

THIS CIRCULAR AND THE ACCOMPANYING FORM OF PROXY ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other professional adviser authorised under the FSMA if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

If you sell or have sold or otherwise transferred all of your Existing Ordinary Shares, please forward this Circular, together with the accompanying documents, at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. If you sell or have sold part only of your holding of Existing Ordinary Shares, please consult the bank, stockbroker or other agent through whom the sale or transfer was effected.

The Existing Ordinary Shares are admitted to trading on AIM. Application will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the New Ordinary Shares will commence at 8.00 a.m. on 26 June 2019. The New Ordinary Shares will, on Admission, rank *pari passu* in all respects with the New Shares, and will rank in full for all dividends and other distributions declared, made or paid on Ordinary Shares after Admission.

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. The London Stock Exchange has not itself examined or approved the contents of this Circular. Prospective investors should read this Circular in its entirety.

This Circular contains no offer of transferable securities to the public within the meaning of section 102B of the FSMA, the Act or otherwise. Accordingly, this Circular does not constitute a prospectus within the meaning of section 85 of the FSMA and has not been drawn up in accordance with the Prospectus Rules published by the FCA or approved by the FCA or any other competent authority.

7DIGITAL GROUP PLC

(Incorporated and registered in England and Wales under the Companies Act 1985 with company number 3958483)

Proposed Capital Reorganisation

**Proposed subscription for 634,132,641 New Ordinary Shares
at 0.2 pence per share to raise up to £1.3 million**

Proposed Debt for Equity Swap

Approval of Rule 9 Panel Waiver

and

Notice of General Meeting

This Circular should be read as a whole. Your attention is drawn to the Letter from the Chairman which is set out in Part I of this Circular. The letter contains recommendations that you vote in favour of each of the Resolutions to be proposed at the General Meeting referred to below. Your attention is drawn to the paragraph entitled "Action to be Taken" on page 18 of this Circular.

The Proposals (other than the Waiver Proposal) are conditional upon approval by the Shareholders and the Waiver Proposal is conditional upon approval by the Independent Shareholders. Such approval is being sought at a General Meeting of the Company to be held at the offices of Arden Partners PLC, 125 Old Broad Street, London EC2N 1AR at 10.00 a.m. on 25 June 2019, notice of which begins on page 38 of this Circular. A Form of Proxy for use at the General Meeting accompanies this Circular. Shareholders are requested to complete and return the Form of Proxy, whether or not they intend to be present at the General Meeting, in accordance with the instructions printed on it. To be valid, Forms of Proxy should be completed and returned in accordance with the instructions set out therein to the Company's registrars, Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF or electronically at www.signalshares.com, as soon as possible and, in any event, no later than 10.00 a.m. on 21 June 2019 (or, if the General Meeting is adjourned, 48 hours (excluding any part of a day that is not a working day) before the time fixed for the adjourned meeting).

Shareholders who hold their Existing Ordinary Shares in uncertificated form in CREST may alternatively use the CREST Proxy Voting Service in accordance with the procedures set out in the CREST Manual, as explained in the notes accompanying the Notice of General Meeting at the end of this Circular. Proxies submitted via CREST must be received by Link Asset Services (ID RA10) by no later than 10.00 a.m. on 21 June 2019 (or, if the General Meeting is adjourned, 48 hours (excluding any part of a day that is not a working day) before the time fixed for the adjourned meeting). The appointment of a proxy using the CREST Proxy Voting Service will not preclude Shareholders from attending and voting in person at the General Meeting should they so wish.

A summary of the action to be taken by Shareholders in relation to the General Meeting is set out on page 17 of this Circular and in the accompanying Notice of General Meeting. Completion and return of a Form of Proxy or the giving of a CREST Proxy Instruction will not preclude Shareholders from attending and voting in person at the General Meeting (in substitution for their proxy vote) if they wish to do so and are so entitled.

Arden Partners plc (“**Arden**”), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting as nominated adviser, broker and financial adviser to the Company in relation to the Waiver Proposal. Persons receiving this Circular should note that Arden will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for advising any other person on the arrangements described in this Circular. Arden has not authorised the contents of, or any part of, this Circular and no liability whatsoever is accepted by it for the accuracy of any information or opinion contained in this Circular or for the omission of any information.

Copies of this Circular will be available free of charge during normal business hours on any weekday (except Saturdays, Sundays and public holidays) at the Company’s registered office from the date of this Circular. A copy of this Circular will also be available from the Company’s website <http://www.7digital.com/investors>

Dated: 7 June 2019.

IMPORTANT NOTICE

Cautionary note regarding forward-looking statements

This Circular includes statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “plans”, “projects”, “anticipates”, “expects”, “intends”, “may”, “will”, or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include matters that are not historical facts. They appear in a number of places throughout this Circular and include statements regarding the Directors’ current intentions, beliefs or expectations concerning, among other things, the Group’s results of operations, financial condition, liquidity, prospects, growth, strategies and the Group’s markets.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Actual results and developments could differ materially from those expressed or implied by the forward-looking statements.

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this Circular are based on certain factors and assumptions, including the Directors’ current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group’s operations, results of operations, growth strategy and liquidity. Whilst the Directors consider these assumptions to be reasonable based upon information currently available, they may prove to be incorrect. Save as required by law or by the AIM Rules, the Company undertakes no obligation to publicly release the results of any revisions to any forward-looking statements in this Circular that may occur due to any change in the Directors’ expectations or to reflect events or circumstances after the date of this Circular.

Rule 9 of the Code

In accordance with Rule 9 of the Code, this Circular, together with a Form of Proxy, must be and is being sent to all Shareholders, both in the UK and overseas. All Shareholders are requested to read this Circular, in particular paragraphs 1 to 16 of Part I of this Circular which relate to the Waiver Proposal, the Whitewash Resolution and the Code, and to complete and return a Form of Proxy, by post or by hand (during normal business hours) or electronically to the Company’s registrars, Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF, or at www.signalshares.com as soon as possible but in any event so as to be received not later than 10.00 a.m. on 21 June 2019 (or, if the General Meeting is adjourned, 48 hours before the time fixed for the adjourned meeting).

Shareholders who hold their Existing Ordinary Shares in uncertificated form in CREST may alternatively use the CREST Proxy Voting Service in accordance with the procedures set out in the CREST Manual as explained in the notes accompanying the Notice of General Meeting at the end of this Circular. Proxies submitted via CREST must be received by Link Asset Services (ID RA10) by no later than 10.00 a.m. on 21 June 2019 (or, if the General Meeting is adjourned, 48 hours (excluding any part of a day that is not a working day) before the time fixed for the adjourned meeting). The appointment of a proxy using the CREST Proxy Voting Service will not preclude Shareholders from attending and voting in person at the General Meeting should they so wish.

