

MXC Capital Limited

("MXC" or the "Company")

Proposed Cancellation of Admission of Ordinary Shares to trading on AIM and Notice of General Meeting

MXC (AIM: MXCP), the technology focused adviser and investor, announces that, following a thorough review of the strategic options open to the Company, the Directors have concluded that it is in the best interests of the Company and its Shareholders to seek Shareholder approval for the cancellation of admission of the Ordinary Shares to trading on AIM.

The factors taken into consideration by the Directors in reaching the conclusion above include:

- For several years, the Company's Ordinary Shares have generally traded at a notable discount to the Company's NAV. By way of example, as at the end of the Company's previous three financial years, being 31 August 2017, 2018 and 2019, the closing mid-market price of an Ordinary Share represented a discount to the NAV of 27 per cent., 33 per cent. and 22 per cent. respectively. In addition, there is limited on-market trading activity or liquidity in the Company's Ordinary Shares. Shareholders therefore currently have no way of exiting MXC other than by way of a sale of Ordinary Shares at a significant discount to the NAV per share;
- The cost and management time, together with the legal and regulatory burden associated with maintaining the Company's admission to trading on AIM are, in the Board's opinion, disproportionate to the benefits to the Company and therefore to Shareholders. It is estimated that Cancellation will reduce the Company's recurring administrative, advisor and other costs by £0.3 million per annum which include the directors' fees in relation to Peter Rigg and Simon Freer, both of whom intend to step down as directors should the Cancellation become effective; and
- The Company has not raised equity capital on AIM for over 4 years and has no intention of doing so for the foreseeable future and therefore it is the Directors' opinion that one of the fundamental reasons to maintain its admission to trading on AIM, access to capital, is no longer required.

A circular will be sent to Shareholders shortly setting out further information on the background to and the reasons for proposing the Cancellation and the implications for the Company's Shareholders. The Circular also contains a notice convening a general meeting of the Company at which Shareholders are invited to consider the proposed Cancellation. The General Meeting has been convened for 2 p.m. on 2 March 2020 at 1st Floor, Elizabeth House, Les Ruettes Brayes, St Peter Port, Guernsey GY1 1EW.

The Cancellation Resolution is conditional, pursuant to Rule 41 of the AIM Rules, upon the approval of not less than 75 per cent. of the votes cast by Shareholders (whether present in person or by proxy) at the General Meeting.

The Directors consider that the Cancellation is in the best interests of Shareholders as a whole and unanimously recommend that Shareholders vote in favour of the Cancellation Resolution as they have undertaken to do in respect of their own beneficial holdings of 10,455,986 Ordinary Shares, representing 15.9 per cent. of the existing issued ordinary share capital of the Company. Furthermore, other Shareholders who in aggregate hold 51.0 per cent. of the issued share capital of the Company have also committed to vote in favour of the Cancellation. In total, therefore, Shareholders who together hold 66.9 per cent. of the issued share capital of the Company have committed to vote in favour of the Cancellation.

In the event that Shareholders approve the Cancellation, it is anticipated that the last day of dealings in the Company's Ordinary Shares on AIM will be 13 March 2020 and that the effective date of the Cancellation will be 16 March 2020.

Capitalised terms used in this announcement shall have the meanings given in the Circular referred to above. Extracts from the Circular can be found below.

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

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About MXC Capital Limited www.mxccapital.com

MXC is a specialist technology adviser and investor with a track record of investing in and advising companies in the TMT sector. MXC brings together a deep knowledge of technology, first-hand experience of managing companies in the sector, an ability to make meaningful investments and a highly experienced corporate advisory team in support, all of which combine to grow shareholder value.

1. INTRODUCTION

As announced by the Company, following a thorough review of the strategic options open to the Company, the Directors have concluded that it is in the best interests of the Company and its Shareholders to seek Shareholder approval for the cancellation of admission of the Ordinary Shares to trading on AIM.

The Cancellation Resolution is conditional, pursuant to Rule 41 of the AIM Rules, upon the approval of not less than 75 per cent. of the votes cast by Shareholders (whether present in person or by proxy) at the General Meeting, notice of which is set out in Part III of the Circular.

The Company is seeking Shareholder approval for the Cancellation at the General Meeting, which has been convened for 2 p.m. on 2 March 2020 at 1st Floor, Elizabeth House, Les Ruettes Brayes, St Peter Port, Guernsey GY1 1EW. The Notice of General Meeting is set out at the end of the Circular.

