options in the Enlarged Issued Share Capital even by existing optionholders and warrant holders.

### **Maximum Potential Controlling Position**

The holdings of the Concert Party as detailed in the table above reflect the Concert Party's maximum possible interest following the issue of the Consideration Shares and the exercise of options. Between the date of this document and Admission Tagasauris and GTChannel may settle a limited number of liabilities and fees owed by them to third parties (who, for the avoidance of doubt, are not members of the Concert Party) by issuing new shares in Tagasauris and GTChannel. In addition, new shares may be issued should existing options held by existing shareholders in Tagasauris (who, for the avoidance of doubt, are not members of the Concert Party) be exercised ahead of Admission, after which time any unexercised existing options will cease to be capable of exercise. An issue of shares for either of these purposes between the date of this document and Admission will result in a small decrease in the percentage of Ordinary Shares in which the Concert Party is interested on Admission although the total number of Consideration Shares and Fundraising Shares will remain the same.

Upon Admission, the Concert Party will hold an aggregate of 23,809,153 Ordinary Shares, representing approximately 47.66 per cent. of the Enlarged Issued Share Capital. In addition, members of the Concert Party will receive Options over 3,053,671 New Ordinary Shares (the

“CP Options”). Assuming only the CP Options are exercised (and no new Ordinary Shares are issued in the meantime), the Concert Party will hold 26,862,824 Ordinary Shares, representing a maximum of approximately 50.67 per cent. of the Enlarged Issued Share Capital as enlarged by such exercise. The receipt of the Consideration Shares, the Fundraising Shares and, if applicable, the issuance of shares through the exercise of the CP Options by the Concert Party will therefore, absent of a waiver of the obligations under Rule 9 of the Takeover Code, give rise to an obligation on the Concert Party to make a general offer to the Shareholders for the entire issued share capital of the Company.

### **Waiver of Rule 9 obligation**

Under Note 1 on the Notes on the Dispensations from Rule 9 of the Takeover Code, the Panel will normally waive the requirement for a general offer to be made to shareholders in accordance with Rule 9 (a “Rule 9 Offer”) if, *inter alia*, those shareholders of the company who are independent of the persons who would otherwise be required to make an offer (being any member of the Concert Party) pass an ordinary resolution on a poll at a general meeting approving such a waiver.

The Company has applied to the Panel for a waiver of the obligation of the Concert Party to make a Rule 9 Offer that would otherwise arise as a result of the issue of the Consideration Shares and Fundraising Shares to the Concert Party or any subsequent exercise of CP Options. Subject to the approval by the Shareholders of the Waiver Resolution, to be given on a poll in General Meeting, the Panel has agreed to waive the obligation to make a Rule 9 Offer arising from the issue of the Consideration Shares and the Fundraising Shares or on any subsequent exercise of the CP Options. To be passed, the Waiver Resolution will require a simple majority of the votes cast on a poll by Shareholders attending and voting at the General Meeting.

Conditional on approval of the Waiver Resolution, upon Admission, the Concert Party will hold an aggregate of 23,809,153 Ordinary Shares, representing approximately 47.66 per cent. of the Enlarged Issued Share Capital. The Concert Party will therefore not be permitted to acquire any further interests in Ordinary Shares (save through the exercise of CP Options) without making a Rule 9 Offer.

Following Admission, should the Concert Party exercise all of the CP Options (and assuming no new shares are issued in the meantime), the Concert Party will hold 26,862,824 Ordinary Shares, representing a maximum of approximately 50.67 per cent. of the Enlarged Issued Share Capital as enlarged by such exercise. Subject to approval of the Waiver Resolution, the Concert Party will not be required to make a Rule 9 Offer as a result of the acquisition of Ordinary Shares pursuant to the exercise of the CP Options.

The waiver to which the Panel has agreed under the Takeover Code will be invalidated if any purchases are made by any member of the Concert Party, or any person acting in concert with it, in the period between the date of this document and the General Meeting. Furthermore, no member of the Concert Party, nor any person acting in concert with it, has purchased Existing Ordinary Shares in the 12 months preceding the date of this document.

**Shareholders should be aware that Rule 9 of the Takeover Code further provides, *inter alia*, that where any person who, together with persons acting in concert with him, holds shares in shares carrying more than 50 per cent. of the voting rights of a company, acquires an interest in shares which carry additional voting rights, then they will not normally be required to make a general offer to the other shareholders to acquire their shares. Given that, following exercise of the CP Options (and assuming no new shares are issued in the meantime) the Concert Party will hold more than 50 per cent. of the voting share capital of the Company, subject always to note 4 on Rule 9.1 of the Takeover Code, any transfer of shares in the Company between entities within the Concert Party and any further acquisitions of the Company’s shares by any member of the Concert Party, whether individually or collectively, may not trigger any obligation under Rule 9 of the Takeover Code to make a general offer to Shareholders to acquire the entire issued share capital of the Company. However notwithstanding the Waiver, the individual members of the Concert Party will not be able to increase their percentage shareholding through or between a Rule 9 threshold without the consent of the Panel.**

**In the event that the Waiver is approved at the General Meeting, neither the Concert Party nor any of its connected persons or other persons acting in concert with it will be restricted from making an offer for the Company.**

**Notwithstanding the Waiver, the individual members of the Concert Party will not be able, without incurring an obligation under Rule 9 to make a general offer to Shareholders, to**

**increase their percentage shareholding in the Company if to do so, any individual member of the Concert Party would come to hold 30 per cent. or more of the voting rights of the Company but not more than 50 per cent. of the voting rights of the Company. In the event that the Waiver is approved at the General Meeting, neither the Concert Party nor any of its connected persons or other persons acting in concert with it will be restricted from making an offer for the Company.**

## 1.1 Definitions

For the purposes of this Part V:

- (a) references to persons “acting in concert” comprise persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control (as defined below) of a company or to frustrate the successful outcome of an offer for a company. A person and each of its affiliated persons will be deemed to be acting in concert with each other. Without prejudice to the general application of this definition, the following persons will be presumed to be persons acting in concert with other persons in the same category unless the contrary is established:
- (i) a company, its parent, subsidiaries and fellow subsidiaries, and their associated companies, and companies of which such companies are associated companies, all with each other (for this purpose ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of associated company status);
  - (ii) a company with any of its directors (together with their close relatives and the related trusts of any of them);
  - (iii) a company with any of its pension schemes and the pension schemes of any company covered in (i);
  - (iv) a fund manager (including an exempt fund manager) with any investment company, unit trust or other person whose investments such fund manager manages on a discretionary basis, in respect of the relevant investment accounts;
  - (v) a person, the person’s close relatives, and the related trusts of any of them, all with each other;
  - (vi) the close relatives of a founder of a company to which the Takeover Code applies, their close relatives, and the related trusts of any of them, all with each other;
  - (vii) a connected adviser with its client and, if its client is acting in concert with an offeror or with the offeree company, with that offeror or with that offeree company respectively, in each case in respect of the interests in shares of that adviser and persons controlling, controlled by or under the same control as that adviser (except in the capacity of an exempt fund manager or an exempt principal trader);
  - (viii) directors of a company which is subject to an offer or where the directors have reason to believe a bona fide offer for their company may be imminent;
  - (ix) shareholders in a private company who sell their shares in that company in consideration for the issue of new shares in a company to which the Takeover Code applies, or who, following the re-registration of that company as a public company in connection with an initial public offering or otherwise, become shareholders in a company to which the Takeover Code applies.
- (b) an “arrangement” includes any indemnity or option arrangements and any agreement or understanding, formal or informal, of whatever nature, relating to Relevant Securities which may be an inducement to deal or refrain from dealing;
- (c) a “connected adviser” has the meaning attributed to it in the Takeover Code;
- (d) “connected person” a director, those persons whose interests in Existing Ordinary Shares and Ordinary Shares the director would be required to disclose pursuant to Part 22 of the Act and related regulations and includes any spouse, civil partner, infants

- (including step children), relevant trusts and any company in which a director holds at least 20 per cent. of its voting capital;
- (e) “control” means a holding, or aggregate holdings, of shares in the capital of a company carrying 30 per cent. or more of the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting, irrespective of whether the holding or aggregate holdings give de facto control;
  - (f) “dealing or dealt” include:
    - (i) acquiring or disposing of Relevant Securities, the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights allocated to Relevant Securities or general control of Relevant Securities;
    - (ii) taking, granting, acquiring, disposing of, entering into, closing out, terminating, exercising (by either party) or varying an option in respect of any Relevant Securities;
    - (iii) subscribing or agreeing to subscribe for Relevant Securities (whether in respect of new or existing securities);
    - (iv) exercising or converting any Relevant Securities carrying conversion or subscription rights;
    - (v) acquiring, disposing of, entering into, closing out, exercising (by either party) of any rights under, or varying of, a derivative referenced directly or indirectly, to Relevant Securities;
    - (vi) entering into, terminating or varying the terms of any agreement to purchase or sell Relevant Securities; and
    - (vii) any other action resulting, or which may result, in an increase or decrease in the number of Relevant Securities in which a person is interested or in respect of which he has a short position;
  - (g) “derivative” includes any financial product whose value in whole or in part is determined, directly or indirectly, by reference to the price of an underlying security;
  - (h) “disclosure date” means 10 September 2019, being the latest practicable date prior to the publication of this document;
  - (i) “disclosure period” means the period of 12 months ending on the disclosure date;
  - (j) an “exempt fund manager” means a person who manages investment accounts on a discretionary basis and is recognised by the Panel as an exempt fund manager for the purposes of the Takeover Code;
  - (k) an “exempt principal trader” means a person who is recognised by the Panel as an exempt principal trader for the purposes of the Takeover Code;
  - (l) being “interested” in Relevant Securities includes where a person:
    - (i) owns Relevant Securities; or
    - (ii) has the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to Relevant Securities or has general control of them; or
    - (iii) by virtue of any agreement to purchase, option or derivative, has the right or option to acquire Relevant Securities or to call for their delivery or is under an obligation to take delivery of them, whether the right, option or obligation is conditional or absolute and whether it is in the money or otherwise; or
    - (iv) is party to any derivative whose value is determined by reference to their price and which results, or may result, in his having a long position in them;
  - (m) “Relevant Securities” means securities which comprise equity share capital (or derivatives referenced thereto) and securities convertible into rights to subscribe for and options (including traded options) in respect of any such securities; and
  - (n) “short position” means any short position (whether conditional or absolute and whether in the money or otherwise) including any short position under a derivative, any

agreement to sell or any delivery obligation or right to require any other person to purchase or take delivery.

## 1.2 Interests of the Concert Party in the Company

As at the close of business on the disclosure date:

- (a) no member of the Concert Party is interested in any voting rights of the Company.
- (b) no member of the Concert Party nor any member of his immediate family, related trusts or connected persons had an interest in or a right to subscribe for, or had any short position in relation to any Relevant Securities of the Company, nor had any such person dealt in such securities during the disclosure period.
- (c) none of the Concert Party members or directors (including any members of such members or directors' respective immediate families, related trusts or connected persons) have an interest in or a right to subscribe for, or have any short position relation to any Relevant Securities of the Company, nor had any such person dealt in such securities during the disclosure period.
- (d) no person acting in concert with the members of the Concert Party had an interest in or a right to subscribe for, or had any short position in relation to, any Relevant Securities of the Company, nor had any such person dealt in any such securities during the disclosure period.
- (e) no member of the Concert Party nor any person acting in concert with them had borrowed or lent any Relevant Securities of the Company, save for any borrowed shares which have either been on-lent or sold.

## 2. MIDDLE MARKET QUOTATIONS

The following table sets out the middle market quotations for an Existing Ordinary Share, as derived from the Daily Official List of London Stock Exchange, for the first business day of each of the six months immediately preceding the date of this document and on 10 September 2019 (being the latest practicable date prior to the publication of this document):

<b>Date</b>	<b>Price per Existing Ordinary Share</b>
April 2019	3.25p
May 2019	3.25p
June 2019*	3.25p*
July 2019*	3.25p*
August 2019*	3.25p*
September 2019*	3.25p*
10 September 2019*	3.25p*

\* suspended

## 3. ADDITIONAL DISCLOSURES REQUIRED BY THE TAKEOVER CODE

At the close of business on the disclosure date, save as disclosed in this paragraph 3 of this document and paragraphs 10 of Part VI of this document:

- (a) none of the Company nor any of the Directors (including any members of such Directors' respective immediate families, related trusts or connected persons) had any interest in or a right to subscribe for, or had any short position in relation to, any Relevant Securities of the Company, nor had any such person dealt in such securities during the disclosure period;
- (b) no person acting in concert with the Company had any interest in, or right to subscribe for, or had any short position in relation to any Relevant Securities of the Company, nor had any such person dealt in such securities during the disclosure period;
- (c) the Company has not redeemed or purchased any of its Relevant Securities during the disclosure period;
- (d) there were no arrangements which existed between the Company or any person acting in concert with the Company or any other person;

- (e) neither the Company nor any person acting in concert with the Company had borrowed or lent any Relevant Securities of the Company, save for any borrowed shares which have either been on-lent or sold;
- (f) no member of the Concert Party nor any person acting in concert with them has entered into an agreement, arrangement or understanding (including any compensation arrangement) with any of the Directors, recent directors, Shareholders, recent Shareholders or any other person interested or recently interested in Existing Ordinary Shares which are connected with or dependent upon the outcome of the Proposals or Admission;
- (g) no member of the Concert Party has entered into agreement, arrangement or understanding to transfer any interest acquired in the Company, pursuant to the Proposals or Admission;
- (h) there are no material contracts (other than the contracts entered into in the ordinary course of business) entered into by the Concert Party in connection with their investment in the Company within the two years immediately preceding the date of this document; and
- (i) neither the Company nor any of the Directors (including any members of such Directors' respective immediate families, related trusts or connected persons) had any interest in or right to subscribe for, or had any short position in relation to, any Relevant Securities of the Concert Party nor had any such person dealt in such securities during the disclosure period.

There are no current rating or outlooks publicly accorded to any of the Concert Party by ratings agencies.