Notice to overseas persons

The distribution of this Circular and/or the Form of Proxy in certain jurisdictions may be restricted by law and therefore persons into whose possession these documents comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

The New Ordinary Shares have not been, nor will they be, registered under the United States Securities Act of 1933, as amended, (the “**US Securities Act**”) and may not be offered, sold or delivered in, into or from the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. Subject to certain exemptions, this Circular does not constitute an offer of New Ordinary Shares to any person with a registered address, or who is resident in, the United States. There will be no public offer in the United States. Outside of the United States, the New Ordinary

Shares are being offered in reliance on Regulation S under the US Securities Act. The New Ordinary Shares will not qualify for distribution under the relevant securities laws of Australia, Canada, the Republic of South Africa or Japan, nor has any prospectus in relation to the New Ordinary Shares been lodged with, or registered by, the Australian Securities and Investments Commission or the Japanese Ministry of Finance. Accordingly, subject to certain exemptions, the New Ordinary Shares may not be offered, sold, taken up, delivered or transferred in, into or from the United States, Australia, Canada, the Republic of South Africa, Japan or any other jurisdiction where to do so would constitute a breach of local securities laws or regulations (each a “**Restricted Jurisdiction**”) or to or for the account or benefit of any national, resident or citizen of a Restricted Jurisdiction. This Circular does not constitute an offer to issue or sell, or the solicitation of an offer to subscribe for or purchase, any New Ordinary Shares to any person in a Restricted Jurisdiction and is not for distribution in, into or from a Restricted Jurisdiction.

The New Ordinary Shares have not been approved or disapproved by the US Securities and Exchange Commission, or any other securities commission or regulatory authority of the United States, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the New Ordinary Shares nor have they approved this Circular or confirmed the accuracy or adequacy of the information contained in this Circular. Any representation to the contrary is a criminal offence in the US.

Presentation of financial information

Certain data in this Circular, including financial, statistical and operational information has been rounded. As a result of the rounding, the totals of data presented in this Circular may vary slightly from the actual arithmetical totals of such data. Percentages in tables have been rounded and, accordingly, may not add up to 100 per cent. In this Circular, references to “pounds sterling”, “£”, “pence” and “p” are to the lawful currency of the United Kingdom.

Presentation of market, economic and industry data

Where information contained in this Circular originates from a third party source, it is identified where it appears in this Circular together with the name of its source. Such third party information has been accurately reproduced and, so far as the Company is aware and is able to ascertain from information published by the relevant third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

No incorporation of website information

The contents of the Company’s website or any hyperlinks accessible from the Company’s website do not form part of this Circular and Shareholders should not rely on them.

Interpretation

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

All times referred to in this Circular and the Form of Proxy are, unless otherwise stated, references to London time.

All references to legislation in this Circular and the Form of proxy are to the legislation of England and Wales unless the contrary is indicated. Any reference to any provision of any legislation or regulation shall include any amendment, modification, re-enactment or extension thereof.

Words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

2019

Publication of this Circular	7 June
Latest time and date for receipt of Forms of Proxy and CREST Proxy Instructions for the General Meeting	10.00 a.m. on 21 June
General Meeting	10.00 a.m. on 25 June
Announcement of the result of the General Meeting	25 June
Admission and dealings in the New Ordinary Shares to commence on AIM	8.00 a.m. on 26 June

Note:

The dates and times given are indicative only and are based on the Company's current expectations and may be subject to change. If any of the times and/or dates above change, the revised times and/or dates will be notified to Shareholders by announcement through a regulatory information service.

KEY STATISTICS

Proposed Capital Reorganisation

Number of Existing Ordinary Shares in issue immediately prior to the Capital Reorganisation ⁽¹⁾	419,622,489
Total expected number of New Shares in issue following the Capital Reorganisation	419,622,489
Total expected number of Deferred A Shares in issue following the Capital Reorganisation	419,622,489
Nominal value per New Share following the Sub-Division	0.01 pence
ISIN code for the New Shares	GB00BH46555
SEDOL for the New Shares	BMH4655

Proposal Statistics

Aggregate amount of Convertible Loan Notes (principal and accrued interest) to be exchanged for Exchange Shares	£585,932
Effective issue price of the Exchange Shares ⁽²⁾	0.176 pence
Number of Exchange Shares to be issued pursuant to the Debt for Equity Swap	332,915,704
Number of Subscription Shares	634,132,641
Issue Price of the Subscription Shares	0.2 pence
Enlarged Share Capital	1,386,670,834
Subscription Shares as a percentage of the Enlarged Share Capital	45.7 per cent.
Exchange Shares as a percentage of the Enlarged Share Capital	24.0 per cent.
Subscription Shares and Exchange Shares as a percentage of the Enlarged Share Capital	69.7 per cent.
Market capitalisation of the Company at the Issue Price on Admission	c. £2.8 million
Estimated gross proceeds of the Subscription	c. £1.3 million
Estimated proceeds of the Subscription (net of expenses)	c. £1.0 million

Notes

⁽¹⁾ Assuming no Ordinary shares are issued after the date of this Circular and before completion of the Proposals.

⁽²⁾ Representing a 12 per cent. discount to the Issue Price.

PART I – LETTER FROM THE CHAIRMAN

7DIGITAL GROUP PLC

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 3958483)

Directors:

Sir Donald Cruickshank (*Non-Executive Chairman*)
John Bernard Aalbers (*Chief Executive Officer*)
Julia Elizabeth Hubbard (*Chief Financial Officer*)
Eric Cohen (*Non-Executive Director*)
Anne De Kerckhove Dit Van Der Varent (*Non-Executive Director*)
Mark Foster (*Non-Executive Director*)

Registered Office:

69 Wilson Street
London
EC2A 2BB

Proposed Directors:

Tamir Koch (*Non-Executive Chairman*)
David Lazarus (*Non-Executive Director*)

7 June 2019

Dear Shareholders,

PROPOSED CAPITAL REORGANISATION
PROPOSED SUBSCRIPTION FOR 634,132,641 NEW ORDINARY SHARES
AT 0.2 PENCE PER SHARE TO RAISE UP TO £1.3 MILLION
PROPOSED DEBT FOR EQUITY SWAP
APPROVAL OF RULE 9 PANEL WAIVER
AND
NOTICE OF GENERAL MEETING

1. INTRODUCTION

The Company today announced a number of important developments to raise additional finance to meet the immediate working capital requirements of the Group. In summary, it was announced that:

- a consortium, comprising Magic Investments S.A. (a tech investment holding company) (“**Magic**”) and Shmuel Koch Holdings Limited (“**SKH**”) has conditionally agreed to subscribe for, an aggregate of, 634,132,641 Subscription Shares at 0.2 pence per share, to raise £1.3 million (before expenses);
- Magic has agreed to capitalise the outstanding £585,932 principal and accrued interest of the Convertible Loan Notes at the Exchange Price into 332,915,704 Exchange Shares;
- in order for the Company to lawfully allot the Subscription Shares and the Exchange Shares the Company is proposing a subdivision of each Existing Ordinary Share of one penny into one New Share of 0.01 pence and one Deferred A Share of 0.99 pence;
- it is proposed that the New Articles be adopted so as to include the rights and restrictions attaching to the Deferred A Shares; and
- a number of changes to the Board have been proposed, conditional upon the passing of the Resolutions at the General Meeting, details of which are set out below.

If the Debt for Equity Swap and the Subscription are completed, the Consortium will hold, in aggregate, up to a maximum of 69.7 per cent. of the Enlarged Share Capital, with Magic individually holding up to a maximum of 39.1 per cent. of the Enlarged Share Capital and SKH individually holding up to a maximum of 30.6 per cent. of the Enlarged Share Capital. Pursuant to the Subscription Agreement, in the event that the Company agrees to issue new Ordinary Shares, within 12 months of the date of this Circular, for a subscription price lower than the Issue Price the Consortium will be entitled to subscribe for additional New Shares, at a price equivalent to the nominal value, *pro rata* to their existing holdings such that their individual

percentage ownership does not increase. Such issue is limited to a maximum of 211,377,546 New Shares (the “**Further Subscription Shares**”). Further details of the Concert Party’s interests are set out in paragraph 2.2 of Part II of this Circular.