Ian Smith, Paul Guilbert and Peter Rigg, who together hold 15.9 per cent. of the issued share capital of the Company have committed to vote in favour of the Cancellation. Furthermore, other Shareholders who in aggregate hold 51.0 per cent. of the issued share capital of the Company have also committed to vote in favour of the Cancellation. In total, therefore, Shareholders who together hold 66.9 per cent. of the issued share capital of the Company have committed to vote in favour of the Cancellation.

2. BACKGROUND TO AND REASONS FOR THE CANCELLATION

The Board has continued to explore ways to maximise value in both the Company's trading subsidiaries and its investment portfolio. As previously announced, consideration was being given to the demerger of MXC Capital (UK) Limited, the holding company of the Group's transactional businesses, from the rest of the Group. The Board has now concluded that this proposal is not in the best interests of Shareholders.

However, as part of their evaluation of the strategic options open to the Company, the Directors conducted a review of the benefits and drawbacks to the Company and its Shareholders of retaining the listing of the Company's Ordinary Shares on AIM. As part of this review, the Board has considered, *inter alia*, the following key factors:

- For several years, the Company's Ordinary Shares have generally traded at a notable discount to the

Company's NAV. By way of example, as at the end of the Company's previous three financial years, being 31 August 2017, 2018 and 2019, the closing mid-market price of an Ordinary Share represented a discount to the NAV of 27 per cent., 33 per cent. and 22 per cent. respectively. In addition, there is limited on-market trading activity or liquidity in the Company's Ordinary Shares. Shareholders therefore currently have no way of exiting MXC other than by way of a sale of Ordinary Shares at a significant discount to the NAV per share;

- The cost and management time, together with the legal and regulatory burden associated with maintaining the Company's admission to trading on AIM are, in the Board's opinion, disproportionate to the benefits to the Company and therefore to Shareholders. It is estimated that Cancellation will reduce the Company's recurring administrative, advisor and other costs by £0.3 million per annum which include the directors' fees in relation to Peter Rigg and Simon Freer, both of whom intend to step down as directors should the Cancellation become effective; and
- The Company has not raised equity capital on AIM for over 4 years and has no intention of doing so for the foreseeable future and therefore it is the Directors' opinion that one of the fundamental reasons to maintain its admission to trading on AIM, access to capital, is no longer required.

After careful consideration, the Directors believe that it is in the best interests of the Company and Shareholders to seek the proposed Cancellation at the earliest opportunity.

Following Cancellation, the Directors propose the following:

- Continuation of the Company's stated strategy of investing in technology companies and subsequently exiting those investments once a satisfactory return has been made;
- Commitment to return a minimum of 50 per cent. of the proceeds received (after costs) in respect of each exit by the Company from its investments ("Investment Return"). It is anticipated that the Investment Return will be facilitated by way of tender offer, the price for the tender offer being the then NAV of the Company. The remaining proceeds will be retained to enable the Company to continue to execute its stated strategy of investing in technology companies;
- To facilitate further liquidity, at certain other times, and at the Board's discretion, Shareholders may be able to benefit from offers from the Company to buy back shares. In line with the Company's stated buyback policy, and given the intended capital return programme above, such purchases will continue to be at a discount to NAV; and
- The Investment Return will continue until the Company ultimately exits all of its investments, at which point the cash remaining in the Company will be returned to Shareholders and the Company wound up. The Directors currently anticipate this will occur within the next five years.

In addition, the Board plans to establish a matched bargain settlement facility which should facilitate Shareholders buying and selling Ordinary Shares on a matched bargain basis following the Cancellation. Further details on this facility will be provided in due course.

Shareholders who in total own 66.9 per cent. of the issued share capital of the Company have committed to vote in favour of the Cancellation.

3. PROCESS FOR CANCELLATION

The Directors are mindful that certain Shareholders may be unable or unwilling to hold Ordinary Shares in the event that the Cancellation is approved and becomes effective. Such Shareholders should consider selling their interests in the market prior to the Cancellation becoming effective.