#### **4. INDEPENDENT ADVICE PROVIDED TO THE BOARD**

The Takeover Code requires the Directors to obtain competent independent advice regarding the merits of the transactions which are the subject of the Waiver Resolution, the controlling position they will create, and the effect which they will have on the Shareholders generally. Accordingly, EGR Corporate Broking Limited, as the Company's independent financial advisor, has provided formal advice to the Directors regarding the Acquisition. EGR Corporate Broking Limited confirms that it, and any person who is or is presumed to be acting in concert with it, is independent of the Concert Party and has no personal, financial or commercial relationship or arrangements or understandings with the Concert Party.

## PART VI

### ADDITIONAL INFORMATION

#### 1. RESPONSIBILITY STATEMENT

- 1.1 The Company, the Directors and Proposed Directors whose names appear on page 13 of this document accept individual and collective responsibility for the information contained in this document (other than the information concerning the Concert Party and its intentions for which the Concert Party takes sole responsibility), including individual and collective responsibility for compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Company, the Directors and Proposed Directors (who have taken all reasonable care to ensure 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.
- 1.2 For the purposes of Rule 19.2 of the Takeover Code only, each member of the Concert Party, whose names are set out in paragraph 1 of Part V of this document, accepts responsibility for the information contained in this document relating to themselves. To the best of the knowledge and belief of each member of the Concert Party (having taken all reasonable care to ensure that such is the case), the information contained in this document for which he is responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.3 In connection with this document and/or the Proposals and Admission, no person is authorised to give any information or make any representations other than as contained in this document and, if given or made, such information or representation must not be relied upon as having been so authorised.

#### 2. THE COMPANY

- 2.1 The Company was incorporated and registered in England and Wales on 15 February 2017 under the Act as a public limited company with the name Stapleton Capital Plc and registered number 10621059. The Company changed its name to Blockchain Worldwide Plc on 19 January 2018 pursuant to a resolution dated 17 January 2018.
- 2.2 On, or shortly after, and subject to Admission, the Company's name will be changed to Entertainment AI Plc.
- 2.3 The Company was admitted to the standard segment of the Official List and to trading on the Main Market on 21 September 2017.
- 2.4 The liability that the Company's members are limited to the amount, if any, unpaid on the Existing Ordinary Shares (and, post Share Capital Consolidation, the Ordinary Shares).
- 2.5 The Company is governed by, and its securities were created under, the Act and the regulations made thereunder.
- 2.6 The Company's registered office is located at 4th Floor 43-44 Albemarle Street, London, England, W1S 4JJ. The telephone number of the Company's registered office is 020 7451 4600. The Company is domiciled in the United Kingdom.
- 2.7 The Enlarged Group's principal place of business following Admission will be at 1730 E. Holly Avenue, El Segundo, CA 90245, United States of America with telephone number 001 310-870-1730.
- 2.8 Other than the Board (which will be replaced by the New Board on Admission), the Company has a Remuneration Committee, an Audit Committee a Nominations Committee, a Strategy Committee and an Advisory Panel.
- 2.9 The accounting reference date of the Company is 30 June.
- 2.10 The Company's principal activity following Admission will be to act as the holding company of the Enlarged Group.

- 2.11 The Company's website is currently www.bloc-worldwide.com. It is proposed that immediately following Admission, the Company's website will be changed to www.entertainmentai.co.uk. Information on the Company's website does not form part of this document.

### 3. THE ENLARGED GROUP

- 3.1 As at the date of this document the Company has three wholly-owned subsidiaries, MergerCo, GTC MergerCo and TAG MergerCo, which have been incorporated in the United States of America solely for the purpose of undertaking the Acquisition. For a summary of the Acquisition and the Acquisition Agreement please see paragraph 8 of Part I.
- 3.2 On the closing date of the Acquisition (for the purposes of the Acquisition Agreement) the Company will file certificates of merger with the Secretary of State of the State of Delaware, United States of America. Upon the certificates of merger taking effect MergerCo, GTC MergerCo and TAG MergerCo, shall be merged with and into Entertainment AI, GTChannel and Tagasauris respectively, with Entertainment AI, GTChannel and Tagasauris existing as the surviving corporations and therefore the wholly-owned subsidiaries of the Company on Admission as is set out in paragraph 3.3 of this Part VI.
- 3.3 On Admission, the Company will become the holding company of the following subsidiaries (held directly or indirectly):

<b>Name</b>	<b>Country of incorporation</b>	<b>ownership interest</b>
Entertainment AI Inc.	Delaware, United States of America	100 (direct)
Tagasauris, Inc.	Delaware, United States of America	100 (direct)
GTChannel, Inc.	Delaware, United States of America	100 (direct)

- 3.4 Except as stated in this section 7:
- (a) there are no investments in progress which are significant to the Company or the Enlarged Group; and
- (b) there are no future investments upon which the Company or the Enlarged Group or its management have already made firm commitments.

### 4. DIRECTORS OF THE COMPANY

- 4.1 The date of appointment of each Director is as follows:

<b>Director</b>	<b>Date of Appointment</b>
Jonathan Edwards Hale	30 May 2017
Rodger David Sargent	15 February 2017

- 4.2 Each of the Directors will resign with effect from Admission.
- 4.3 The Proposed Directors will each be appointed conditional on completion of the Acquisition and with effect from Admission.

### 5. SHARE CAPITAL

- 5.1 The issued, fully paid up, share capital of the Company (i) as at the date of this document (ii) as it is expected to be immediately following completion of the Proposals and on Admission is as follows:

	<b>Number of Existing Ordinary Shares</b>	<b>Number of (post Share Capital Consolidated) Ordinary Shares</b>
Number of Existing Ordinary Shares at the date of this document	36,500,000	3,064,666
Number of Ordinary Shares (post Share Capital Consolidation) on Admission	N/A	49,957,876

- 5.2 The following summarises the changes that have occurred in the share capital of the Company between its incorporation and the date of this document:

- (a) on incorporation, the Company allotted 1 ordinary share of £0.01 for the consideration of £0.01 for such share;
  - (b) on 20 June 2017, the Company allotted 4,999,999 ordinary shares of £0.01 each for the consideration of £0.01 per share, resulting in the total issued ordinary share capital of the Company being 5,000,000 Existing Ordinary Shares;
  - (c) on 21 September 2017, the Company undertook a placing and allotted 30,000,000 ordinary shares of £0.01 each for the consideration of £0.05 per share, resulting in the total issued ordinary share capital of the Company being 35,000,000 Existing Ordinary Shares;
  - (d) on 21 September 2017, the Company allotted 1,500,00 ordinary shares of £0.01 each in consideration for administration and coordination services provided to the Company, such Existing Ordinary Shares being paid up at £0.05 per share, resulting in the total issued ordinary share capital of the Company being 36,500,000 Existing Ordinary Shares.
- 5.3 The Cross-Over Round will result in the allotment and issue of 3,472,222 Cross-Over Shares. In addition, the Placing will result in the issue of 16,351,102 Placing Shares. Consequently, the Fundraising will, assuming no Shareholder receives Fundraising Shares, result in the dilution of existing holders of Existing Ordinary Shares by 86.7 per cent.
- 5.4 The Company proposes to issue 27,092,886 Consideration Shares pursuant to the Acquisition Agreement. Assuming no Shareholder receives Consideration Shares, this will result in the dilution of existing holders of Existing Ordinary Shares by 89.91 per cent.
- 5.5 The Company will, conditional on Admission, issue 170,940 Warrants to subscribe for Ordinary Shares with an exercise price of 58.5 pence. Further details in respect of Warrants is set out at paragraph 14.6 of this Part VI.
- 5.6 Save as disclosed in paragraphs 5.3, 5.4, 5.5, 10.7, 10.8 and 10.9 of this Part VI:
- (a) no share or loan capital of the Company has been issued or is proposed to be issued;
  - (b) no person has any rights over the capital of the Company, no share or loan capital of the Company is under option or has been agreed conditionally or unconditionally to be put under option;
  - (c) the Company does not have in issue any securities not representing share capital;
  - (d) except for the Warrants and Options, there are no outstanding convertible securities, exchangeable securities or securities with warrants issued by the Company; and
  - (e) there are no acquisition rights and/or obligations over authorised but unissued share capital of the Company and the Company has made no undertaking to increase its share capital.
- 5.7 Except as disclosed in this paragraph 5, during the period covered by the financial information in Part III: (i) there has been no change in the amount of the issued share or loan capital of the Company; and (ii) no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share capital of the Company.

## **6. SECURITIES BEING ADMITTED**

- 6.1 The Existing Issued Share Capital consists of ordinary shares of £0.01 each in the capital of the Company, issued in British pounds sterling.
- 6.2 The Enlarged Issued Share Capital, including the Consideration Shares and the Fundraising Shares will be Ordinary Shares of £0.12 each in the capital of the Company, issued in British pounds sterling.
- 6.3 The ISIN of the Ordinary Shares will be GB00BK6SHS41 and the Stock Exchange Daily Official List (SEDOL) number will be BK6SHS4.
- 6.4 The Existing Ordinary Shares are, and, following the Share Capital Consolidation, the Ordinary Shares will be in registered form. The Existing Ordinary Shares are capable of being held in either certificated form or in uncertificated form in CREST. The Company's register of members

will be maintained by the Company's registrars, Share Registrars Limited, The Courtyard, 17 West Street Farnham GU9 7DR.

- 6.5 The dividend and voting rights attaching to the Company's ordinary share capital are set out in paragraph 9 of this Part VI.
- 6.6 Section 561 of the Act gives the Shareholders rights of pre-emption in respect of allotments of securities which are or are able to be paid up in cash (other than by way of allotments to employees pursuant to an employee share scheme as defined under section 1166 of the Act). Subject to limited exceptions and to the extent authorised pursuant to the Resolutions, unless Shareholders' approval is obtained in a general meeting of the Company, the Company must normally offer ordinary shares to be issued for cash to existing Shareholders pro-rata to their shareholdings.
- 6.7 The Company's ordinary share Capital has no right to share in the profits of the Company other than through a dividend, distribution or return of capital (further details of which are set out in paragraph 9 of this Part VI).
- 6.8 Each new Ordinary Share will be entitled on a *pari passu* basis with all other issued Ordinary Shares (post Share Capital Consolidation) to share in any surplus on a liquidation of the Company.
- 6.9 The Company's ordinary share capital has no redemption or conversion rights.
- 6.10 The Notice of General Meeting contains resolutions which, *inter alia* are conditional upon the passing of the Waiver Resolution, will be proposed to grant the Directors authority to:
- (a) in accordance with section 551 of the Act, allot shares in the Company or grant rights to subscribe for or to convert any securities into shares in the Company up to an aggregate nominal amount of £8,450,998.68 provided that this authority shall expire on 27 September 2020 but, so that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after such expiry and the directors of the Company may allot shares or grant rights to subscribe for or convert securities into shares pursuant to such an offer or agreement as if such authority had not expired; and
  - (b) pursuant to section 570 of the Act, allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority summarised at paragraph 6.10(a) above
- 6.11 There are no Existing Ordinary Shares which are held by, or on behalf of, the Company and the Company's subsidiary undertakings do not hold any shares in the Company.
- 6.12 On completion of the Proposals and Admission (following the Share Capital Consolidation) and the allotment and issue of the Consideration Shares and the Fundraising Shares), the existing issued share capital of the Company will be increased by 46,916,210 Ordinary Shares, resulting in an immediate dilution of existing holders of Existing Ordinary Shares of 93.91 per cent. in aggregate.

## 7. TAKEOVERS

- 7.1 The Takeover Code applies to the Company. Rule 9 of the Takeover Code ("**Rule 9**") therefore applies to any person, or group of persons, acting in concert, who acquires, whether by a series of transactions over a period of time or not, an interest in shares which, taken together with shares in which persons acting in concert with him are interested, carry 30 per cent. or more of the voting rights of the Company. It would also apply to any person who, together with persons acting in concert with him, is already interested in shares which in aggregate carry not less than 30 per cent. (but not more than 50 per cent.) of the voting rights of the Company if that 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 which he is interested. Where Rule 9 applies, the person or concert party group is normally required by the Panel to make a general offer in cash to acquire from the other shareholders the remaining shares in the company at not less than the highest price paid by him or them within the preceding twelve months. Rule 9 is subject to a number of dispensations.
- 7.2 In the event a bidder for shares in the Company acquires at least nine-tenths in value of the issued share capital of the Company to which an offer relates the bidder may in accordance

with the procedure set out in section 979 of the Act require the holders of any shares he has not acquired to sell them subject to the terms of the offer. Those Shareholders may in turn require the bidder to purchase their shares on the same terms.

- 7.3 Except as is set out in paragraph 16 of Part I and Part V of this document, the Company is not aware of the existence of any mandatory takeover bid pursuant to the rules of the Takeover Code, or any circumstances which may give rise to any takeover bid, and the Company is not aware of any takeover bid for the Company's issued share capital in the financial period year end to 30 June 2019 or in the current financial year by third parties, or of any squeeze-out or sell-out rules in relation to the Existing Ordinary Shares.

## **8. CONTROL**

- 8.1 Save as disclosed in paragraphs 16 and 21 of Part I and Part V, the Company is not aware of any person or persons who either alone or, if connected, jointly who at the date of this document and following the implementation of the Proposals and Admission will, directly or indirectly, control the Company, where control means owning 30 per cent. or more of the voting rights attaching to the share capital of the Company.
- 8.2 Save as set out in this document, the Company is not aware of any arrangements in place or under negotiation which may at a subsequent date result in a change in control of the Company.

## **9. MEMORANDUM AND ARTICLES OF ASSOCIATION**

The Articles include provisions to the following effect:

### **9.1 Objects of the Company**

Under the Act, the objects of the Company are unrestricted. The Articles do not specify any restrictions on the objects of the Company.

### **9.2 Share Capital**

The Company's share capital currently consists of Existing Ordinary Shares. The liability of the members of the Company is limited to the amount, if any, unpaid on the Existing Ordinary Shares and, post Share Capital Consolidation, the Ordinary Shares held by them. The Company may issue shares with such rights or restrictions as may be determined by ordinary resolution or as the board of directors shall determine, including shares which are to be redeemed, or are liable to be redeemed at the option of the Company or the holder of such shares. Subject to Act, whenever the capital of the Company is divided into different classes of shares, the rights attached to any class of shares in issue may (unless otherwise provided by the terms of issue of the shares of that class) from time to time be varied or abrogated, whether or not the Company is being wound up, either with the consent in writing of the holders of three-fourths in nominal value of the issued shares of the class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate meeting of such holders (but not otherwise).