The Debt for Equity Swap and the Subscription are conditional upon, amongst other things, the Capital Reorganisation being approved by Shareholders, the Company obtaining approval from its Shareholders to disapply statutory pre-emption rights and to grant the Board authority to allot the New Ordinary Shares in connection with the Debt for Equity Swap and the Subscription, and the Independent Shareholders approving the waiver of the obligation to make a general offer pursuant to Rule 9 of the Code which would otherwise fall upon the Concert Party as a result of the issue and allotment to the Consortium of the New Ordinary Shares. In addition, the Capital Reorganisation is conditional upon Shareholder approval to sub-divide the Existing Ordinary Shares and adopt the New Articles.

I am therefore writing to you with details of the Resolutions that the Company wishes to propose to Shareholders at the General Meeting which the Board has convened at the offices of the offices of Arden Partners PLC, 125 Old Broad Street, London EC2N 1AR at 10.00 a.m. on 25 June 2019 in order to implement the Proposals. Notice of the General Meeting is set out at the end of this Circular.

The Proposals are necessary to finance the immediate working capital requirements of the Company as announced on 9 April 2019 and on 13 May 2019. The Board, however, remains of the view that equity investment in addition to the Subscription and Debt to Equity Swap is required to meet the short-term working capital requirements of the Company. It is intended that, on publication of the Company’s annual report for the year ended 31 December 2018 which is anticipated shortly after Admission, the Company will seek to raise an additional £4.5 million by way of a placing and further subscription of new Ordinary Shares with new and existing shareholders at the Issue Price. The Consortium has indicated that, acting together with its business partners and associates, it may subscribe for up to £2.5 million of this amount, subject to review of the annual report, however no assurance can be given in this respect.

The Board’s view of the working capital requirement for the Company relies on certain assumptions set out in paragraph 3 of this Part I. Should any of those assumptions change, the Company may require additional finance to that set out under the Proposals and the Additional Funds.

The purpose of this Circular is therefore to set out the details of, and reasons for, the Proposals; to explain why the Directors believe that they are in the best interests of the Company and its Shareholders as a whole; to provide further detail in relation to the Whitewash Resolution and the implications for Shareholders of the obligations under Rule 9 of the Code being waived; to explain the other Resolutions that need to be passed in order to implement the Proposals; and to inform Shareholders that the Directors unanimously recommend that the Independent Shareholders vote in favour of the Whitewash Resolution and that Shareholders vote in favour of all of the other Resolutions to be proposed at the General Meeting.

The Code requires that the director(s) of a company obtain competent independent advice regarding the transaction, the controlling position which it will create and the effect which this will have on shareholders generally. Accordingly, Arden, as financial adviser to the Company, has provided formal advice to the Directors regarding the Subscription, the Debt for Equity Swap, the controlling position of the Concert Party that the Subscription and the Debt for Equity Swap and further subscription will create and the effect that this will have on Shareholders generally. Arden confirms that it is independent of the members of the Concert Party and has no personal, financial or commercial relationship, arrangement or undertaking with the members of the Concert Party.

Shareholders should be aware that if Resolutions 1 to 5 are not approved at the General Meeting, the Subscription will not complete and none of the net proceeds of the Subscription will be received. If this were to happen then the Group would only have sufficient working capital to trade through to late June 2019. Accordingly, based on the projected cash flows of the Group, it is highly likely the Company would need to be placed into administration.

Furthermore, if the Subscription completes but the Company is unable to raise Additional Funds of at least £4.5 million by 31 July 2019 then, based on the projected cash flows of the Group, the Company will be unable to pay its creditors and it is highly likely that it would need to be placed

into administration. If Resolutions 6 and 7 are not approved at the General Meeting the Company will be unable to raise the Additional Funds.

In the event that the Company is unable to meet such obligations as a result of the failure of the Subscription to complete and/or the failure to raise Additional Funds by 31 July 2019, it is unlikely that the Company will be able to continue trading and it is highly likely that the Directors would need (in order to fulfil their duties to the Company's creditors (and to other applicable stakeholders)) to place the Company into administration. Any such administration would be likely to result in little or no value for Shareholders.

These possibilities are considered to be realistic, not remote.

2. BACKGROUND TO THE PROPOSALS

Following the appointment of John Aalbers, Chief Executive Officer, and Julia Hubbard, Chief Financial Officer, the Company announced on 9 April 2019 that under Julia Hubbard's supervision, the Company had started work on the preparation of the accounts for the financial year ended 31 December 2018 and reviewing budgets for the current year in conjunction with John Aalbers' review of the Company strategy. The announcement noted that the review was taking a more circumspect view of the sales pipeline and that, whilst the work was not yet concluded and no final conclusions had been reached as to quantum, the Board's view at the time of the announcement was that the Group would require material further equity and/or debt funding in the next quarter without which the Company would be unable to continue as a going concern.

Furthermore, on 11 April 2019, the Company announced that it had received a notice of redemption from a holder in respect of a tranche of the Convertible Loan Notes previously issued to certain investors, due to non-payment of interest. The Convertible Loan Notes provide for a maturity date of 31 December 2019. The notice related to outstanding Convertible Loan Notes and interest amounting to £325,570.

Following initial discussions between the Consortium and the Company regarding a possible investment in the Company, on 13 May 2019, Magic agreed to purchase all of the outstanding Convertible Loan Notes and entered into the Standstill Agreement with the Company pursuant to which Magic agreed not to seek early redemption or conversion of the notes before 30 June 2019, except in certain limited circumstances (including a major equity issuance or the insolvency of the Company). As part of this arrangement, the redemption notice served by one of the loan noteholders was revoked.

3. WORKING CAPITAL

Assuming the Proposals complete and Additional Funds are secure, the Company's business plan and working capital requirement make certain assumptions as to the:

- time to implement the Company's new strategy set out below;
- growth in revenue from the new standardised product; and
- timing of and ability to reduce certain costs.

If the implementation of the Company's new strategy takes longer than currently expected, growth in revenue is slower or the Company is unable to reduce certain costs as anticipated then it is highly likely that the Company will be required to raise additional finance during 2020.

4. UPDATE ON STRATEGY

Following the appointment of John Aalbers and Julia Hubbard, the Directors undertook a review of the Company's overall strategy. The primary outcome from that review was to recognise that the Company was, foremost, a technology company rather than a media company. Accordingly, the Company's focus should be winning repeatable, long-term business through the provision of a standardised product that can be provided to a wide range of enterprises as a "Platform as a Service" ("**PaaS**") with the appropriate operating structure to support this model. This compares to previous strategies in which the Company implemented bespoke solutions for a diverse range of customers often with divergent needs, leading to unprofitable business at higher risk.

Subject to the completion of the Proposals and the raising of the Additional Funds, the vision of the new management team is to become the leading supplier of business-to-business (“**B2B**”) music streaming solutions globally. While the Company will continue to sell into and build on the “music industry” customer base that the Company has historically been able to secure and service, the Directors intend to focus on growing other B2B markets. Expansion into new markets will be targeted through a focus on identification of specific verticals that exhibit ideal customer characteristics for the deployment of the Company’s solutions.