Rule 41 of the AIM Rules requires that any AIM Company that wishes the London Stock Exchange to cancel admission of its shares to trading on AIM must notify shareholders of such intended cancellation and to separately inform the London Stock Exchange of its preferred cancellation date at least 20 clear Business Days' prior to such date. In accordance with AIM Rule 41, the Directors have notified the London Stock Exchange of the Company's intention, subject to the passing of the Cancellation Resolution, to cancel the admission of the Company's Ordinary Shares to trading on AIM on 16 March 2020.

Additionally, Cancellation will not take effect until at least 5 clear Business Days have passed following the passing of the Cancellation Resolution. If the Cancellation Resolution is passed at the General Meeting, it is proposed that the last day of trading in Ordinary Shares on AIM will be 13 March 2020 and that the Cancellation will take effect at 7.00 a.m. on 16 March 2020.

The principal effects of the Cancellation will be that:

- there will be no formal market mechanism enabling the Shareholders to trade Ordinary Shares;
- the Ordinary Shares may be more difficult to sell compared to shares of companies traded on AIM (or any other recognised market or trading exchange);
- in the absence of a formal market and quote, it may be more difficult for Shareholders to determine the market value of their investment in the Company at any given time;
- the regulatory and financial reporting regime applicable to companies whose shares are admitted to trading on AIM will no longer apply;
- Shareholders will no longer be afforded the protections given by the AIM Rules, such as the requirement to be notified of price sensitive information or certain events and the requirement that the Company seek shareholder approval for certain corporate actions, where applicable, including substantial transactions, reverse takeovers, related party transactions and fundamental changes in the Company's business, including certain acquisitions and disposals;
- the levels of disclosure and corporate governance within the Company may not be as stringent as for a company quoted on AIM. The Company intends to uphold high standards of corporate governance and will be obligated to adhere to Guernsey's economic substance requirements, though the composition of the Board will change as both Peter Rigg and Simon Freer intend to step down as directors should the Cancellation become effective;
- Zeus Capital will cease to be nominated adviser and broker to the Company;
- whilst the Company's CREST facility will remain in place immediately post the Cancellation, the Company's CREST facility may be cancelled in the future and, although the Ordinary Shares will remain transferable, they may cease to be transferable through CREST. In this instance, Shareholders who hold Ordinary Shares in CREST will receive share certificates; and
- the Cancellation may have personal taxation consequences for Shareholders. Shareholders who are in any doubt about their tax position should consult their own professional independent tax adviser.

The Company will remain registered under The Companies (Guernsey) Law, 2008 (As Amended) (the "Law"), notwithstanding the Cancellation. Shareholders should also note that the Takeover Code will continue to apply to the Company following the Cancellation for the period of at least 10 years from the date of Cancellation. However, the Takeover Code may cease to apply earlier, if a majority of the Directors cease to be resident in the UK, Channel Islands or Isle of Man.

The above considerations are not exhaustive, and Shareholders should seek their own independent advice when assessing the likely impact of the Cancellation on them.

The Company currently intends to continue to provide certain facilities and services to Shareholders that they currently enjoy as shareholders of an AIM company. The Company will:

- continue to communicate information about the Company (including annual accounts) to its Shareholders, as required by the Law;
- continue to hold general meetings for at least 12 months following the Cancellation where shareholder resolutions are proposed, although the Directors expect that they will seek a waiver of the requirement to continue to hold annual general meetings following Cancellation; and
- continue, for at least 12 months following the Cancellation, to maintain its website, www.mxccapital.com and to post updates on the website from time to time, although Shareholders should be aware that there will be no obligation on the Company to include all of the information required under the Disclosure Guidance and Transparency Rules, AIM Rule 26 or to update the website as required by the AIM Rules.

4. TRANSACTIONS IN THE ORDINARY SHARES PRIOR TO AND POST THE PROPOSED CANCELLATION

Prior to Cancellation

Shareholders should note that they are able to trade in the Ordinary Shares on AIM prior to Cancellation.

Post Cancellation

Shareholders should note that, post Cancellation, there will be no dealing and settlement arrangements in the Ordinary Shares on AIM, and that the Board does not intend to apply for admission of the Ordinary Shares to any other Market. Should the Cancellation be approved by Shareholders at the General Meeting, the Company intends to put in place a matched bargain settlement facility which should facilitate Shareholders buying and selling Ordinary Shares on a matched bargain basis following the Cancellation, further details of which will be provided in due course.