### **9.3 Voting Rights**

The Shareholders have the right to receive notice of, and to vote at, general meetings of the Company. Each Shareholder who is present in person (or, being a corporation, by representative) at a general meeting on a show of hands has one vote and, on a poll, every such holder who is present in person (or, being a corporation, by representative) or by proxy has one vote in respect of every share held by him.

### **9.4 Allotment of Shares and Pre-Emption Rights**

Subject to the Act and the Articles and in accordance with section 551 of the Act, the directors shall be generally and unconditionally authorised to exercise for each prescribed period, all the powers of the Company to allot shares up to an aggregate nominal amount equal to the amount stated in the relevant special resolution passed pursuant to section 561 of the Act, authorising such allotment.

Under and within the terms of the said authority or otherwise in accordance with section 570 of the Act, the directors shall be empowered during each prescribed period to allot equity securities (as defined in the Act):

- (i) in accordance with a rights issue;
- (ii) otherwise than in connection with a rights issue up to an aggregate nominal amount equal to the amount stated in the relevant ordinary or special resolution passed pursuant to section 551 of the Act, authorising such allotment.

#### 9.5 **General Meetings**

- (i) The Company must convene and hold annual general meetings in accordance with the Act. The board of directors may call a general meeting and, on the requisition of members pursuant to the Act, shall forthwith convene a general meeting. Unless consent to short notice is obtained in accordance with the provisions of the Act, an annual general meeting shall be called on at least 21 clear days' notice. Every other general meeting shall, subject to the provisions of the Act, be called by at least 14 clear days' notice. Every notice of meeting shall be given to all the members, all other persons who are at the date of the notice entitled to receive notices from the Company and to the directors of the Company and its auditors.
- (ii) Every notice of meeting shall specify the place, the day and the time of the meeting and the general nature of the business to be transacted and, in the case of an annual general meeting, shall specify the meeting as such.
- (iii) No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business. The absence of a quorum shall not preclude the choice or appointment of a chairman of the meeting which shall not be treated as part of the business of the meeting. Save as otherwise provided by the Articles, two Shareholders present in person or by proxy and entitled to vote shall be a quorum for all purposes.
- (iv) If a quorum is not present within 15 minutes (or such longer time not exceeding one hour as the Chairman may decide to wait) from the time appointed for the meeting, the meeting, if convened on the requisition of or by the members shall be dissolved. In any other case, the meeting shall stand adjourned to such time, date and place as the directors may, subject to the provisions of the Act, determine. If at the adjourned meeting a quorum is not present within 15 minutes after the time appointed for the holding of the meeting, the meeting shall be dissolved.

#### 9.6 **Directors**

Unless otherwise determined by the Company by ordinary resolution, the number of directors (other than any alternate directors) shall not be less than two, but there shall be no maximum number of directors.

Subject to the Articles and the Act, the Company may by ordinary resolution appoint a person who is willing to act as a director and the board of directors shall have power at any time to appoint any person who is willing to act as a director, in both cases either to fill a vacancy or as an addition to the existing board of directors.

At the third annual general meeting after the general meeting at which a given director was appointed or last reappointed, such director shall retire from office and may offer themselves for reappointment by the Shareholders by ordinary resolution.

At every subsequent annual general meeting any director who:

- (i) has been appointed by the directors since the last annual general meeting; or
- (ii) was not appointed or re-appointed at one of the preceding two annual general meetings;

must retire from office and may offer themselves for reappointment by the Shareholders by ordinary resolution.

Subject to the provisions of the Articles, the board of directors, which may exercise all the powers of the Company, may regulate their proceedings as they think fit. A director may, and the secretary at the request of a director shall, call a meeting of the directors.

The quorum for a directors' meeting shall be fixed from time to time by a decision of the directors, but it must never be less than two and unless otherwise fixed, it is two.

Questions arising at a meeting shall be decided by a majority of votes of the participating directors, with each director having one vote. In the case of an equality of votes the chairman shall have a second or casting vote.

The directors shall be entitled to receive such remuneration as the directors shall determine for their services to the Company as directors and for any other service which they undertake for the Company provided that the aggregate fees payable to the directors (other than executive directors appointed under the Articles) must not exceed £350,000 per year, unless otherwise approved by the Company in general meeting. The directors shall also be entitled to be paid all reasonable expenses properly incurred by them in connection with their attendance at meetings of Shareholders or class meetings, board or committee meetings or otherwise in connection with the exercise of their powers and the discharge of their responsibilities in relation to the Company.

The board of directors may, in accordance with the requirements in the Articles and to the fullest extent permitted by law, authorise any matter proposed to them by any director which would, if not authorised, involve a director breaching his duty under the Act to avoid conflicts of interests.

A Director seeking authorisation in respect of such conflict shall declare to the board of directors the nature and extent of his interest in a conflict as soon as is reasonably practicable. The director shall provide the board of directors with such details of the matter as are necessary for the board to decide how to address the conflict together with such additional information as may be requested by the board.

Any authorisation by the board will be effective only if:

- (i) to the extent permitted by the Act, the matter in question shall have been proposed by any director for consideration in the same way that any other matter may be proposed to the directors under the provisions of the Articles;
- (ii) any requirement as to the quorum for consideration of the relevant matter is met without counting the conflicted director and any other conflicted director; and
- (iii) the matter is agreed to without the conflicted director voting or would be agreed to if the conflicted director's and any other interested director's vote is not counted.

#### 9.7 **Transfers**

Each member may transfer all or any of his shares which are in certificated form by means of an instrument of transfer in any usual form or in any other form which the directors may approve. Each member may transfer all or any of his shares which are in uncertificated form by means of a relevant system in such manner provided for, and subject as provided in, the uncertificated securities rules.

The Board may, in its absolute discretion, refuse to register a transfer of certificated shares unless:

- (i) it is only for one class of share;
- (ii) it is in favour of no more than four joint transferees;
- (iii) it is duly stamped or is duly certificated or otherwise shown to the satisfaction of the board of directors to be exempt from stamp duty; and
- (iv) it is delivered for registration to the registered office of the Company (or such other place as the board of directors may determine), accompanied (except in the case of a transfer by a person to whom the Company is not required by law to issue a certificate and to whom a certificate has not been issued or in the case of a renunciation) by the certificate for the shares to which it relates and such other evidence as the board of directors may reasonably require to prove the title of the transferor (or person renouncing) and the due execution of the transfer or renunciation by him or, if the transfer or renunciation is executed by some other person on his behalf, the authority of that person to do so.

The directors may refuse to register a transfer of uncertificated shares in any circumstances that are allowed or required by the uncertificated securities rules and the relevant system.

## 9.8 Dividends

The Company may, subject to the provisions of the Act and the Articles, by ordinary resolution from time to time declare dividends to be paid to members not exceeding the amount recommended by the directors. Subject to the provisions of the Act in so far as, in the directors' opinions, the Company's profits justify such payments, the directors may pay interim dividends on any class of shares except for shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrears. Any dividend, unclaimed after a period of 12 years from the date such dividend was declared or became payable shall, if the directors resolve, be forfeited and revert to the Company. The Company does not pay interest on any dividend unless otherwise provided by the terms on which the shares were issued or the provision of another agreement.

## 9.9 Borrowing Powers

Subject to the Articles and the Act, the board of directors may exercise all of the powers of the Company to:

- (i) borrow money;
- (ii) indemnify and guarantee;
- (iii) mortgage or charge;
- (iv) create and issue debentures and other securities; and
- (v) give security either outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

## 9.10 Capitalisation of profits

The directors may, if they are so authorised by an ordinary resolution of the Shareholders, decide to capitalise any undivided profits of the Company (whether or not they are available for distribution), or any sum standing to the credit of the Company's share premium account or capital redemption reserve. The directors may also, subject to the aforementioned ordinary resolution, appropriate any sum which they so decide to capitalise to the persons who would have been entitled to it if it were distributed by way of dividend and in the same proportions.

## 9.11 Uncertificated Shares

Subject to the Act, the directors may permit title to shares of any class to be issued or held otherwise than by a certificate and to be transferred by means of a relevant system without a certificate.

The directors may take such steps as it sees fit in relation to the evidencing of and transfer of title to uncertificated shares, any records relating to the holding of uncertificated shares and the conversion of uncertificated shares to certificated shares, or vice-versa.

The Company may by notice to the holder of an uncertificated share, require that share to be converted into certificated form.

The board of directors may take such other action that the board considers appropriate to achieve the sale, transfer, disposal, forfeiture, re-allotment or surrender of an uncertificated share or otherwise to enforce a lien in respect of it.

## 9.12 Winding Up

If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Companies, divide among the Shareholders in specie any whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division should be carried out as between the Shareholders or different classes of Shareholder. The liquidator may, with the like sanction, vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as he with like sanction determines, but no member shall be compelled to accept any assets upon which there is a liability.

### 9.13 General

There are no provisions in the Articles that would:

- (a) have the effect of delaying, deferring or preventing a change of control in the Company that would operate only with respect to a merger, acquisition or corporate restructuring involving the Company. Please note, however, the provisions of the Takeover Code, a summary of which is set out at paragraph 16 of Part I;
- (b) impose any condition governing changes in the capital that is more stringent than is required by law.

## 10. INTERESTS OF THE DIRECTORS, PROPOSED DIRECTORS, SENIOR MANAGEMENT AND SIGNIFICANT SHAREHOLDINGS

10.1 As at the date of this document and as expected to be immediately following Admission, the interests of the Directors, Proposed Directors and Senior Management, their immediate families, civil partners (as defined in the Civil Partnership Act 2004) (if any), and persons connected to them (within the meaning of section 252-255 of the Act) in the share capital of the Company, the existence of which is known to or could with reasonable diligence be ascertained by the Directors and the Proposed Directors, are as follows:

Name	Number of Existing Ordinary Shares at the date of this document	Percentage of Existing Issued Share Capital	Number of Ordinary Shares at Admission	Percentage of Enlarged Issued Share Capital	Options over Ordinary Shares on Admission
Jonathan Hale	1,550,000	4.3	129,166	0.26	Nil
Rodger Sargent	775,000	2.1	64,583	0.13	Nil
Patrick DeSouza	Nil	Nil	5,426,164	10.86	Nil
Todd Carter	Nil	Nil	2,963,021	5.93	1,977,083
Scott Schlichter	Nil	Nil	5,870,406	11.75	Nil
David Anton	Nil	Nil	Nil	Nil	152,083
Michael Kelly	Nil	Nil	Nil	Nil	152,083
Akiko Mikumo	Nil	Nil	Nil	Nil	152,083
Taro Koki	Nil	Nil	3,601,437	7.21	1,064,583
Adrian Hargrave	Nil	Nil	Nil	Nil	273,749

10.2 Save as disclosed in paragraph 10.1 above, the Company is not aware of any interest in the Company's ordinary share capital which, as at 10 September 2019 (being the latest practicable date prior to publication of this document) amounts or would, directly or indirectly, immediately following Admission, amount to 3 per cent. or more of the Company's issued Ordinary Share capital other than the following:

Name	Number of Existing Ordinary Shares at the date of this document	Percentage of Existing Issued Share Capital	Number of Ordinary Shares at Admission	Percentage of Enlarged Issued Share Capital
Canaccord Genuity	3,500,000	9.6	4,736,110	9.48
Russell Backhouse <sup>1</sup>	2,275,000	6.2	189,583	0.38
Mohamed Patel	2,000,000	5.5	166,666	0.33
Courtney Investments	1,800,000	4.9	150,000	0.30
MD Barnard	1,800,000	4.9	1,149,999	2.31
Jason Mackay	1,300,000	3.6	108,333	0.22
Paul Howard	1,175,000	3.5	97,916	0.20
Optiva Securities	1,200,000	3.3	100,000	0.20
Gresham House plc	Nil	Nil	6,666,666	13.34
Rathbone Investment Management	Nil	Nil	1,732,540	3.47
Water Intelligence Plc	Nil	Nil	3,981,009	7.97
Sumitomo Corporation	Nil	Nil	2,314,815	4.63

Note:

- 1 As at the date of this document, Russell Backhouse holds 775,000 Existing Ordinary Shares in his own name and 1,500,000 Existing Ordinary Shares indirectly through Mobitex Technology AB, an entity of which he is the sole shareholder.

- 10.3 The voting rights of the Shareholders set out in paragraphs 10.1 and 10.2 of this Part VI will not have voting rights different from other holders of Ordinary Shares.
- 10.4 There are no outstanding loans granted or guarantees provided by the Company to or for the benefit of any of the Directors and there will on Admission be no loans granted or guarantees provided by any member of the Enlarged Group for the benefit of any member of the New Board. There are no outstanding loans or guarantees provided by the Directors to or for the benefit of the Company and there will on Admission be no loans granted or guarantees provided by any member of the New Board for the benefit of any member of the Enlarged Group.
- 10.5 Save as disclosed in this paragraph 10, no Director has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company taken as a whole and which was effected by the Company during the current or immediately preceding financial year, or during any earlier financial year and which remains in any respect outstanding or unperformed.
- 10.6 Save as otherwise disclosed in this document, none of the Directors, Proposed Directors or proposed senior management of the Enlarged Group nor any member of their respective families nor any person connected with the Directors, Proposed Directors or proposed senior management of the Enlarged Group (within the meaning of section 252-255 of the Act) has or will on Admission have any holding, whether beneficial or otherwise, in the share capital of the Company.
- 10.7 It is intended to grant Options to the New Board as set out in paragraphs 14 and 16 of Part I and paragraph 10 of this Part VI of this document.
- 10.8 Upon Admission, the Company expects to issue 4,844,604 options over Ordinary Shares, representing 9.70 per cent. of the Enlarged Issued Share Capital. These options will be exercisable at the Issue Price and vest immediately, with half exercisable after 1 year and the remainder exercisable after 2 years. The Company expects to issue options representing a maximum of 15 per cent. of the issued share capital from time to time and these options are expected to have an exercise price at a premium to the then prevailing share price and a three year vesting period linked to performance.
- 10.9 Upon Admission, the Company has agreed to grant 170,940 warrants to acquire Ordinary Shares at an exercise price of 58.5 pence per Ordinary Share. Further details of the Warrant Instrument are described in paragraph 14.6 of this Part VI.