To this end, the Company has identified the following market verticals in which enterprises with these characteristics reside and the Directors have determined that demand is potentially high. These include:

- Mobile Telecommunications – Specifically Mobile Virtual Network Operators (MVNOs);
- Retail Loyalty Program Providers; and
- Automotive Systems Providers.

7digital’s primary offering would be a “turn-key”, advanced feature, music streaming platform, which enterprises can brand as their own. The Company’s platform already provides an extensive music catalogue (in excess of 70 million songs) and can be offered to the enterprise’s consumer customers as part of a loyalty and churn reduction programme to increase customer retention.

In addition the Company’s core strategy described above, incremental revenue and competitive advantage is expected to be achieved from the second half of 2020 through an arms-length commercial agreement with eMusic.com, Inc., a leading source of discovery and sales for independent music and artists a company of which Tamir Koch is President. Synergy is expected to be created with eMusic and its blockchain infrastructure which would allow DIY artists to upload content to 7digital’s platform directly. The Directors expect this to benefit 7digital by:

- enabling 7digital to distribute to all music digital subscription providers; and
- enabling 7digital to offer unique content when selling to new music service providers.

The Company’s sales strategy will be restructured to focus on the tightly defined market verticals where the Company’s core customers operate. The Company accordingly intends to both enhance its direct sales force with experienced sales personnel and to also scale up the Company’s reach to a much wider market by creating a global partner programme.

5. TERMS OF THE SUBSCRIPTION AND THE DEBT FOR EQUITY SWAP

The Consortium has conditionally agreed to subscribe for the Subscription Shares at the Issue Price pursuant to the Subscription Agreement. The Subscription Shares will represent 45.7 per cent. of the Enlarged Share Capital on Admission.

In addition, the Subscription Agreement sets out the mechanism pursuant to which the Company has conditionally agreed to reduce certain of its outstanding indebtedness through the capitalisation of £585,932 in principal and interest under the Convertible Loan Notes pursuant to the Debt for Equity Swap. Under this arrangement, the Company will extinguish its liability by the issue to Magic of the Exchange Shares at the Exchange Price, representing a 12 per cent. discount to the Issue Price. The Exchange Shares will represent 24.0 per cent. of the Enlarged Share Capital on Admission.

The Subscription Agreement is conditional upon, amongst other things, the Resolutions being passed at the General Meeting and Admission becoming effective on or before 8.00 a.m. on 26 June 2019.

The Subscription Shares and the Exchange Shares, when issued fully paid, will rank equally in all respects with the New Shares including the right to receive any dividends or other distributions declared, made or paid after the date of issue of the New Ordinary Shares.

Application will be made to the London Stock Exchange for the Subscription Shares and the Exchange Shares to be admitted to trading on AIM and such admission is expected to become effective at 8.00 a.m. on 26 June 2019.

The net proceeds of the Subscription will be used to settle certain of the Group’s existing creditors.

Further details of the Subscription Agreement are set out in paragraph 6.1 of Part III of this Circular.

6. THE CAPITAL REORGANISATION

Background

As at 6 June 2019 (being the latest practicable date prior to the publication of this Circular), the Company had 419,622,489 Existing Ordinary Shares in issue, with an Existing Ordinary Share having a mid-market price at the close of business on such date (as derived from the AIM Appendix of the Daily Official List) of 0.23 pence per Existing Ordinary Share. The Sub-Division is necessary as a company is unable to lawfully issue shares for less than the nominal value of its ordinary shares. Therefore, without the Sub-Division, the Company would not be able to issue the Subscription Shares and the Exchange Shares.

The Board is therefore of the view that the Sub-Division would benefit the Company and its Shareholders as it would reduce the nominal value of Existing Ordinary Shares in issue to enable the Company to issue the Subscription Shares and Exchange Shares.

The Capital Reorganisation will consist of the following steps:

- Shareholder approval of the Sub-Division, including the creation of a new class of Deferred A Shares;
- the sub-division of each Existing Ordinary Share of one penny into one New Share of 0.01 pence and one Deferred A Share of 0.99 pence; and
- the adoption of the New Articles which include the rights and restrictions attaching to the Deferred A Shares.

Constitution of a new class of Deferred A Shares

A new class of Deferred A Shares will be constituted pursuant to Resolution 2.

The rights attaching to the Deferred A Shares, which will be set out in the New Articles, will be minimal and such shares will not carry any voting or dividend rights and will only be entitled to a payment on a return of capital (whether by winding up or otherwise) of a sum equal to the nominal capital paid up or credited as paid up thereon after an amount of £1,000,000 has been paid in respect of each New Share (an extremely remote possibility). The Deferred A Shares will not be listed or admitted to trading on AIM or any other stock exchange and will not be transferable without the prior written consent of the Company. The Deferred A Shares will rank equally with the existing Deferred Shares.

The Company shall be entitled to purchase all of the Deferred A Shares at any time. The aggregate amount payable to all the holders of the Deferred A Shares as a class between them on redemption shall be the amount of £1.00.

The holders of the Deferred A Shares shall be deemed to have conferred the irrevocable authority on the Company at any time to: (i) appoint a Director or Directors (or such other person as may be nominated by the Directors), to, *inter alia*, transfer some or all of the Deferred A Shares to such person(s) as the Company may determine (including without limitation the Company itself); and/or (ii) repurchase such Deferred A Shares, in either such case for an aggregate consideration of £1.00 for all of the Deferred A Shares for the time being in issue without obtaining the further sanction of such holders and upon such terms that any consideration not exceeding £1.00 in respect of any holding of Deferred A Shares may be paid to and/or retained for the benefit of the Company.

The Sub-Division

It is proposed to sub-divide each Existing Ordinary Share of one penny into one New Share of 0.01 pence in nominal value and one Deferred A Share of 0.99 pence in nominal value. Assuming an issued share capital immediately prior to the General Meeting of 419,622,489 Existing Ordinary Shares of one penny each in nominal value, this will result, on Admission, in 419,622,489 New Shares of 0.01 pence each in nominal value, 419,622,489 Deferred A Shares of 0.99 pence each in nominal value and 115,751,517 Deferred Shares of 9 pence each in nominal value being in issue immediately following the Sub-Division. The Sub-Division of the issued Existing Ordinary Shares will not, of itself, affect the value of any shareholding, as the number of New Shares held by each Shareholder will be equal to the number of Existing Ordinary Shares held by each Shareholder immediately prior to the Sub-Division.

No certificates will be issued in respect of the New Shares or the Deferred A Shares.

Resolution 2, an ordinary resolution, proposes the Sub-Division of all of the Company's Existing Ordinary Shares.

Amendment of Articles

Following completion of the Sub-Division, the Articles will be amended to include the rights and restrictions attaching to the Deferred A Shares. A copy of the New Articles, marked up to show the changes being proposed, will be available on the Company's website <http://www.7digital.com/investors> and for inspection free of charge during normal business hours on any Business Day at the Company's registered office, 69 Wilson Street, London EC2A 2BB, from the date of this Circular until the time of the General Meeting and at the place of General Meeting for at least 15 minutes prior to and during the General Meeting.

Resolution 3 in the Notice of General Meeting, a special resolution, proposes the adoption of the New Articles.