Future Shareholder Returns

As detailed above, it is the Director's intention to return the proceeds (net of costs) from the sale of the Company's assets over time to Shareholders, by way the payment of dividends or buying back of shares or otherwise (in the Board's discretion).

If Shareholders wish to buy or sell Ordinary Shares on AIM they must do so prior to the Cancellation becoming effective. As noted above, in the event that Shareholders approve the Cancellation, it is anticipated that the last day of dealings in the Ordinary Shares on AIM will be 13 March 2020 and that the effective date of the Cancellation will be 16 March 2020.

Shareholders should note that the disposal of Ordinary Shares may give rise to tax in the UK or otherwise (potentially corporation tax, CGT, income tax or the overseas equivalent depending on the relevant circumstances). Shareholders who are in any doubt about their tax position should consult their own professional independent adviser immediately.

5. TAKEOVER CODE

Notwithstanding the Cancellation, under the Takeover Code the Company will continue to be subject to its terms for a period of 10 years following the Cancellation. However, the Takeover Code may cease to apply earlier, if a majority of the Directors cease to be resident in the UK, Channel Islands or Isle of Man.

Under Rule 9 of the Takeover Code, when any person or group of persons acting in concert, individually or collectively, are interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of a company but do not hold shares carrying more than 50 per cent. of the voting rights of a company and such person or any person acting in concert with him acquires an interest in any other shares, which increases the percentage of the shares carrying voting rights in which he is interested, then that person or group of persons is normally required by the Panel

to make a general offer in cash to all shareholders of that company at the highest price paid by them for any interest in shares in that company during the previous 12 months. Rule 9 of the Takeover Code further provides that where any person, together with persons acting in concert with him, holds over 50 per cent. of the voting rights of a company to which the Takeover Code applies and acquires additional shares which carry voting rights, then that person will not generally be required to make a general offer to the other shareholders to acquire the balance of the shares not held by that person or his concert parties.

As previously disclosed, there is a group of persons who together have been considered to be acting in concert. The Concert Party comprises MXC Holdings Limited, Tony Weaver, Ian Smith, Inge Timperley, Charles Vivian, Philip Vivian, Andrew Vivian, Alex Sandberg, William Smith, Jessica Smith, Andy Ross, Jill Collighan, Justin Collighan, Beth Collighan, Harry Collighan, Steven Zhang, Charlotte Stranner, Christopher Barrett, Gavin Lyons, Martin Bolland, Martin Chapman and Marc Young (the "Concert Party"). As the Concert Party retains an interest of more than 50 per cent. of the voting rights in the Company, for so long as the members of the Concert Party continue to be treated as acting in concert, both pre and post the Cancellation, they may increase their interests in Ordinary Shares without incurring any further obligation under Rule 9 of the Takeover Code to make a general offer for the remainder of the issued share capital of the Company, although individual members of the Concert Party are not be able to increase their percentage interest in shares through or between a Rule 9 threshold without Panel consent.

Following the expiry of the 10 year period from the date of the Cancellation, or such other date on which the Takeover Code ceases to apply to the Company, the Company will no longer be subject to the provisions of the Takeover Code. A summary of the protections afforded to Shareholders by the Takeover Code which will be lost is set out in Part II of the Circular.

6. GENERAL MEETING

Under the AIM Rules, it is a requirement that the Cancellation must be approved by not less than 75 per cent. of votes cast by Shareholders at the General Meeting. Accordingly, the Notice of General Meeting set out in Part III of the Circular contains a special resolution to approve the Cancellation.

7. ACTION TO BE TAKEN

Shareholders will find enclosed with the Circular a Form of Proxy for use at the General Meeting. Whether or not Shareholders intend to be present at the meeting, Shareholders are requested to complete and return the Form of Proxy in accordance with the instructions printed thereon in the envelope provided so that it arrives at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY as soon as possible and in any event so as to be received by post or by hand (during normal business hours only) not later than 2 p.m. on 27 February 2020. Completion and return of the Form of Proxy will not prevent Shareholders from attending and voting at the meeting should they so wish.

8. RECOMMENDATION

The Directors consider that the Cancellation is in the best interests of Shareholders as a whole and unanimously recommend that Shareholders vote in favour of the Cancellation Resolution as they have undertaken to do in respect of their own beneficial holdings of 10,455,986 Ordinary Shares, representing 15.9 per cent. of the existing issued ordinary share capital of the Company.