## **11. DIRECTORS, PROPOSED DIRECTORS AND SENIOR MANAGEMENT**

- 11.1 The Enlarged Group has entered or will on Admission enter into the following arrangements with the Directors, Proposed Directors and proposed senior management:

### **Directors**

(a) ***Rodger Sargent***

The Company and Rodger Sargent entered into a service agreement dated 15 September 2017. Mr Sargent is appointed as Chief Executive Officer under the terms of the service agreement. The service agreement is terminable by either party giving 6 months' prior written notice, save in the case of breach of contract in which case dismissal can occur without notice. Mr Sargent is not entitled to any other benefits other than the reimbursement of his reasonable expenses. Mr Sargent has agreed to not be remunerated for the time being. The service agreement is governed by English law.

Pursuant to the terms of a termination letter Mr Sargent and the Company have agreed that the service agreement will terminate and that Mr Sargent's employment will cease with effect from Admission.

(b) ***Jonathan Hale***

Mr Hale was appointed as Non-executive Chairman by the Company pursuant to a letter of appointment dated 15 September 2017. Mr Hale has agreed to not be remunerated for the time being. Mr Hale is eligible to participate in the Company's benefits arrangements, including any share option scheme established. Mr Hale is entitled to be

reimbursed his expenses. Mr Hale's appointment letter does not contain any notice provisions and is stated to be in accordance with the Company's articles. The letter of appointment is governed by English law.

Pursuant to the terms of letter of resignation, Mr Hale has agreed to resign from his appointment as Non-executive Chairman with immediate effect on Admission.

### **Proposed Directors**

(c) ***Patrick DeSouza***

Patrick DeSouza will be appointed as a non-executive director of the Company conditional on and effective from Admission. Mr DeSouza's letter of appointment with the Company can be terminated by either party on three months' notice in writing. Mr DeSouza is entitled to a fee of \$50,000 per annum and reimbursement of expenses, including for pre authorised independent professional advice. Mr DeSouza is also entitled to be covered by a directors' and officers' liability insurance policy. The letter of appointment is governed by English law.

(d) ***Todd Carter***

On 11 September 2019 Todd Carter entered into agreements with the Company and Tagasauris that are conditional on Admission, pursuant to which he will be employed as Chief Executive Officer and executive director. He will devote 5 days per week to his role. Mr Carter will receive a salary of \$200,000 per annum. Mr Carter will be entitled to customary private medical insurance. Mr Carter will also be eligible for a bonus based on objective quantifiable metrics. The contract of employment will have an initial term of two years. After the initial term, Mr. Carter's employment will be extended on a rolling annual basis, unless sufficient written notice is provided by either party.

(e) ***Scott Schlichter***

On 11 September 2019 Scott Schlichter entered into agreements with the Company and GTChannel that are conditional on Admission, pursuant to which he will be employed as an executive director and president. He will devote 5 days per week to his role. Mr Schlichter will receive a salary of \$200,000 per annum. Mr Schlichter will be entitled to customary private medical insurance. Mr Schlichter will also be eligible for a bonus based on objective quantifiable metrics. The contract of employment will have an initial term of two years. After the initial term, Mr. Schlichter's employment will be extended on a rolling annual basis, unless sufficient written notice is provided by either party.

(f) ***David Anton***

David Anton will be appointed as a non-executive director of the Company conditional on and effective from Admission. Mr Anton's letter of appointment with the Company can be terminated by either party on three months' notice in writing. Mr Anton is entitled to a fee of \$50,000 per annum and reimbursement of expenses, including for pre authorised independent professional advice. Mr Anton is also entitled to be covered by a directors' and officers' liability insurance policy. The letter of appointment is governed by English law.

(g) ***Michael Kelly***

Michael Kelly will be appointed as a non-executive director of the Company conditional on and effective from Admission. Michael Kelly's letter of appointment with the Company can be terminated by either party on three months' notice in writing. Mr Kelly is entitled to a fee of \$50,000 per annum and reimbursement of expenses, including for pre authorised independent professional advice. Mr Kelly is also entitled to be covered by a directors' and officers' liability insurance policy. The letter of appointment is governed by English law.

(h) ***Akiko Mikumo***

Akiko Mikumo will be appointed as a non-executive director of the Company conditional on and effective from Admission. Ms Mikumo's letter of appointment with the Company

can be terminated by either party on three months' notice in writing. Ms Mikumo is entitled to a fee of \$50,000 per annum and reimbursement of expenses, including for pre authorised independent professional advice. Ms Mikumo is also entitled to be covered by a directors' and officers' liability insurance policy. The letter of appointment is governed by English law.

### **Senior management**

(i) ***Taro Koki***

Taro Koki has entered into an employment agreement dated 11 September 2019 with GTChannel that is conditional on Admission, pursuant to which he will be employed as an executive vice president of content. He is required to devote 5 days per week to his role. Mr Koki receives a salary of \$200,000 per annum. Mr Koki is entitled to customary private medical insurance. Mr Koki will also be eligible for a bonus based on objective quantifiable metrics. The contract of employment will have an initial term of two years. After the initial term, Mr. Koki's employment will be extended on a rolling annual basis, unless sufficient written notice is provided by either party.

(j) ***Adrian Hargrave***

On 11 September 2019 Adrian Hargrave entered into a service agreement with the Company, pursuant to which he will, conditional on and with effect from Admission, be employed as chief financial officer. He will devote 5 days per week to his role. Mr Hargrave will receive a salary of £125,000 per annum. Mr Hargrave will receive employer pension payments in line with statutory requirements and will be entitled to private medical insurance for himself and for his immediate family. Mr Hargrave will also be eligible for a bonus based on quantifiable performance metrics. The contract of employment will be terminable on 6 months' prior written notice by either party.

- 11.2 Save as set out in paragraph 11.1 there are no existing or proposed service contracts between any member of the Enlarged Group and any of the Directors, Proposed Directors or proposed senior management which are not terminable on less than 12 months' notice, nor have any of the above service contracts or letters of appointment been amended within six months of the date of this document.
- 11.3 The aggregate remuneration paid and benefits in kind granted to the Directors for the year ending 30 June 2019 amounted to nil. It is estimated that the aggregate remuneration payable to the Proposed Directors in the year ending 30 June 2020 under arrangements that will come into effect on Admission will amount to \$600,000.
- 11.4 Except as set out above, there are no liquidated damages or other compensation payable by the Enlarged Group upon early termination of the contracts of the Director, Proposed Directors or proposed senior management. None of the Directors, Proposed Directors or proposed senior management has any commission or profit sharing arrangements with any member of the Enlarged Group.
- 11.5 Except as described above, none of the Directors, Proposed Directors nor the proposed senior management, nor members of their families, has a related financial product (as defined in the AIM Rules for Companies) referenced to the Company's ordinary share capital.

## **12. ADDITIONAL INFORMATION ON THE DIRECTORS AND PROPOSED DIRECTORS**

- 12.1 In addition to directorships of the Company, the Directors and the Proposed Directors hold or have held the following directorships or have been partners in the following partnerships within the five years prior to the date of this document:

<b>Director</b>	<b>Current directorships and partnerships (other than the Company)</b>	<b>Past directorships and partnerships</b>
Jonathan Hale	None	32Red Plc 32Red Limited ACA Hire Services Ltd
Rodger Sargent	Baskerville Capital plc Hertsford Capital plc	Audioboom Group Plc Blackbottle Limited Be Heard Group plc Bigblu Broadband plc Contentment Limited (dissolved) Logos Capital Plc S4 Capital Plc
Patrick DeSouza	Water Intelligence Plc Plainsight Systems	None
Todd Carter	Tagasauris, Inc. Tocarte, LLC	None
Scott Schlichter	GT Channel, Inc. Interstreamer Media, Inc. Dogma Studios	None
David Anton	Anton & Partners Inc Simplefy Inc. Pam & Gela Inc. Qasmyr Inc	None
Michael J. Kelly	Strategic Growth Partners Cars.com Quantcast Dianomi LTD	Bankrate Unruly Colspace
Akiko Mikumo	Cambridge Science Corporation	Weil, Gotshal & Manges, LLP

12.2 Mr Sargent was a director of Contentment Limited, having resigned on 27 July 2016. The company was placed into creditor's voluntary liquidation and winding up commenced on 27 July 2016. The company was dissolved on 7 May 2018.

12.3 Save as disclosed above, none of the Directors or Proposed Directors has:

- (a) had any previous names;
- (b) any unspent convictions in relation to indictable offences;
- (c) had any bankruptcy order made against him or entered into any voluntary arrangements;
- (d) been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation, administration, been subject to a company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;
- (e) been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- (f) been the owner of any assets or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- (g) been subject to any official public criticisms by any statutory or regulatory authority (including recognised professional bodies); or
- (h) been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a company.

### 13. EMPLOYEES

- 13.1 During the period from incorporation to the date of this document the Company had 1 employee acting as executive director in the United Kingdom.
- 13.2 Entertainment AI has not had any employees during the period from incorporation to the date of this document.
- 13.3 The number of employees (including executive directors but excluding non-executive directors) of each of GTChannel and Tagasauris as at 31 December 2016, as at 31 December 2017 and as at 31 December 2018 and as at the date of this document are as follows:

#### ***Tagasauris***

	<b>Jurisdiction</b>	<b>Category of employee</b>	<b>Number of employees</b>
31 December 2016	United States of America	Director	3
		Employee	2
		Contractor	1
	Europe	Director	0
		Employee	0
		Contractor	1
31 December 2017	United States of America	Director	1
		Employee	0
		Contractor	4
	Europe	Director	0
		Employee	0
		Contractor	3
31 December 2018	United States of America	Director	1
		Employee	0
		Contractor	4
	Europe	Director	0
		Employee	0
		Contractor	1
as at the date of this document	United States of America	Director	1
		Employee	0
		Contractor	4
	Europe	Director	0
		Employee	0
		Contractor	1

#### ***GTChannel***

	<b>Jurisdiction</b>	<b>Category of employee</b>	<b>Number of employees</b>
31 December 2016	United States of America	Employee	2
	United States of America	Contractor	1
31 December 2017	United States of America	Employee	2
	United States of America	Contractor	1
31 December 2018	United States of America	Employee	2
	United States of America	Contractor	1
as at the date of this document	United States of America	Employee	2
	United States of America	Contractor	2

### 14. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, have been: (i) entered into by a member of the Enlarged Group within the two years immediately

preceding the date of this document and are, or may be, material; or (ii) entered into by a member of the Enlarged Group and contain any provision under which any member of the Enlarged Group has any obligation or entitlement which is (or may be) material to the Enlarged Group as at the date of this document.

## **The Company**

### **Acquisition**

#### *14.1 Acquisition Agreement*

On 11 September 2019, the Company, MergerCo, GTC MergerCo and TAG MergerCo entered into the Acquisition Agreement with each member of the EAI Group and certain Vendors pursuant to which the Company has conditionally agreed to acquire the entire issued and to be issued share capital (outstanding immediately prior to the time of the Acquisition) of Entertainment AI, GTChannel and Tagasauris via mergers with MergerCo, GTC MergerCo and TAG MergerCo. The consideration for the Acquisition is £12.19 million, to be satisfied wholly by the issue of the Consideration Shares fully paid up on Completion.

Completion of the Acquisition Agreement is conditional, amongst other things, upon:

- Shareholder approval of the Resolutions;
- a majority of Tagasauris' shareholders approving of the terms of the Acquisition; and
- the Company's cash and net cash position (inclusive of recoverable value added tax, which will be recoverable post completion of the Proposals) does not fall below £1 million.

The Acquisition Agreement contains representations, warranties and covenants given by the principal Vendors and also contains representations and warranties that are given by the EAI Group, each of which are limited in time and scope. In addition, the principal Vendors have agreed to indemnify the Company on a several basis for breaches of all representations and warranties whether given by them and with respect to the company within the EAI Group of which they are stockholders on the date of the Acquisition Agreement. Under the Acquisition Agreement the limitation period for:

- title, authority and tax representation and warranty claims is 6 years from completion of the Acquisition; and
- all other representation and warranty claims is 12 months following completion of the Acquisition;

The principal Vendors shall not be required to indemnify the Company under the Acquisition Agreement unless the aggregate losses in respect of any representation and warranty claim exceeds 1 per cent. of £12.19 million. The principal Vendors' maximum liability for claims relating to the representations and warranties under the Acquisition Agreement is limited to an amount equal to 17.5 per cent. of the value of the Consideration Shares. The Purchaser's recourse is limited to the Consideration Shares, rather than cash (unless from the proceeds of sale of such shares).

On the closing date of the Acquisition the Company will file certificates of mergers with the Secretary of State of the State of Delaware, United States of America. Upon the certificates of merger taking effect MergerCo, GTC MergerCo and TAG MergerCo, shall be merged with and into Entertainment AI, GTChannel and Tagasauris respectively, with Entertainment AI, GTChannel and Tagasauris existing as the surviving corporations.

The Acquisition Agreement is governed by the laws of the State of Delaware.

Pursuant to the Acquisition Agreement, the Company will enter into Indemnification Agreements with the Proposed Directors, under which the Company will agree to indemnify each of them against certain liabilities incurred by them in connection with the relevant Director's acts or omissions in the course of acting as a director of the Company or any subsidiary from time to time, or which arises by virtue of the Director's appointment as a director of the Company or any subsidiary (Indemnity). The Indemnity shall not apply in certain customary circumstances, including but not limited to:

- (a) to the extent prohibited by the Act or otherwise prohibited by law;

- (b) any liability incurred by the Director to the Company or any subsidiary;
- (c) other than in certain limited circumstances:
  - (i) in defending criminal proceedings;
  - (ii) in defending civil proceedings brought by the Company or any subsidiary;
  - (iii) in a claim for relief under certain provisions of the Act;
- (d) to the extent that the amount is entitled to be recovered from any other person, including under a policy of insurance; and
- (e) where the liability or claim arises out of fraud, wilful default, wilful misconduct, reckless conduct, dishonesty or acts of bad faith of the director.