7. PROPOSED CHANGES TO THE BOARD

Pursuant to the provisions of the Relationship Agreement, on completion of the Proposals, and subject to the completion of Arden's due diligence as nominated adviser to the Company, Tamir Koch will join the Board as Non-Executive Chairman and David Lazarus will join the Board as a Non-Executive Director. At the same time, Sir Donald Cruickshank has agreed to step down as Chairman and Eric Cohen will step down as a Non-Executive Director. Following these changes, the Board will consist of six directors, with two executive directors and four non-executive directors of whom two are independent. It is anticipated that a further independent non-executive director may be appointed in due course. Anne De Kerckhove Dit Van Der Varent has agreed to remain on the Board until such time that a further independent non-executive director is appointed. Further details of the Proposed Directors are as follows:

Tamir Koch, aged 47 – *Proposed Non-Executive Chairman*

Tamir Koch is President of eMusic.com, Inc., an online music and audiobook store and brand which started trading in 1998 and focuses on discovery and sales of independent music and artists. Most recently Tamir has led, the eMusic Blockchain Project, seeking to provide a decentralised approach to music distribution and rights management to facilitate the utilisation of blockchain within the music industry.

Tamir has previously founded several successful startups including Orca Interactive and Dotomi. Orca was sold to Emblaze Systems in 2000, which then floated Orca on AIM. It was subsequently acquired by France Telecom in 2008. Dotomi was acquired by ValueClick in 2011.

David Lazarus, aged 55 – *Proposed Non-Executive Director*

David is an industrialist and international entrepreneur. David spent six years at Lloyds of London as an accredited Lloyds Broker attending to Insurance and Re-Insurance. David is currently an Executive Director of the RAM Hand-to-Hand Couriers Group, a leader in the Courier, Logistics and Express Parcel Industry in Southern Africa. The RAM Group operates from approximately 40 hubs, with approximately 1,700 vehicles and over 2,800 staff across Southern Africa. David is also a member of the Young Presidents Organisation.

David has been involved in several international businesses, including having knowledge of the various investments of Magic, as described in Part II of this Circular.

8. CURRENT TRADING

8.1 *Period ended 31 December 2018*

The interim results for the six months ended 30 June 2018 were released on the 28 September 2018. The Company expects revenue in the six months ended 31 December 2018 to be marginally higher than the first half, although this benefit will be largely offset by higher costs.

8.2 *Year end accounts*

The Company is currently preparing its results for the year ended 31 December 2018 which it expects to release before 30 June 2019. The Board confirms that the Company's accounts will be prepared

on a going concern basis but subject to completion of the Proposals set out in this Circular and the Company obtaining Additional Funds to support the future strategy.

As previously announced on 28 September, the Company consolidated acquired businesses and technology platforms in the second half of 2018.

In addition, following the loss of the Company's largest customer, MMS, announced on 4 January 2019 and the subsequent sale of an unprofitable technology platform to TDC on 2 May 2019, the Company has undertaken a review of intangible assets, acquired goodwill, capitalised assets and other assets which will result in a significant impairment charge being recognised in the year.

8.3 Post year end trading update

Following the appointment of John Aalbers and Julia Hubbard and the loss of MediaMarktsaturn, a major customer, in March 2019 the Board has been undertaking a review of the Company's strategy and budgets taking a more circumspect view of the sales pipeline. Consequently, there has been significant disruption within the business since the beginning of the year which has had a marked effect on customer sentiment. Trading has continued to be challenging and the Board expects revenue for the six months to the 30 June 2019 to be significantly behind the equivalent period in the prior year.

9. THE WAIVER PROPOSAL

9.1 Background

As an English company which has its shares admitted to trading on AIM, the Company is subject to the Code. Under Rule 9 of the Code, any person who acquires an interest in shares (as defined in the Code) which, taken together with shares in which he/she is already interested and shares in which persons acting in concert with him/her are interested, carry 30 per cent. or more of the voting rights of a company which is subject to the Code, is normally required to make a general offer to all the remaining shareholders to acquire their shares.

Similarly, when any person, together with persons acting in concert with him/her, is interested in shares which in the aggregate carry not less than 30 per cent. of the voting rights of such a company but does not hold shares carrying more than 50 per cent. of such voting rights, a general offer will normally be required if any further interests in shares are acquired by any such person. An offer under Rule 9 must be made in cash and at the highest price paid by the person required to make the offer, or any person acting in concert with him/her, for any interest in shares of the company during the 12 months prior to the announcement of the offer.

When members of a concert party hold more than 50 per cent. of the voting rights in a company, no obligations under Rule 9 normally arise from acquisitions by any member of the concert party. They may accordingly increase their aggregate interests in shares without incurring any obligation under Rule 9 to make a general offer, although individual members of a concert party will not be able to increase their percentage interests in shares through or between a Rule 9 threshold without Panel consent.

9.2 Outline of the Concert Party

If the Subscription and the Debt for Equity Swap complete, following Admission, Magic would be interested in 542,836,219 New Shares (representing 39.1 per cent. of the Enlarged Share Capital) and SKH would be interested in 424,212,126 (representing 30.6 per cent. of the Enlarged Share Capital).

Pursuant to the terms of the Subscription Agreement, in the event that the Company issues new Ordinary Shares for a subscription price that is lower than 0.2p, then the Consortium will be entitled to subscribe for the Further Subscription Shares. The total number of Further Subscription Shares that can be issued is capped at 211,377,546 New Shares. Should the maximum number of Further Subscription Shares be issued, this would result in Magic being interested in 661,489,426 New Shares and SKH being interested in 516,936,464 New Shares. The percentage holding that this maximum number of New Shares would represent of the share capital of the Company will be dependent on the size of the issue of new Ordinary Shares that triggered the entitlement to Further Subscription Shares. In any case, pursuant to the terms of the Subscription Agreement, the maximum beneficial interest that the members of the Consortium can hold following the issue of Further Subscription Shares is limited to their percentage shareholding

immediately following completion of the Subscription and the Debt for Equity Swap (being 39.1 per cent. in the case of Magic and 30.6 per cent. in the case of SKH). Any future dealing in Ordinary Shares by Magic and SKH which results in their respective percentage shareholding's increasing may have implications under Rule 9 of the Code.

As a result of Magic entering into the Consortium Agreement on 7 June 2019, for the purposes of the Code, Magic is regarded by the Company and Arden to be acting in concert with:

- SKH, an investment holding company of the Koch family which has a minority investment in TriPlay Inc, the ultimate parent company of eMusic.com, Inc. (a description of SKH is included in paragraph 1 in Part II of this Circular);
- Tamir Koch; and
- David Lazarus,

each of whom together with Magic form the "**Concert Party**" and would, if the Subscription and the Debt for Equity Swap complete, hold in aggregate following Admission 967,048,345 New Shares (representing 69.7 per cent. of the Enlarged Share Capital).

Should the Consortium Agreement be terminated for any reason, it is possible that the parties to the Consortium Agreement may not be regarded as acting in concert for the purposes of the Code.

The Proposed Directors who are members of the Concert Party (being Tamir Koch and David Lazarus) are considered by the Company and Arden to form part of the Concert Party because of the proximity of their relationship with the Consortium and David Lazarus being one of the ultimate beneficial owners of Magic. David Lazarus and Tamir Koch are personal acquaintances, having been introduced by a mutual business contact. David also has a minority beneficial interest in the issued share capital in EM Acquisition Corp., Inc., the immediate parent company of eMusic.com, Inc. of which, Tamir Koch is President. Tamir Koch and SKH are each minority shareholders in TriPlay Inc., which is the majority shareholder of EM Acquisition Corp., Inc.