### **Placing, Cross-Over Round and Admission**

#### 14.2 *Placing Agreement*

On 11 September 2019, the Company, the Directors, the Proposed Directors and WH Ireland and Dowgate (together the “**Joint Brokers**”) entered into a placing agreement pursuant to which the Joint Brokers agreed, subject to certain conditions, to act as agents for the Company, and to use their respective reasonable endeavours to procure placees to subscribe for the Placing Shares at the Issue Price.

The Placing Agreement is conditional upon, *inter alia*, Admission occurring on or before 8.00 a.m. on 30 September 2019 (or such later date as the Company and the Joint Brokers may agree, being not later than 5.00 p.m. on 1 November 2019).

The Placing Agreement contains customary warranties from the Company, the Directors and the Proposed Directors on a several basis in favour of the Joint Brokers in relation to, amongst other things, the accuracy of the information in this document and other matters relating to the Enlarged Group and its business. The liability of the Directors and the Proposed Directors is limited in certain customary circumstances.

The Company agrees to indemnify the Joint Brokers in respect of certain liabilities they may incur in respect of the Placing.

The Joint Brokers have the right to terminate the Placing Agreement in certain circumstances prior to Admission, in particular, in the event of a material breach of the warranties or a force majeure event.

The Company has undertaken during the six month period following Admission, it will not without the prior written consent of the Joint Brokers, allot or issue, or enter into any agreement to allot or issue, any share in the capital of the Company (save for the grant and exercise of options pursuant to the agreements and arrangements to the extent disclosed). The Company, the Directors and the Proposed Directors have also undertaken for a period of six months from Admission not to take any steps which are inconsistent with the contents of this document and (save in certain limited circumstances) none of the Proposed Directors’ terms of employment or engagement with the Company will be terminated or varied during the period of appointment of the Joint Brokers without consulting the Joint Brokers.

The Company agrees to pay commission to the Joint Brokers on the gross aggregate value at the Issue Price of the Placing Shares to be sold in the Placing together with the costs and expenses incurred in connection with the Admission and Placing.

The Placing Agreement is governed by English law and is subject to the exclusive jurisdiction of the English courts.

#### 14.3 *Cross-Over Round accession letters*

By side letters dated 11 September 2019 the Company acceded to the subscription letters detailed in paragraph 14.17 of this Part VI with effect from completion of the Acquisition and in doing so will, with effect from completion of the Acquisition, give certain warranties as to due diligence relating to Tagasauris and GTChannel and this document.

#### 14.4 *Irrevocable undertakings*

Irrevocable undertakings in favour of the Company and dated on or around the date of this document have been received from Shareholders holding in aggregate 2,325,000 Existing Issued Ordinary Shares being 6.3 per cent. of the Existing Issued Share Capital. The relevant Shareholders have undertaken to vote (or where applicable, procure that the registered holder of the relevant shares votes) in favour of the Resolutions at the General Meeting.

#### 14.5 *Lock-in agreements*

Each of the Locked-In Persons and Water Intelligence plc has undertaken to the Company and the joint brokers, WH Ireland and Dowgate, that they will retain their entire interest in and not dispose of any interest in Ordinary Shares during the period of twelve months from the date of Admission.

Furthermore each of the Locked-In Persons and Water Intelligence plc has also undertaken to the Company and to the joint brokers that they will retain their entire interest in and not dispose of any interest in Ordinary Shares at any time from 12 to 24 months from Admission, except with the prior written consent of WH Ireland (as nominated adviser) and Dowgate or their successors (whose consent will not be unreasonably withheld or delayed, provided such disposal is in accordance with orderly market principles) and then only through either of the joint brokers (or their successors) to facilitate the execution of the trades. Sumitomo Corporation has agreed to notify the joint brokers if it intends to dispose of any interest in Ordinary shares at any time from 12 to 24 months from Admission.

These restrictions are subject to certain limited exceptions, as described in paragraph 20 of Part 1 of this document. Sumitomo Corporation is entitled to make a disposal of any interest in Ordinary Shares to its connected persons. In addition, the restrictions shall not apply in respect of any disposal during the period of 12 to 24 months from the date of Admission where the joint brokers (or their successors) have failed to sell the interest in Ordinary Shares within ten business days of first marketing them.

Notwithstanding the provisions of the lock-in arrangements, the agreements provide that any Locked-In Person and Water Intelligence Plc may, during the lock-in period, dispose of any of its Ordinary Shares to any one or more of the other Locked-In Person or to Water Intelligence Plc, provided such disposal is made with the prior written consent of each of (i) the joint brokers (or their successors) and (ii) the independent directors of the Company.

#### 14.6 *Warrant Instrument*

The Company has entered into a warrant instrument whereby, conditional upon Admission, WH Ireland and Dowgate will be issued with warrants to subscribe for in aggregate 170,940 Ordinary Shares at 130 per cent. of the Issue Price which are exercisable over a one year period commencing on Admission, after which time the warrants will expire and become null and void. The exercise price and the number of Ordinary Shares issuable upon exercise are both subject to adjustment in certain circumstances, including a subdivision or consolidation of the Ordinary Shares.

#### 14.7 *Relationship agreement*

The Company, WH Ireland, Patrick DeSouza and Water Intelligence Plc (a Strategic Investor) (as significant shareholders) have entered into a relationship agreement dated 11 September 2019, which is conditional upon Admission and will be in effect at all times from time to time when such significant shareholders together hold the legal and/or beneficial title to, or the voting rights attaching to Ordinary Shares which constitute, in aggregate, not less than 15 per cent. of the number of Ordinary Shares in issue. In the event that the significant shareholders and/or their connected persons together hold the legal and/or beneficial title to, or the voting rights attaching to Ordinary Shares which constitute, in aggregate, less than 15 per cent., the provisions of the agreement cease to apply, provided that if at any time within one year of the agreement ceasing to apply such holdings reach, or exceed 15 per cent. the provisions of the agreement immediately and automatically apply without the need for further action by any party.

Pursuant to the agreement Patrick DeSouza and Water Intelligence Plc, in their capacity as substantial shareholders, have given various undertakings to the Company regarding the relationship between each of them, their connected persons and the Company.

In particular, Patrick DeSouza and Water Intelligence Plc have each agreed not to take any action that would result in the Company not being able to carry on its business independently of Patrick DeSouza and Water Intelligence Plc or their connected persons. The agreement will automatically terminate upon the earlier of: the execution of an agreement between all the parties to terminate the agreement; and the Ordinary Shares ceasing to be traded on AIM or some other recognised stock exchange.

#### 14.8 *Nominated adviser and broker agreement*

A nominated adviser and broker engagement agreement dated 11 September 2019 and made between the Company and WH Ireland pursuant to which the Company has, conditional on Admission, appointed WH Ireland to act as nominated adviser and joint broker to the Company for the purposes of the AIM Rules. The agreement contains certain undertakings and indemnities given by the Company to WH Ireland. The agreement continues for a period of 6 months. Either party may terminate the appointment by 3 months' notice in writing to the other, such notice to take effect no earlier than the end of the initial term. In certain limited circumstances, including material breach of the agreement, a party may terminate the appointment immediately upon giving written notice to the other party.

#### 14.9 *Broker agreement*

A broker engagement agreement dated 11 September 2019 and made between the Company and Dowgate pursuant to which the Company has appointed Dowgate to act as joint broker to the Company. The agreement contains certain undertakings and indemnities given by the Company to Dowgate. The agreement continues for an initial period of 6 months. Either party may terminate the appointment by 3 months' notice in writing to the other, such notice to take effect no earlier than the end of the initial term. In certain limited circumstances, including a material breach of the agreement which has not been remedied within a specified period, a party may terminate the appointment immediately upon giving written notice to the other party.

#### 14.10 *EGR engagement letter*

An engagement letter dated 22 August 2019 made between the Company and EGR Corporate Broking Limited ("EGR") pursuant to which EGR is to provide the board of directors of the Company with competent independent advice (as required by the Takeover Code) in connection with the acquisition of GTChannel and Tagasauris. The letter includes certain indemnities given by the Company to EGR. The engagement continues through to completion of the matters discussed in this document and is otherwise terminable on three months' notice. In the event of material breach of the letter, the injured party may terminate the engagement immediately upon giving written notice to the other party.

#### 14.11 *WH Ireland engagement letter*

On 11 July 2019, the Company and WH Ireland entered into an engagement letter pursuant to which WH Ireland agreed to act as joint corporate broker and sole corporate finance adviser in connection with the Acquisition, Placing and Admission. The engagement continues until Admission unless either party gives 30 days' notice of earlier termination in writing to the other. The letter contains indemnities and undertakings as to the provision of information given by the Company in favour of WH Ireland.

#### 14.12 *Dowgate engagement letter*

On 11 July 2019, the Company and Dowgate entered into an engagement letter pursuant to which Dowgate agreed to act as joint placing agent in connection with the Placing. The engagement shall be in effect for the date beginning 4 July 2019 and will remain in effect until the earlier of completion of the Placing or 30 August 2019 is terminable by Dowgate either party on three months' written notice. If at any time the Company is in material breach of the terms of the letter or Dowgate determines that an event of force majeure has occurred in relation to the Company or the Placing, Dowgate may terminate the letter forthwith by written notice of such termination to the Company. The transaction engagement letter contains

indemnities and undertakings as to the provision of information given by the Company in favour of Dowgate.

## **Others**

### *14.13 Registrar Agreement*

The Registrar is responsible for providing share registration services to the Company under the terms of a registrars agreement dated 25 August 2017, for an initial period of 12 months from 21 September 2017 and thereafter from year to year. In certain circumstances, the parties will be entitled to terminate the agreement by giving 6 months' notice, or immediately if an insolvency event occurs in respect of the other party or in the case of material breach (including non-payment of fees due).

The Company has agreed to pay the Registrar's fees in quarterly arrears in respect of its standard service. The Registrar may, on 1 April each year, review its fee arrangements and will give the Company at least one month's written notice of any alteration to such charges.

### *14.14 Lock-in deeds*

Pursuant to lock-in deeds dated 15 September 2017, certain subscribing shareholders agreed not to dispose of any interest in their ordinary shares in the Company for a period of one year following the Company's admission to the standard segment of the Official List and to trading on the Main Market except in certain restricted circumstances, including in the event of an intervening court order, a takeover becoming or being declared unconditional, or the death of such subscriber.

### *14.15 Administrative services letter agreement*

A letter agreement dated 7 September 2017 between the Company and Mobitex Technology AB which records the agreement between those parties pursuant to which the latter provided administration and coordination services in connection with the establishment of the Company and the placing undertaken by the Company at the time of admission to the standard segment of the Official List and to trading on the Main Market. In consideration of these services the Company agreed to issue Mobitex Technology AB with 1,500,000 fully paid Existing Ordinary Shares.

## **Entertainment AI**

### *14.16 Acquisition Agreement*

Please see the summary at paragraph 14.1 of this Part VI above.

### *14.17 Cross-Over Subscription Letters*

#### **Sumitomo Corporation**

Pursuant to a subscription letter dated 26 April 2019 Sumitomo Corporation (a Strategic Investor) agreed, subject to conditions, to subscribe for Ordinary Shares in the Company for the aggregate subscription price of £833,333.40. The subscription price payable by Sumitomo Corporation for each Ordinary Share is stated to be 36 pence per share (or at a discount of 20 per cent. to the Issue Price, if lower than 45 pence per share). The conditions include, amongst others, the completion of the Acquisition and Admission. The letter terminates if the conditions have not been satisfied (or waived by Sumitomo Corporation) by (following amendment) 30 September 2019. The letter is governed by English law and the courts of England have exclusive jurisdiction.

The subscription letter amends and restates an earlier subscription agreement (as amended) entered into between the parties.

#### **Water Intelligence Plc**

Pursuant to a subscription letter dated 11 September 2019 Water Intelligence Plc (a Strategic Investor) agreed, subject to conditions, to subscribe for Ordinary Shares in the Company for the aggregate subscription price of £416,666.70. The subscription price payable by Water Intelligence Plc for each Ordinary Share is stated to be 36 pence per share (or at a discount of 20 per cent. to the Issue Price, if lower than 45 pence per share). The conditions include,

amongst others, Admission. The letter terminates if the conditions have not been satisfied (or waived by Water Intelligence Plc) by (following amendment) 30 September 2019. The letter is governed by English law and the courts of England have exclusive jurisdiction.

The subscription letter amends and restates an earlier subscription agreement (as amended) entered into between the parties.

The Strategic Investors have deposited the subscription monies into an escrow account.

#### 14.18 *Agreement between Water Intelligence and Entertainment AI relating to technology*

An agreement dated 11 September 2019 between Water Intelligence plc and Entertainment AI pursuant to which it was agreed that Water Intelligence plc would have access to and be able to exploit, on an exclusive, perpetual and royalty free basis, for the purpose of the development worldwide of a sustainability audience and home service with respect to water and infrastructure, certain AI technologies, products and services developed by the EAI Group (for which Water Intelligence plc will be able to negotiate sub-licences), and have access to general know-how, business development tools and related resources belonging to EAI Group. The agreement will continue until such time as Water Intelligence plc ceases to hold 2% or more of the ordinary shares in the Company.

#### 14.19 *Agreement between Sumitomo Corporation and Entertainment AI relating to technology*

An agreement dated 28 November 2018, as subsequently varied, between Sumitomo Corporation and Entertainment AI pursuant to which it was agreed that Sumitomo would have access to and be able to exploit, on a non-exclusive basis, in certain Asia-Pacific countries (including China, Taiwan and Japan), certain technologies developed by the EAI Group, certain content-related services developed by the EAI Group and access to general know-how, business development tools and related resources belonging to EAI Group. Financial terms are to be agreed on a case by case basis but Sumitomo has the benefit of a most favoured nation clause. The agreement will continue until such time as Sumitomo ceases to hold 2 per cent. or more of the ordinary shares in the Company.

### **GTChannel**

#### 14.20 *Acquisition Agreement*

Please see the summary at paragraph 14.1 of this Part VI above.

#### 14.21 *IP/Domain name assignment*

Pursuant to the Domain Name Assignment dated 28 August 2019 between GTChannel and Scott Schlichter, Mr Schlichter assigned all his rights in certain domain names related to GTChannel's business to GTChannel and agreed to effectuate all necessary domain name transfers and account changes with applicable domain name registrars in connection with such assignment no later than 31 December 2019.

#### 14.22 *2015 Convertible Notes*

On 8 April 2015, GTChannel issued a convertible promissory note in the amount of \$20,000 the ("2015 Note"). The 2015 Note bears interest at 4 per cent. per annum, and all unpaid principal and interest under the 2015 Note is due and payable on demand at any time after 30 September 2016, being the maturity date. The 2015 Note is convertible into shares of GTChannel's preferred stock upon the next preferred stock financing prior to the maturity date. If a change of control occurs prior to the repayment or conversion of the 2015 Note, then GTChannel shall pay 150 per cent. of all unpaid principal and interest to the noteholder. For these purposes a "change of control" is not defined.

On 26 March 2015, GTChannel issued a convertible promissory note in the amount of \$250,000 on substantially the same terms as the 2015 Note described above.

The Acquisition Agreement provides that GTChannel will prior to completion of the Acquisition obtain the consent of the holders of all of the notes to permit their conversion into equity at completion of the acquisition of GTChannel.

### *2013 Convertible Notes*

On 25 July 2013, GTChannel issued a convertible promissory note in the amount of \$350,000 (the "2013 Note"). The 2013 Note bears interest at 5 per cent. per annum, and all unpaid principal and interest under the 2013 Note is due and payable on demand at any time after 31 December 2014, being the maturity date. The 2013 Note is convertible into shares of GTChannel's preferred stock upon the next preferred stock financing prior to the maturity date. If a change of control occurs prior to the repayment or conversion of the 2013 Note, then GTChannel shall pay 150 per cent. of all unpaid principal and interest to the noteholder. For these purposes a "change of control" is not defined. The Acquisition Agreed provides that GTChannel will obtain, prior to completion of the Acquisition, the consent of the holders of all 2013 Notes to permit their conversion into equity at completion of the acquisition of GTChannel.

## **Tagasauris**

### *14.23 Acquisition Agreement*

Please see the summary at paragraph 14.1 of this Part VI above.

### *14.24 2019 Convertible Notes*

In April 2019, Tagasauris commenced a note financing. Under the note purchase agreement, dated 24 April 2019 ("**2019 NPA**"), in the event of a corporate transaction (defined to include a merger), the notes issued ("**2019 Notes**") are automatically converted to that number of shares of Tagasauris common stock equal to the quotient obtained by dividing the outstanding principal and unpaid accrued interest due on such note by the conversion price of \$0.05 per share.

Pursuant to Amendment No. 1 to the 2017 NPA, dated 24 April 2019, any existing investor in Tagasauris that holds promissory notes or series seed preferred stock and that purchases 2019 Notes in an aggregate principal amount of at least the lesser of (a) \$75,000 or (b) 50 per cent. of the face value of such existing investor's previous investments in Tagasauris, will have a portion of such notes and/or series seed preferred stock (equal to the principal amount of 2019 Notes purchased) convert to shares of common stock at the \$0.05 per share conversion price. The remainder of such investor's holdings will convert to shares of common stock at a conversion price equal to the quotient resulting from dividing (A) \$10,000,000 by (B) the number of shares of outstanding common stock of Tagasauris immediately prior to the closing of the corporate transaction (assuming conversion of all securities into common stock, exercise of all outstanding options and warrants to purchase common stock and excluding for this purpose the shares reserved or authorized for issuance under any equity incentive plan and the conversion contemplated by the 2019 NPA).

The 2019 Notes bear interest at 4 per cent. per annum. If not converted before such date, the 2019 Notes are payable on 24 April 2021. Any term of the 2019 NPA or the notes may be amended and the observance of any term of the 2019 NPA or the notes may be waived with the written consent of Tagasauris and the holders of a majority in interest of the aggregate principal amount of 2019 Notes.

### *14.25 2017 Convertible Notes*

In March 2017, Tagasauris commenced a note financing under a note purchase agreement ("**2017 NPA**"), on substantially the same terms as the 2015 NPA (detailed below), pursuant to which Tagasauris issued notes substantially similar to the 2015 Notes ("**2017 Notes**"). The 2017 Notes bear interest at 4 per cent. per annum. The 2017 Notes were payable on 3 March 2019.

### *14.26 2015 Convertible Notes*

In December 2015, Tagasauris commenced a note financing. Under the note purchase agreement, dated 1 December 2015 ("**2015 NPA**"), the notes issued ("**2015 Notes**") are convertible to (1) shares of preferred stock upon the closing of the next equity financing from which Tagasauris receives gross proceeds of not less than \$1,500,000 (excluding the conversion of the principal and accrued interest outstanding under the 2015 Notes); and (2) shares of common stock upon the closing of a corporate transaction (which is defined to

include a merger) or an initial public offering. Upon the closing of the acquisition of Tagasauris all outstanding principal and unpaid accrued interest due on an outstanding 2015 Notes is anticipated, at the respective lender's election, to be (i) due and payable in full prior to the closing of the acquisition of Tagasauris, or (ii) converted into shares of common stock at a conversion price equal to the quotient resulting from dividing (x) \$10,000,000 by (y) the number of shares of outstanding common stock of Tagasauris immediately prior to the closing of the acquisition of Tagasauris (assuming conversion of all securities into common stock, exercise of all outstanding options and warrants to purchase common stock and excluding for this purpose the shares reserved or authorized for issuance under any equity incentive plan and the conversion contemplated by the 2015 NPA). The 2015 Notes bear interest at 4 per cent. per annum. The 2015 Notes were payable on 1 December 2017. Any term of the 2015 NPA or the Notes may be amended and the observance of any term of the 2015 NPA or the Notes may be waived with the written consent of Tagasauris and the holders of a majority in interest of the aggregate principal amount of 2015 Notes.

#### 14.27 *Series Seed Preferred Stock Agreements*

Tagasauris conducted three series seed preferred stock financings, in 2013, 2014 and 2015 respectively. In the first such transaction, Tagasauris and the investors entered into a series seed preferred stock purchase agreement and an investors' rights agreement, dated 30 September 2013. In the second such transaction, investors signed a second series seed preferred stock purchase agreement ("Second Series Seed SPA") and an amended and restated investors' rights agreement dated 27 August 2014 ("IRA"). In the third such transaction, the parties to the Second Series Seed SPA amended and restated the Second Series Seed SPA, and new investors entered into the amended and restated Second Series Seed SPA and the existing IRA. The IRA terminates upon the closing of a deemed liquidation event, defined to include a merger resulting in a change of control of Tagasauris. The acquisition of Tagasauris is expected to constitute a deemed liquidation event, which requires the consent of the holders of a majority in interests of the series seed preferred stock (on an as-converted basis). Furthermore, immediately prior to the closing of the acquisition of Tagasauris, holders of a majority in interests of the series seed preferred stock (on an as-converted basis) are required to approve the mandatory conversion of each outstanding shares of series seed preferred stock into one share of common stock. The Acquisition Agreement provides that Tagasauris will obtain, prior to the completion of the Acquisition, consent of all required stockholders, including a majority of series seed preferred stock, for the purposes to the mandatory conversion.

#### 14.28 *NYU Patent Licence Agreement*

On 18 December 2013 the New York University ("NYU") and Tagasauris entered into a license agreement for the purposes of apportioning the rights and responsibilities of the co-owners. Under the agreement, Tagasauris has an exclusive worldwide licence to practice the 'Licensed Patents' for the development, manufacture, use and sale of all products and services, covered by a claim of any unexpired and subsisting 'Licensed Patent' in the field of crowdsourced human computation related to knowledge work in online media. For these purposes 'Licensed Patent' includes US Patent Application No. 13/863,751, filed April 16, 2013 and entitled "Task Agnostic Integration of Human and Machine Intelligence" and any divisions and continuations thereof, and patents issuing thereon, and reissues, renewals and extensions thereof. US Patent Application No. 13/863,751 was subsequently issued as U.S. Patent No. 9,489,636. U.S. Non-Provisional Application 15/344,521 was also subsequently filed by Tagasauris on 6 November 2016, and is a continuation of U.S. Non-Provisional Application 13/863,751.

NYU reserves the right to use, and to permit other non-commercial entities to use, the 'Licensed Patent' for educational and research purposes.

In accordance with the terms of the agreement, Tagasauris has agreed to indemnify NYU in respect of any loss arising from the licenced products.

Subject to earlier termination, the agreement continues on a country by country basis until the expiration of the last to expire of the Licenced Patents. The agreement may be terminated by notice in the event of, amongst others, material breach of the agreement or where either party discontinues its business or becomes insolvent or bankrupt. The agreement is governed by the laws of New York.

14.29 Pursuant to the Domain Name Assignment dated 19 August 2019 among Tagasauris, Todd Carter and Tocarte LLC, Mr Carter and Tocarte LLC assigned all their respective rights in certain domain names related to Tagasauris' business to Tagasauris and agreed to effect all necessary domain name transfers and account changes with applicable domain name registrars in connection with such assignment no later than 31 December 2019.

## **15. RELATED PARTY TRANSACTIONS**

15.1 Except for the relevant transactions described in the agreements referred to in paragraphs 11 and 14.1 to 14.15 of this Part VI, or disclosed in the historical financial information in Part III of this document, during the period covered by the financial information in Part III of this document until the date of this document, the Company has not entered into any related party transactions.

15.2 Except for the relevant transactions described in the agreements referred to in paragraphs 14.16 to 14.29 of this Part VI, or disclosed in the historical financial information in Part III of this document, during the period covered by the financial information in Part III of this document until the date of this document, the EAI Group has not entered into any related party transactions.

## **16. LITIGATION**

16.1 No member of the Enlarged Group is or has been involved in any governmental, legal or arbitration proceedings which may have or have had during the twelve months preceding the date of this document a significant effect on the financial position or profitability of the Enlarged Group and none of the Directors nor the Proposed Directors is aware of any such proceedings pending or threatened by or against any member of the Enlarged Group.

## **17. NO SIGNIFICANT CHANGE**

17.1 Save for matters disclosed in this document, there has been no significant change in the financial or trading position of the Company since 30 June 2019, being the date to which its last audited accounts were prepared.

17.2 Save for matters disclosed in this document, there has been no significant change in the financial or trading position of Entertainment AI, since 4 March 2015, being the date of incorporation.

17.3 Save for matters disclosed in this document, there has been no significant change in the financial or trading position of GTChannel, since 31 December 2018, being the date to which its last audited financial information was prepared.

17.4 Save for matters disclosed in this document, there has been no significant change in the financial or trading position of Tagasauris, since 31 December 2018, being the date to which its last audited financial information was prepared.

## **18. WORKING CAPITAL**

The Company, the Directors and the Proposed Directors are of the opinion, having made due and careful enquiry, taking into account the existing cash resources of the Enlarged Group and the net proceeds of the Fundraising that the Enlarged Group will have sufficient working capital for its present requirements, that is for at least 12 months from the date of Admission.

## **19. INTELLECTUAL PROPERTY**

19.1 Except for licences and software development agreements entered into in the ordinary course of business for the use or development and use of software know-how, trade-secrets, unregistered IP rights, issued (and co-owned) US Patent No. 9,486,636, US patent application Serial No. 15/344,521, the registered trademark TAGASOURIS and the domain names tagasauris.com, gtchannel.com and gtrussia.com:

19.1.1 the Company is not dependent on any patents, intellectual property licences, industrial, commercial or financial contracts or new manufacturing processes which have a material effect on the Company's business or profitability; and

19.1.2 the Enlarged Group will not be dependent on any patents, intellectual property licences, industrial, commercial or financial contracts or new manufacturing processes which will have a material effect on the Enlarged Group's business or profitability.

19.2 US Patent No. 9,486,636 is co-owned by Tagasauris and the New York University. Pursuant to a licence between Tagasauris and the New York University, Tagasauris has an extensive worldwide licence to practice such patent for the development, manufacture, use and sale of all products and services, covered by a claim of such unexpired and subsisting patent in the field of crowdsourced human computation related to knowledge work in online media. For further details on the licence agreement see paragraph 14.28 of this Part VI.

## **20. PREMISES AND ENVIRONMENTAL**

20.1 The Company does not own any premises.

20.2 The EAI Group does not own any premises.

20.3 The EAI Group occupies premises at 1730 E. Holly Avenue, El Segundo, CA 90245 pursuant to a member agreement dated 8 March 2016 between BizHaus and GTChannel.

20.4 Except as set out in this document, the Directors and the Proposed Directors are not aware of any environmental issues that could affect the Enlarged Group's utilisation of its tangible fixed assets

## **21. TAXATION**

### **21.1 Taxation in the United Kingdom**

The following information is based on UK tax law and HM Revenue and Customs ("HMRC") practice currently in force in the UK. Such law and practice (including, without limitation, rates of tax) is in principle subject to change at any time. The information that follows is for guidance purposes only. Any person who is in any doubt about his or her position should contact their professional advisor immediately.

#### **21.1.1 Tax treatment of UK investors**

The following information, which relates only to UK taxation, is applicable to persons who are resident in the UK and who beneficially own Ordinary Shares as investments and not as securities to be realised in the course of a trade. It is based on the law and practice currently in force in the UK. The information is not exhaustive and does not apply to potential investors:

- (i) who intend to acquire, or may acquire (either on their own or together with persons with whom they are connected or associated for tax purposes), more than 10 per cent., of any of the classes of shares in the Company; or
- (ii) who intend to acquire Ordinary Shares as part of tax avoidance arrangements; or
- (iii) who are in any doubt as to their taxation position.

Such Shareholders should consult their professional advisers without delay. Shareholders should note that tax law and interpretation can change and that, in particular, the levels, basis of and reliefs from taxation may change. Such changes may alter the benefits of investment in the Company.

Shareholders who are neither resident nor temporarily non-resident in the UK and who do not carry on a trade, profession or vocation through a branch, agency or permanent establishment in the UK with which the Ordinary Shares are connected, will not normally be liable to UK taxation on dividends paid by the Company or on capital gains arising on the sale or other disposal of Ordinary Shares. Such Shareholders should consult their own tax advisers concerning their tax liabilities.

#### **21.1.2 Dividends**

Where the Company pays dividends no UK withholding taxes are deducted at source, Shareholders who are resident in the UK for tax purposes will, depending on their circumstances, be liable to UK income tax or corporation tax on those dividends.

UK resident individual Shareholders who are domiciled in the UK, and who hold their Shares as investments, will be subject to UK income tax on the amount of dividends

received from the Company.