While the Concert Party holds more than 50 per cent. of the voting rights in the Company, no obligations under Rule 9 normally arise from acquisitions by any member of the Concert Party unless the acquisition by the individual member of the Concert Party results in their individual percentage interests in shares passing through or between a Rule 9 threshold without Panel consent.

Further information on the Concert Party is set out in Part II of this Circular.

9.3 **Panel Waiver**

The Panel has agreed that, subject to the approval of the Independent Shareholders of the Whitewash Resolution at the General Meeting, it will waive the obligation on any member of the Concert Party to make a general offer that would otherwise arise as a result of the issue of the New Ordinary Shares to the Consortium upon Admission.

Accordingly, the Whitewash Resolution (for the approval of the Waiver Proposal) is being proposed at the General Meeting and will be taken on a poll to be called by the Chairman of the General Meeting. The members of the Concert Party will not be entitled to vote on the Whitewash Resolution.

9.4 **Intentions of the Concert Party**

The Concert Party is investing with the intention of utilising its various expertise to improve the performance of the Company, which by nature will require assessing the business plan and continuing to innovate.

Following Admission, save as set out in paragraph 4 of this Part I and subject to the prior approval of the Board, the Concert Party is not intending to seek any material changes in respect of:

- (i) the future business of the Company including any research and development functions of the Company;
- (ii) 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, save for the appointment of Tamir

Koch as a the new non-executive chairman, David Lazarus as a new non-executive director and the resignations of Sir Donald Cruickshank as chairman, Eric Cohen as Non-Executive Director and the potential resignation of Anne De Kerckhove Dit Van Der Varent as a Non-Executive Director following the appointment of a new independent non-executive director (as further described in paragraph 7 of this Part I);

- (iii) the strategic plans for the Company or the Company's places of business, including the locations of the offeree Company's places of business, headquarters and headquarters functions;
- (iv) any redeployment of the fixed assets of the Company; or
- (v) the continuation of the Shares being admitted to AIM.

The Company does not have any defined benefit pension schemes.

The Concert Party has confirmed that, there is no agreement, arrangement or understanding for the transfer of their Ordinary Shares to any third party.

If the Waiver Proposal is approved by the passing of the Whitewash Resolution at the General Meeting, the Concert Party will not be restricted from making an offer for the Company.

Shareholders should note that, should the Whitewash Resolution be passed, and if the Subscription and the Debt for Equity Swap complete such that the holding of the Concert Party exceeds 50 per cent. of the then issued voting rights, the Concert Party would, for so long as it continues to hold more than 50 per cent. of such voting rights, be able to acquire further Ordinary Shares (and accordingly increase its aggregate interest in the Company's voting rights) without incurring an obligation to make a general offer for the Company under Rule 9 of the Code, unless the acquisition by an individual member of the Concert Party results in their individual percentage interests in shares passing through or between a Rule 9 threshold without Panel consent.

10. BENEFITS OF THE WAIVER PROPOSAL

The Subscription and the Debt for Equity Swap are conditional upon, amongst other things, the passing of the Whitewash Resolution. Having considered different funding options for the Company, the Directors consider that the Subscription and the Debt for Equity Swap represent the only viable financing options for the Company to meet its immediate working capital requirements.

The Subscription and the Debt for Equity Swap will not proceed unless the Waiver Proposal is implemented. In light of this, the Directors believe that it is in the best interests of the Company and the Shareholders as a whole that the Waiver Proposal be implemented.

Shareholders should be aware that if Resolutions 1 to 5 are not approved at the General Meeting, the Subscription will not complete and none of the net proceeds of the Subscription will be received. If this were to happen then the Group would only have sufficient working capital to trade through to late June 2019. Accordingly, based on the projected cash flows of the Group, it is highly likely the Company would need to be placed in administration.

Furthermore, if the Subscription completes but the Company is unable to raise Additional Funds of at least £4.5 million by 31 July 2019 then, based on the projected cash flows of the Group, the Company will be unable to pay its creditors and it is highly likely the Company would need to be placed in administration. If Resolutions 6 and 7 are not approved at the General Meeting the Company will be unable to raise the Additional Funds.

In the event that the Company is unable to meet such obligations as a result of the failure of the Subscription to complete and/or the failure to raise Additional Funds by 31 July 2019, it is unlikely that the Company will be able to continue trading and it is highly likely that the Directors would need (in order to fulfil their duties to the Company's creditors (and to other applicable stakeholders)) to place the Company into administration. Any such administration would be likely to result in little or no value for Shareholders.

These possibilities are considered to be realistic, not remote.

11. THE RELATIONSHIP AGREEMENT

On completion of the Proposals, the Consortium will hold New Shares representing approximately 69.7 per cent. of the Enlarged Share Capital. Accordingly, the Company, Arden and the Consortium have entered into the Relationship Agreement, which is conditional upon completion of the Proposals, pursuant to which the Consortium, in its capacity as a substantial Shareholder, has given various undertakings to the Company and Arden regarding the relationship between the Consortium, its associates and the Company.

In particular, the Consortium has agreed to exercise its voting rights so as to procure that, insofar as it is able to do so by the exercise of its voting rights, the Company is capable of carrying on its business independently of the Consortium and its associates.

For so long as the Consortium holds Ordinary Shares representing, in aggregate, 20 per cent. or more of the rights to vote at a general meeting of the Company (“**voting rights**”), the Consortium shall be entitled, subject to the terms of the Relationship Agreement to appoint two directors to the Board (each a “**Nominated Director**”). The Consortium shall continue to have the right to appoint one Nominated Director if it holds Ordinary Shares representing, in aggregate, less than 20 per cent. but more than 10 per cent. of the voting rights.

Save for the provisions relating to the appointment of the Nominated Directors, the Relationship Agreement will terminate if the Consortium and its associates cease to be interested collectively in more than 30 per cent. of the Company’s voting share capital from time to time.

12. IRREVOCABLE UNDERTAKINGS

Magic has received irrevocable undertakings from two Shareholders, Amcomri Limited Partnership and Oryx International Growth Fund Limited, pursuant to which these Shareholders have undertaken to vote (or procure the voting) in favour of the Resolutions to be proposed at the General Meeting, in respect of the beneficial holdings which are under their control, of (in aggregate) 53,612,321 Existing Ordinary Shares representing approximately 12.8 per cent. of the Issued Share Capital on 6 June 2019 (being the latest practicable date prior to the publication of this Circular).

13. GENERAL MEETING

The Notice of General Meeting to be held at the offices of Arden Partners PLC at 125 Old Broad Street, London EC2N 1AR at 10.00 a.m. on 25 June 2019 is set out at the end of this Circular. At the General Meeting, the following Resolutions will be proposed:

- Resolution 1 is an ordinary resolution to approve the waiver of the obligation on the Consortium which would otherwise arise under Rule 9 of the Code in relation to the issue of the Subscription Shares and the Exchange Shares to the Consortium pursuant to the Subscription and the Debt for Equity Swap, respectively. This Resolution will be taken on a poll, and must be approved by Independent Shareholders entitled to vote who together represent a simple majority of the issued Ordinary Shares held by such Independent Shareholders being voted (whether in person or by proxy) at the General Meeting.