Dividend income received by UK tax resident individuals will have a £2,000 annum dividend tax allowance. Dividend receipts in excess of £2,000 will be taxed at 7.5 per cent. for basic rate taxpayers, 32.5 per cent for higher rate taxpayers, and 38.1 per cent. for additional rate taxpayers.

Shareholders who are subject to UK corporation tax should generally, and subject to certain anti-avoidance provisions, be able to claim exemption from UK corporation tax in respect of any dividend received but will not be entitled to claim relief in respect of any underlying tax.

#### 21.1.3 **Disposals of Ordinary Shares**

Any gain arising on the sale, redemption or other disposal of Ordinary Shares will be taxed at the time of such sale, redemption or disposal as a capital gain.

The rate of capital gains tax on disposal of Ordinary shares by basic rate taxpayers is 10 per cent. , and for upper rate and additional is 20 per cent.

For Shareholders within the charge to UK corporation tax, indexation allowance up until 1 January 2018 may reduce any chargeable gain arising on disposal of Ordinary Shares but will not create or increase an allowable loss.

Subject to certain exemptions, the corporation tax rate applicable to its taxable profits is currently 19 per cent. falling to 17 per cent. after 1 April 2020.

#### 21.1.4 **Further information for Shareholders subject to UK income tax and capital gains tax**

##### 21.1.4.1 *“Transactions in securities”*

The attention of Shareholders (whether corporates or individuals) within the scope of UK taxation is drawn to the provisions set out in, respectively, Part 15 of the Corporation Tax Act 2010 and Chapter 1 of Part 13 of the Income Tax Act 2007, which (in each case) give powers to HM Revenue and Customs to raise tax assessments so as to cancel “tax advantages” derived from certain prescribed “transactions in securities”.

#### 21.1.5 **Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)**

The statements below are intended as a general guide to the current position. They do not apply to certain intermediaries who are not liable to stamp duty or SDRT or (except where stated otherwise) to persons connected with depositary arrangements or clearance services who may be liable at a higher rate.

No stamp duty or SDRT will generally be payable on the issue of Ordinary Shares.

Neither UK stamp duty nor SDRT should arise on transfers of Ordinary Shares on AIM (including instruments transferring Shares and agreements to transfer Ordinary Shares) based on the following assumptions:

- (A) the Shares are admitted to trading on AIM, but are not listed on any market (with the term “listed” being construed in accordance with section 99A of the Finance Act 1986), and this has been certified to Euroclear; and
- (B) AIM continues to be accepted as a “recognised growth market” as construed in accordance with section 99A of the Finance Act 1986).

In the event that either of the above assumptions does not apply, stamp duty or SDRT may apply to transfers of Ordinary Shares in certain circumstances.

Any transfer of Existing Ordinary Shares for consideration prior to admission to trading on AIM is likely to be subject to stamp duty or SDLT.

The above comments are intended as a guide to the general stamp duty and SDRT position and may not relate to persons such as charities, market makers, brokers, dealers, intermediaries and persons connected with depositary arrangements or clearance services to whom special rules apply.

**THIS SUMMARY OF UK TAXATION ISSUES CAN ONLY PROVIDE A GENERAL OVERVIEW OF THESE AREAS AND IT IS NOT A DESCRIPTION OF ALL THE TAX CONSIDERATIONS THAT MAY BE RELEVANT TO A DECISION TO INVEST IN THE COMPANY. THE SUMMARY OF CERTAIN UK TAX ISSUES IS BASED ON THE LAWS AND REGULATIONS IN FORCE AS OF THE DATE OF THIS DOCUMENT AND MAY BE SUBJECT TO ANY CHANGES IN UK LAWS OCCURRING AFTER SUCH DATE. LEGAL ADVICE SHOULD BE TAKEN WITH REGARD TO INDIVIDUAL CIRCUMSTANCES. ANY PERSON WHO IS IN ANY DOUBT AS TO HIS TAX POSITION OR WHERE HE IS RESIDENT, OR OTHERWISE SUBJECT TO TAXATION, IN A JURISDICTION OTHER THAN THE UK, SHOULD CONSULT HIS PROFESSIONAL ADVISER.**

## **22. GENERAL**

- 22.1 Except as set out in this document, no exceptional factors have influenced the Company's activities.
- 22.2 Except as disclosed in this document, there have been no significant authorised or contracted capital commitments at the date of publication of this document.
- 22.3 Save as disclosed in this document, there have been no interruptions in the business of the Enlarged Group in the preceding 12 months from the date of this document and as far as the Directors and Proposed Directors are aware there are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Enlarged Group's prospects for at least the current financial year.
- 22.4 The net proceeds of the Fundraising are expected to be £7.31 million. The total costs and expenses relating to the Proposals and Admission are payable by the Company and are estimated to amount to approximately £1.3 million (excluding VAT).
- 22.5 Apart from the application for Admission, no application will be made for dealings in the Ordinary Shares on any recognised investment exchange.
- 22.6 The reporting accountants, Crowe U.K. LLP, have given and not withdrawn their written consent to the issue of this document with the inclusion in it of their reports and letters and references to them and to their name in the form and context in which they respectively appear and accept responsibility for them. Crowe U.K. LLP is a member firm of the Institute of Chartered Accountants in England and Wales. Crowe U.K. LLP has no material interests in the Company.
- 22.7 Marcum LLP, who are auditors of GTChannel and Tagasauris have given and not withdrawn their written consent to the issue of this document with the inclusion in it of their name in the form and context in which it appears. Marcum LLP is a registered public accounting firm of the Public Company Accountability Oversight Board in the US. Marcum LLP has no material interests in the Enlarged Group.
- 22.8 WH Ireland is registered in England and Wales under number 02002044 and its registered office is at 24 Martin Lane, London, EC4R 0DR. WH Ireland is regulated by the Financial Conduct Authority and is acting in the capacity as nominated adviser and joint broker to the Company. WH Ireland has given and not withdrawn its written consent to the issue of this document with references to its name in the form and context in which it appears.
- 22.9 Dowgate is registered in England and Wales under number 02474423 and its registered office is at 15 Fetter Lane, London, England, EC4A 1BW. Dowgate is regulated by the Financial Conduct Authority and is acting in the capacity as joint broker to the Company. Dowgate has given and not withdrawn its written consent to the issue of this document with references to its name in the form and context in which it appears.
- 22.10 Where information in this document has been sourced from a third party this information has been accurately reproduced. To the best of the knowledge of the Company and so far as the Company is aware and are able to ascertain from information published by that third party, the information provided is complete and no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 22.11 EGR is regulated by the Financial Conduct Authority and is acting in the capacity as independent adviser to the Company for the purposes of the Takeover Code. EGR Corporate Broking Limited has given and has not withdrawn its written consent to the issue of this

document with the inclusion in it of reference to their name in the form and context in which they appear.

- 22.12 haysmacintyre were appointed to act as auditors to the Company. During the period covered by the historical financial information in Part III haysmacintyre were appointed as auditors to the Company but resigned following the firm's conversion to a limited liability partnership, following which Haysmacintyre LLP was appointed as auditors to the Company. Haysmacintyre LLP is a member firm of the Institute of Chartered Accountants in England and Wales.
- 22.13 The Issue Price of 45 pence represents a premium of 33 pence over the nominal value of 12 pence per Ordinary Share (Post Share Capital Consolidation).
- 22.14 Save as disclosed in this document, no person (other than the Company's professional advisers named in this document and trade suppliers) has at any time within the 12 months preceding the date of this document received, directly or indirectly, from the Company or entered into any contractual arrangements to receive, directly or indirectly, from the Company on or after Admission any fees, securities in the Company or any other benefit to the value of £10,000 or more.

### **23. AVAILABILITY OF ADMISSION DOCUMENT AND OTHER DOCUMENTS**

Copies of the following documents will be available from the registered office of the Company during normal office hours (except Saturdays, Sundays and public holidays) and at the website address [www.bloc-worldwide.com](http://www.bloc-worldwide.com) from the date of posting of this document up to the date of the General Meeting:

- 23.1 the Memorandum and Articles;
- 23.2 the constitutional documents of the EAI Group;
- 23.3 the audited accounts of the Company for the periods ended 30 June 2018 and 30 June 2019;
- 23.4 the financial information on the EAI Group referred to in Part III of this document;
- 23.5 the unaudited *pro forma* statement of net assets of the Enlarged Group referred to in Part IV of this document;
- 23.6 the consent letters from WH Ireland, Dowgate, EGR, Crowe U.K. LLP and Marcum LLP referred to in paragraph 22 above;
- 23.7 the reports set out in Part III of this document;
- 23.8 the irrevocable undertakings detailed at 14.4;
- 23.9 the proposed off-market repurchase agreement;
- 23.10 this document.

Copies of this document are available for download from the Company's website at [www.bloc-worldwide.com](http://www.bloc-worldwide.com) and are available free of charge at the offices of WH Ireland Limited at 24 Martin Lane, London EC4R 0DR or by calling 020 7220 1666 and at the Company's registered office during normal business hours on any weekday (Saturdays and public holidays excepted), and shall remain available for at least one month after Admission. No hard copies will be sent unless requested.

## PART VII

### FORM OF THE BUYBACK AGREEMENT

**DATE:**

**PARTIES:**

- (1) **BLOCKCHAIN WORLDWIDE PLC**<sup>1</sup> (registered in England and Wales with company number 10621059) whose registered office is at 43-44 Albemarle Street, London W1S 4JJ (**Company**); and
- (2) **[NAME]** of **[ADDRESS]** (**Seller**).<sup>2</sup>

#### Background

- (A) The Seller is a Locked-in Vendor as described in the Company's AIM admission document dated 11 September 2019.
- (B) The Seller has incurred a tax liability or warranty/indemnity liability arising from the acquisition by the Company of Entertainment AI, Inc., GT Channel, Inc., and Tagasauris, Inc.
- (C) Subject as set out in this agreement, the Company has agreed to purchase from the Seller such number of shares as will generate proceeds of sale sufficient to discharge that tax liability or to purchase for nil consideration such number of shares valued at the Issue Price as have a value equal to the amount of the warranty or indemnity claim.
- (D) Pursuant to a resolution passed at the Company's general meeting on 27 September 2019, the Company's shareholders approved the final form of this agreement in accordance with section 694 of the Companies Act 2006.
- (E) Pursuant to a resolution passed at the Company's general meeting on 27 September 2019, the Company's shareholders approved a reduction of capital to create a distributable reserve to fund the buyback of shares, subject to the approval of the Court.

#### Agreed terms

##### 1. Definitions

1.1 In this agreement the following words and expressions have the following meanings:

<b>Business Day</b>	a day between Monday and Friday, inclusive, on which clearing banks in the City of London are open for business to the public.
<b>Completion</b>	completion of the transactions referred to in clause 3.3.
<b>Condition</b>	the condition set out in clause 2.1.
<b>Issue Price</b>	£0.45 per Ordinary Share.
<b>Ordinary Shares</b>	ordinary shares of £0.12 each in the capital of the Company.
<b>Purchase Price</b>	(i) in respect of a Tax Liability, for each of the Shares, whichever is the lower of (i) the Issue Price and (ii) a price which is within 5% of the volume weighted average closing mid-market price of the Ordinary Shares (as derived from the Daily Official List) for the 20 Business Days immediately prior to Completion; and (ii) in respect of a Warranty Liability, nil.
<b>Security Interests</b>	any option mortgage charge, whether fixed or floating, pledge lien hypothecation assignment security interest retention of title or other encumbrance of any kind securing, or any right conferring, a priority of payment in respect of any obligation of any person or a contractual right relating to shares or to any asset or liability.

<sup>1</sup> To change its name to Entertainment AI PLC.

<sup>2</sup> Patrick DeSouza, Todd Carter, Scott Schlichter, and Taro Koki.

- Shares**
- (i) in respect of a Tax Liability, such number of Ordinary Shares which at the Purchase Price have a value equal to the amount of the Seller's Tax Liability (or such lesser amount as the Seller may direct) but provided that such number of shares cannot be greater than [●]<sup>3</sup> Ordinary Shares; and
  - (ii) in respect of a Warranty Liability, such number of Ordinary Shares which when valued at whichever is the lower of (i) the Issue Price and (ii) the volume weighted average closing mid-market price of the Ordinary Shares (as derived from the Daily Official List) for the 20 Business Days immediately prior to Completion, have a value equal to the amount of the Seller's Warranty Liability but provided that such number of shares cannot be greater than [●] Ordinary Shares.<sup>4</sup>

**Tax Liability** a personal tax liability arising from the acquisition, by way of merger, by the Company of Entertainment AI, Inc., GT Channel, Inc., and Tagasauris, Inc., which is due and payable and the amount of which has been certified in writing to the Company by the Seller's certified accountants.

**Warranty Liability** a liability under the warranties or indemnities given by a Seller in the merger agreement relating to Entertainment AI, Inc., GT Channel, Inc., and Tagasauris, Inc., which is agreed or has been finally judicially determined.

- 1.2 Clause headings shall not affect the interpretation of this agreement.
- 1.3 Unless the context otherwise requires, words in the singular shall include the plural and in the plural shall include the singular.
- 1.4 Unless the context otherwise requires, a reference to one gender shall include a reference to the other genders.
- 1.5 A person includes a natural person, corporate or unincorporated body (whether or not having separate legal personality).
- 1.6 A reference to a party shall include that party's personal representatives, successors and permitted assigns.

## 2. Condition

- 2.1 The sale and purchase of the Shares in accordance with clause 3.1 is conditional upon the Court approving the reduction of capital by the Company as set out in resolution 11 passed at the Company's general meeting on 27 September 2019.
- 2.2 If Court approval is not granted on or before the date 60 days after the date of this agreement, this agreement will cease to have effect immediately after that date and time except for:
  - 2.2.1 clauses 1, 4, 6, 7 8 and 9 ; and
  - 2.2.2 any rights, remedies, obligations or liabilities of the parties that have accrued up to the date of termination, including the right to claim damages in respect of any breach of the agreement which existed at or before the date of termination under this clause 2.2.

## 3. Sale and Purchase

- 3.1 Subject to and conditional on the satisfaction of the Condition, the Seller will sell the Shares with full title guarantee and free from all Security Interests, and the Company will purchase the each of the Shares for the Purchase Price.