IMPORTANT NOTE: Shareholders who are members of the Concert Party are not entitled to vote on Resolution 1. All Shareholders are entitled to vote on Resolutions 2 to 7.

- Resolution 2, which is conditional upon the passing of Resolutions 1 and 3, is an ordinary resolution to authorise the Directors to sub-divide each Existing Ordinary Share of one penny into one New Share of 0.01 pence in nominal value and one Deferred A Share of 0.99 pence in nominal value, with the Deferred A Shares having the rights and being subject to the restrictions set out in the New Articles.
- Resolution 3, which is conditional on the passing of Resolution 2, is a special resolution to adopt the New Articles which include the rights and restrictions attaching to the Deferred A Shares. A copy of the New Articles, marked up to show the changes being proposed, will be available on the Company’s website <http://www.7digital.com/investors> and for inspection free of charge during normal business hours on any Business Day at the Company’s registered office, 69 Wilson Street, London EC2A 2BB from the date of this Circular until the time of the General Meeting and at the place of General Meeting for at least 15 minutes prior to and during the General Meeting.

- Resolution 4, which is conditional on the passing of Resolutions 1 and 2, is an ordinary resolution to authorise the Directors to allot the Subscription Shares in connection with the Subscription and the Exchange Shares in connection with the Debt for Equity Swap.
- Resolution 5, which is conditional on the passing of Resolutions 1, 2 and 4, is a special resolution to authorise the Directors to issue and allot the Subscription Shares pursuant to the Subscription and the Exchange Shares pursuant to the Debt for Equity Swap for cash on a non-pre-emptive basis.
- Resolution 6, which is conditional on the passing of Resolutions 1 and 2, is an ordinary resolution to authorise the Directors to issue and allot New Shares in the Company or to grant rights to subscribe for or convert any security into New Shares in the Company up to an aggregate nominal amount of £300,000.00, being equal to 3,000,000,000 New Shares (representing approximately 216.36 per cent. of the nominal value of the Enlarged issue Share Capital. This general authority would give the Directors, amongst other things, the ability to raise the Additional Funds at the Issue Price.
- Resolution 7, which is conditional on the passing of Resolutions 1, 2 and 6, is a special resolution to authorise the Directors to allot equity securities for cash other than in accordance with statutory pre-emption rights. The relevant circumstances are either where the allotment takes place in connection with a rights issue or other pre-emptive issue or the allotment is limited to a maximum nominal amount of £300,000.00, representing approximately 216.36 per cent. of the Enlarged Issued Share Capital. This general authority would give the Directors, amongst other things, the ability to raise the Additional Funds at the Issue Price.

The Directors wish to maintain the levels of general authority to allot shares and disapply pre-emption rights set out in Resolutions 6 and 7, so they can more readily seek further equity investment in the Company (including to allow them to raise the Additional Funds) when they consider that it is appropriate, and in the best interests of the Company and its Shareholders as a whole, to do so.

Completion of the Subscription and the Debt for Equity Swap are conditional upon the passing of Resolutions 1 to 5.

14. ACTION TO BE TAKEN

Shareholders will find accompanying this Circular a Form of Proxy for use in connection with the General Meeting. Whether or not you intend to be present at the meeting, you are asked to complete the Form of Proxy in accordance with the instructions printed thereon and return it to the Company's Registrars, Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF, (by post or by hand) or electronically at www.signalshares.com, as soon as possible and, in any event, no later than 10.00 a.m. on 21 June 2019, being 48 hours (not counting any part of a day that is not a Business Day) before the time appointed for the holding of the General Meeting.

If you hold shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction to Link Asset Services (ID RA10), so that it is received no later than 10.00 a.m. on 21 June 2019.

Completion of a Form of Proxy or the giving of a CREST Proxy Instruction will not prevent you from attending the General Meeting and voting in person (in substitution for your proxy vote) if you wish to do so and are so entitled.

15. FURTHER INFORMATION

Your attention is drawn to the further information set out in Parts II and III of this Circular and to the Company's consolidated annual report and financial statements for the two financial years ended 31 December 2017, each of which are incorporated by reference into this Circular, and are available at www.7digital.com/investors. You are advised to read the whole of this Circular and not merely rely on the key or summarised information in this letter.

16. IMPORTANCE OF VOTE AND RECOMMENDATION

Shareholders should be aware that if Resolutions 1 to 5 are not approved at the General Meeting, the Subscription will not complete and none of the net proceeds of the Subscription will be received. If this were to happen then the Group would only have sufficient working capital to trade through to late June 2019. Accordingly, based on the projected cash flows of the Group, it is highly likely the Company would need to be placed into administration.

Furthermore, if the Subscription completes but the Company is unable to raise Additional Funds of at least £4.5 million by 31 July 2019, then based on the projected cash flows of the Group, the Company will be unable to pay its creditors and it is highly likely that it would need to be placed into administration. If Resolutions 6 and 7 are not approved at the General Meeting the Company will be unable to raise the Additional Funds.

In the event that the Company is unable to meet such obligations as a result of the failure of the Subscription to complete and/or the failure to raise Additional Funds by 31 July 2019, it is unlikely that the Company will be able to continue trading and it is highly likely that the Directors would need (in order to fulfil their duties to the Company's creditors (and to other applicable stakeholders)) to place the Company into administration. Any such administration would be likely to result in little or no value for Shareholders.

These possibilities are considered to be realistic, not remote.

The Directors, having been so advised by Arden, consider the terms of the Waiver Proposal to be fair and reasonable and in the best interests of the Shareholders and the Company as a whole. Accordingly the Directors unanimously recommend that the Independent Shareholders vote in favour of the Whitewash Resolution (Resolution 1) to be proposed at the General Meeting.

The Directors, having been so advised by Arden, consider the Proposals to be fair and reasonable and in the best interests of the Shareholders and the Company as a whole. Accordingly the Directors unanimously recommend that the Shareholders vote in favour of Resolutions 2 to 7 to be proposed at the General Meeting.

In providing its advice to the Directors, Arden has taken into account the Directors' commercial assessments, including in relation to the position and prospects of the Company in the event that the Proposals are not completed.

The Directors who hold Existing Ordinary Shares in the Company intend to vote in favour of all Resolutions in respect of their own shareholdings amounting to 7,105,546 Existing Ordinary Shares (representing 1.7 per cent. of the Existing Ordinary Shares in issue).

Yours faithfully

Sir Donald Cruickshank

Non-Executive Chairman

PART II – INFORMATION ON THE CONCERT PARTY

1. INFORMATION ON THE CONCERT PARTY

1.1 *Composition of the Concert Party*

The members of the Concert Party comprise the following:

- 1.1.1 Magic Investments S.A. (“**Magic**”) is a company incorporated under the laws of Luxembourg, having its registered office at 33, rue du Puits Romain L-8070 Bertrange, Grand Duchy of Luxembourg and registered with the Luxembourg Register of Commerce and Companies under number B186.943. The directors of Magic are Simon Baker, Alan Da Costa, David Lazarus and Dawn Shand. Magic is a wholly owned subsidiary of Bittersweet Trade and Invest 61 Proprietary Limited (a private company incorporated under the laws of South Africa, which itself is a wholly owned subsidiary of RAM Group Holdings Proprietary Limited (also a private company incorporated under the laws of South Africa) (“**RAM Group**”).