<sup>3</sup> Maximum of one third of the Consideration Shares issued to the relevant Seller, being 1,806,573 for Patrick DeSouza, 988,292 for Todd Carter, 1,999,039 for Scott Schlichter and 1,212,656 for Taro Koki.

<sup>4</sup> Maximum Consideration Shares for relevant Seller, being 949,579 for Patrick DeSouza, 525,037 for Todd Carter, 1,027,321 for Scott Schlichter and 630,251 for Taro Koki.

- 3.2 Before noon in the United Kingdom on the day on which Completion is anticipated to take place, the Company will notify the Seller in writing of (i) the exact number of Shares to be transferred pursuant to this agreement and (ii) its calculation of Purchase Price.
- 3.3 Completion of the sale and purchase of the Shares will take place at the offices of the Company on whichever is the earlier of (i) the Business Day five Business Days after satisfaction of the Condition and (ii) the date of this agreement if the Condition is satisfied before the date of this agreement, when:
- 3.3.1 the Seller will deliver a duly executed instrument of transfer of the Shares (in the number specified in the Company's notice in clause 3.2) in favour of the Company and the share certificate(s) for the Shares (or an indemnity in lieu) to the Company; and
- 3.3.2 the Company will satisfy its obligation to pay the consideration (if any) due in respect of the Shares by payment of the aggregate Purchase Price (being the amount per share specified in the Company's notice in clause 3.2) to the Seller by way of telegraphic transfer for same day value to the Seller's account.
- 3.4 Payment of the aggregate Purchase Price for the Shares to the Seller will be a good discharge by the Company in respect of its obligations under clause 3.3.2.

#### **4. Warranties**

The Seller represents and warrants to the Company on the date of this agreement and immediately prior to Completion that:

- 4.1 he is the sole legal and beneficial owner of the Shares and is entitled to transfer the legal and beneficial title to the Shares to the Company free from all Security Interests, without the consent of any other person;
- 4.2 he has the requisite power and authority to enter into and perform this agreement, and that the agreement constitutes valid, legal and binding obligations on him in accordance with its terms; and
- 4.3 the execution and delivery of this agreement and the documents referred to in it, and compliance with their respective terms will not breach or constitute a default:
- 4.3.1 under any agreement or instrument to which he is a party or by which he is bound; or
- 4.3.2 any order, judgment, decree or other restriction applicable to him.

#### **5. Further assurance**

The Seller irrevocably and unconditionally undertakes to do all such acts and things (including executing documents) as may be necessary or desirable to complete the transactions contemplated by this agreement and ensure that legal and beneficial title to the Shares is transferred to the Company.

#### **6. Entire agreement**

- 6.1 This agreement and the other agreements entered into or to be entered into pursuant to this agreement together constitute the entire agreement and understanding of the parties relating to their subject matter and supersede any previous agreement between the parties (whether written or oral) relating to such subject matter.
- 6.2 Each of the parties acknowledges and agrees that, in entering into this agreement, it does not rely on, nor has been induced to enter into this agreement, and will have no remedy in respect of, any statement, representation, warranty, undertaking, assurance, promise, understanding or other provision (whether negligently or innocently made) of any person (whether a party or not) other than as expressly set out in this agreement.

#### **7. Notices**

- 7.1 Any notice or other communication given under this agreement must be in writing (which for the purposes of this clause includes email) and delivered personally, sent by first class post, or transmitted by email to the relevant party's address specified in this agreement or to such other address or email address as either party may have last notified to the other.

7.2 Any notice or other communication is deemed to have been duly given on the day it is delivered personally, or on the Business Day following the date it was sent by post, or on the same Business Day following transmission by email during business hours (being between 9.00 a.m. and 5.30 p.m. United Kingdom time on a Business Day).

**8. General**

8.1 A person who is not a party has no rights under the Contracts (Rights of Third Parties) Act 1999 or otherwise to enforce any term of this agreement.

8.2 Each party will pay its own costs incurred in connection with the negotiation, preparation and execution of this agreement. All stamp duty (including fines, penalties and interest) that may be payable on or in connection with this agreement and any instrument executed under this agreement (if any) will be borne by the Company.

8.3 This agreement may be executed in any number of counterparts. All counterparts together will be taken to constitute one instrument.

8.4 This agreement (other than obligations that have already been fully performed) remains in full force following the completion of the purchase of the Shares by the Company.

**9. Governing law and jurisdiction**

9.1 This agreement and all matters (including, without limitation, any contractual or non-contractual obligation) arising from or connected with it are governed by, and will be construed in accordance with, English law.

9.2 Each of the parties irrevocably agrees that the courts of England are to have exclusive jurisdiction to settle any dispute, whether contractual or non-contractual, which may arise out of or in connection with this agreement and that accordingly any proceedings arising out of or in connection with this agreement shall be brought only in such courts. Each of the parties irrevocably submits and agrees to submit to the jurisdiction of such courts and waives (and agrees not to raise) any objection to proceedings in any such court on the ground of venue or that proceedings have brought in an inconvenient forum or on any other ground.

**SIGNED** for and on behalf of  
**BLOCKCHAIN WORLDWIDE PLC:**

.....

Signature

.....

Print Name

**SIGNED** by [●]:

.....

Signature

.....

Print Name

## PART VIII

### NOTICE OF GENERAL MEETING

#### **BLOCKCHAIN WORLDWIDE PLC (the “Company”)**

*(Registered and incorporated in England and Wales with company number 10621059)*

**NOTICE IS HEREBY GIVEN** that a general meeting of the shareholders of the Company will be held at the offices of Fladgate LLP, at 16 Great Queen Street, London, WC2B 5DG on 27 September 2019 at 10.15 a.m. for the purposes of considering and, if thought fit, passing the following resolutions (the “**Resolutions**”) which in the case of Resolutions 1 to 9 and 12 will be proposed as ordinary resolutions and in the case of Resolutions 10 and 11 will be proposed as a special resolution. Resolution 1 is to be taken on a poll of Shareholders in accordance with the requirements of the United Kingdom’s Panel on Takeovers and Mergers (the “**Panel**”).

Words and expressions used or defined in the admission document dated 11 September 2019 (the “**Admission Document**”) and dispatched to shareholders of the Company, of which this notice forms part of, shall have the same meaning in this notice unless the context requires otherwise.

#### **Ordinary Resolutions**

1. **THAT**, the grant of a waiver by the Panel of any obligation under Rule 9 of the Takeover Code for any of the Concert Party to make a general offer to the shareholders of the Company as a result of the issue of the Consideration Shares to them pursuant to the Acquisition Agreement and otherwise as a result of the issue of Fundraising Shares to certain members of the Concert Party, be and is hereby approved.
2. **THAT**, conditional on the passing of Resolution I, pursuant to article 54.1.1 of the Company’s existing articles of association and in accordance with section 618 of the Companies Act 2006, the 36,500,000 ordinary shares of £0.01 each in the issued share capital of the Company be consolidated into 3,041,666 ordinary shares of £0.12 each, such shares having the same rights and being subject to the same restrictions (save as to nominal value) as the existing ordinary shares of £0.01 each in the capital of the Company as set out in the Company’s articles of association for the time being.
3. **THAT**, with effect from Admission, Patrick DeSouza be appointed as a director of the Company pursuant to the articles of association of the Company.
4. **THAT**, with effect from Admission, Todd Carter be appointed as a director of the Company pursuant to the articles of association of the Company.
5. **THAT**, with effect from Admission, Scott Schlichter be appointed as a director of the Company pursuant to the articles of association of the Company.
6. **THAT**, with effect from Admission, David Anton be appointed as a director of the Company pursuant to the articles of association of the Company.
7. **THAT**, with effect from Admission, Michael Kelly be appointed as a director of the Company pursuant to the articles of association of the Company.
8. **THAT**, with effect from Admission, Akiko Mikumo be appointed as a director of the Company pursuant to the articles of association of the Company.
9. **THAT**, subject to, and conditional upon, the passing of the foregoing Resolutions, the directors be and are generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the “**Act**”) to exercise all powers of the Company to allot and issue shares of the Company and to grant rights to subscribe for or to convert any equity into shares of the Company (together “**Rights**”) up to a maximum nominal value of £8,450,998.68, provided that this authority shall expire (unless previously varied as to duration, revoked or renewed by the Company in general meeting) on 27 September 2020, except that the Company may before such expiry make offers or agreements which would or might require Rights to be allotted or granted after such expiry and the directors may allot or grant Rights in pursuance of such offer or agreement as if the authority conferred by this Resolution had not expired, and this authority shall be in substitution for all existing authorities to allot equity securities but without prejudice

to any allotment of equity securities already made or agreed to be made pursuant to such authorities.

### **Special Resolution**

10. **THAT**, subject to and conditional upon the passing of Resolution 9, the directors be empowered pursuant to Section 570 of the Act to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the general authority conferred on them by Resolution 9 above as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £8,450,998.68, provided that this authority shall expire (unless previously revoked or renewed by the Company in general meeting), at such time as the general authority conferred on the directors by Resolution 9 above expires, except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred by this Resolution had not expired.

This Resolution revokes and replaces all unexercised powers previously granted to the directors to allot equity securities as if section 561(1) of the Act did not apply but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such authorities.

11. **THAT**, subject to the confirmation of the Court and subject to the Locked-In Vendors referred to in paragraph 20 of Part I of the Admission Document incurring a tax or warranty liability arising from the Acquisition, the share premium account of the Company as at Admission be reduced by £4,250,000 and the reserve arising in the books of the Company as a result of such reduction be applied to credit the Company's profit and loss account.

### **Ordinary resolution**

12. **THAT** subject to the passing of resolutions 2 and 11, that the terms of the proposed agreement to be entered into between (1) the Company and (2) the Locked-in Vendors referred to in paragraph 20 of Part I and in Part VII of the Admission Document for the purchase of up to 9,138,748 ordinary shares of £0.12 each in the Company, which contract has been deposited at the registered office of the Company for not less than 15 days prior to the meeting convened by this notice and is produced to the meeting and initialled by the Chairman be approved. The authority conferred by this resolution will expire no later than 27 September 2024.

Dated 11 September 2019

By order of the Board  
Rodger Sargent  
*Company Secretary*

*Registered office:*  
4th Floor 43-44 Albemarle Street,  
London, W1S 4JJ

## NOTES TO THE NOTICE OF GENERAL MEETING

### Appointment of proxies

1. As a member of the Company, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
2. A proxy does not need to be a member of the Company but must attend the meeting to represent you. Details of how to appoint the chairman of the meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the meeting you must appoint your own choice of proxy (not the chairman) and give your instructions directly to the relevant person.
3. You may appoint more than one proxy provided that each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you must complete a separate proxy form for each proxy and specify against the proxy's name the number of shares over which the proxy has rights. If you are in any doubt as to the procedure to be followed for the purpose of appointing more than one proxy you must contact the Company's registrars, Share Registrars Limited, The Courtyard, 17 West Street Farnham GU9 7DR. If you fail to specify the number of shares to which each proxy relates, or specify a number of shares greater than that held by you on the record date, proxy appointments will be invalid.
4. If you do not indicate to your proxy how to vote on any resolution, your proxy will vote or abstain from voting at their discretion. Your proxy will vote (or abstain from voting) as they think fit in relation to any other matter which is put before the meeting. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against a resolution.

### Appointment of a proxy using the hard copy proxy form

5. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.
6. To appoint a proxy using the proxy form, it must be
  - (a) completed and signed;
  - (b) sent or delivered to the Company's registrars, Share Registrars Limited, The Courtyard, 17 West Street Farnham GU9 7DR; and
  - (c) received by the Company's registrars no later than 10.15 a.m. on 25 September 2019.
7. Online voting: alternatively, you may register your votes electronically by visiting the website of the Company's registrar. You will need to register in order to be able to use this service. To register, please visit [www.shareregistrars.uk.com](http://www.shareregistrars.uk.com) and click on "Register" under the title Account Log In. If you have already registered, log in and click on "My Meeting Votes".
8. In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.
9. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.
10. The Company, pursuant to regulation 41 of The Uncertificated Securities Regulations 2001 (SI 2001/3755), specifies that only those ordinary shareholders registered in the register of members of the Company by 10.15 a.m. on 25 September 2019 or, if the meeting is adjourned, in the register of members at close of business on the day two days before the date of any adjourned meeting will be entitled to attend or vote at the meeting in respect of the number of Ordinary Shares registered in their name at that time. Changes to entries on the register of members after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.

### **Appointment of proxies through CREST**

11. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
12. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID: 7RA36) by 10.15 a.m. on 25 September 2019. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
13. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as is necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
14. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (SI 2001/3755).

### **Appointment of proxy by joint members**

15. In the case of joint holders of shares, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder (being the first named holder in respect of the shares in the Company's register of members) will be accepted.

### **Changing proxy instructions**

16. To change your proxy instructions simply submit a new proxy appointment using the methods set out in paragraphs 6 or 11 above. Note that the cut off time for receipt of proxy appointments specified in those paragraphs also applies in relation to amended instructions. Any amended proxy appointment received after the specified cut off time will be disregarded.
17. Where you have appointed a proxy using the hard copy proxy form and would like to change the instructions using another hard copy proxy form, please contact the Company's registrar as indicated in paragraph 3 above.
18. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

### **Termination of proxy appointments**

19. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to the Company's registrar as indicated in paragraph 3 above. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.
20. The revocation notice must be received by the Company no later than 10.15 a.m. on 25 September 2019.

21. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to paragraph 21 below, your proxy appointment will remain valid.
22. Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.

#### **Corporate representatives**

23. A corporation, which is a member, can appoint one or more corporate representatives, who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

#### **Issued shares and total voting rights**

24. As at 6.00 p.m. on 10 September 2019 (being the latest practicable date prior to the publication of this notice), the Company's issued share capital comprised 36,500,000 ordinary shares of £0.01 each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 6.00 p.m. on 27 September 2019 is 36,500,000.

#### **Communication**

25. You may not use any electronic address provided either in this notice of meeting or any related documents (including the document within which this notice of meeting is incorporated and the proxy form) to communicate with the Company for any purposes other than those expressly stated.

#### **Poll vote**

26. In order to comply with the requirements of the Panel on Takeovers and Mergers, Resolution 1 will be taken on a poll.