David Lazarus is an Executive Director and shareholder of the RAM Group. David is also a member of Young Presidents Organisation (“**YPO**”). Via YPO David frequently visits and has successfully completed the President’s Program in Leadership at Harvard Business School in Boston, Massachusetts. In addition, he has attended a number of business leadership seminars at London Business School. During such travels he also visits various technology exhibitions and meets with entrepreneurs at the forefront of cutting-edge technology and hi-tech.

South Africa is an emerging market and, as part of the RAM Group’s international investment strategy, the RAM Group, with the consent of the South African Reserve Bank, incorporated Magic as its international investment holding Company. To date, Magic has invested approximately US\$20 million in several international businesses, including: (a) Clariter, a cutting-edge technology project in Europe that transforms plastic waste into high value solvents, oils & waxes; (b) Buy2 / Spring Ventures, a Tel Aviv Stock Exchange Listed ecommerce venture; (c) buzzr, an innovative home delivery courier service currently operating in Israel with worldwide expansion potential; (d) Beyond Verbal Communications, a technology company which analyses voice as an effective tool with many applications such as the Medical Industry and Call Centre Industry; (e) Inception XR, a virtual reality software technology company; and (f) DEEP-IT, another high-tech company transforming big data into visual knowledge.

- 1.1.2 Shmuel Koch Holdings Limited (“**SKH**”) is a company incorporated under the law of Israel, having its registered office at 6 Hevra Hadasha Street, Tel Aviv, Israel and with company number 512962812. The directors of SKH are Ruth Koch and Yaron Asher Koch. Ruth Koch is the sole shareholder and ultimate beneficial owner of SKH. SKH is a holding company of the Koch family which invests in real estate and has a minority investment in TriPlay Inc, the ultimate parent company of eMusic.com, Inc. Ruth Koch and Yaron Asher Koch are Tamir Koch’s, Proposed Director, mother and brother respectively.

In addition to the Concert Party composition and information included above, Tamir Koch and David Lazarus are considered by the Company and Arden to form part of the Concert Party because of the proximity of their relationship in forming the Consortium and David Lazarus being one of the ultimate beneficial owners of Magic. Tamir initiated the Consortium’s interest in the Company and the acquisition by Magic of the Loan Notes. Tamir has led the Consortium’s Subscription in 7digital and provided specialist advice to the Consortium on the industry and its prospects. Further details about Tamir and David are provided in paragraph 9.2 of Part I of this Circular.

David Lazarus and Tamir Koch are personal acquaintances, having been introduced by a mutual business contact. David also has a minority beneficial interest in the issued share capital of EM Acquisition Corp., Inc., the immediate parent company of eMusic.com, Inc. of which Tamir Koch is President. Tamir Koch and SKH are each minority shareholders in TriPlay Inc., which is the majority shareholder of EM Acquisition Corp., Inc.

1.2 *Financial information on the Concert Party*

Neither Magic nor SKH is required to publish audited accounts pursuant to the laws of their respective jurisdiction of incorporation.

2. DISCLOSURE OF INTERESTS AND DEALINGS IN SHARES

2.1 For the purposes of this paragraph, the following definitions apply:

- 2.1.1 “acting in concert” has the meaning attributed to it in the Code;
- 2.1.2 “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;
- 2.1.3 “connected adviser” has the meaning attributed to it in the Code;
- 2.1.4 “connected person” has the meaning attributed to it in sections 252 to 255 of the Act;
- 2.1.5 “control” means a holding, or aggregate holdings, of shares carrying 30 per cent. or more of the voting rights attributable to the share capital of 7digital which are currently exercisable at a general meeting, irrespective of whether the holding or aggregate holding gives de facto control;
- 2.1.6 “dealing” or “dealt” includes the following:
 - (a) the acquisition or disposal of relevant securities, of the right (whether conditional or absolute) to exercise or direct the exercise of voting rights attached to relevant securities, or of general control of relevant securities;
 - (b) the taking, granting, acquisition, disposal, entering into, closing out, termination, exercise (by either party) or variation of an option (including a trade option contract) in respect of any relevant securities;
 - (c) subscribing or agreeing to subscribe for relevant securities;
 - (d) the exercise or conversion of any relevant securities carrying conversion or subscription rights (whether in respect of new or existing securities);
 - (e) the acquisition of, disposal of, entering into, closing out, exercise (by either party) of any rights under, or variation of, a derivative referenced, directly or indirectly, to relevant securities;
 - (f) entering into, terminating or varying the terms of any agreement to purchase or sell relevant securities; and
 - (g) 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;
- 2.1.7 “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;
- 2.1.8 “disclosure date” means 6 June 2019, being the latest practicable date prior to the publication of this Circular;
- 2.1.9 “disclosure period” means the period commencing on 6 June 2018, being the date 12 months prior to the date of publication of this Circular and ending on the disclosure date;
- 2.1.10 being “interested” in relevant securities includes where a person:
 - (a) owns relevant securities;
 - (b) has a 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;
 - (c) by virtue of any agreement to purchase, option or derivative, has the right or option to acquire relevant securities or 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
 - (d) 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;
- 2.1.11 “relevant 7digital securities” means shares in 7digital (or derivatives referenced thereto) and securities convertible into, rights to subscribe for and options (including traded options) in respect thereof;

2.1.12 “relevant Concert Party securities” means interests in a Concert Party entity (or derivatives referenced thereto) and securities convertible into, rights to subscribe for and options (including traded options) in respect thereof;

2.1.13 “relevant securities” means relevant 7digital securities and relevant Concert Party securities; and

2.1.14 “short position” means any short position (whether conditional or absolute and whether in the money or otherwise) including any short position under a derivative, agreement to sell or any delivery obligation or right to require any other person to purchase or take delivery.

2.2 **Concert Party interests**

The percentage interests in Ordinary Shares of each of the members of the Concert Party as at the disclosure date, on Admission and assuming maximum issue of the Further Subscription Shares is as follows:

Concert Party member	As at the disclosure date ⁽¹⁾		On Admission ⁽²⁾		Assuming maximum issues of the Further Subscription Shares ⁽³⁾	
	Ordinary Shares ⁽¹⁾	Percentage of Issued Share Capital (%) ⁽¹⁾	Ordinary Shares ⁽²⁾	Percentage of Enlarged Share Capital (%) ⁽²⁾	Ordinary Shares ⁽²⁾	Percentage of Enlarged Share Capital (%) ⁽³⁾
Magic	Nil	Nil	542,836,219	39.1%	661,489,426	39.1%
SKH	Nil	Nil	424,212,126	30.6%	516,936,464	30.6%
Totals	Nil	Nil	967,048,345	69.7%	1,178,425,891	69.7%

Notes:

- (1) This excludes the existing conversion rights attached to the Convertible Loan Notes held by Magic as further described in paragraph 2.3 of this Part II.
- (2) Includes the issue and allotment to Magic of Exchange Shares pursuant to the Debt for Equity Swap and the issue and allotment to the Concert Party of Subscription Shares pursuant to the Subscription Agreement.
- (3) Includes the issue and allotment to Magic of Exchange Shares pursuant to the Debt for Equity Swap, the issue and allotment to the Concert Party of Subscription Shares and the maximum issue of the Further Subscription Shares pursuant to the Subscription Agreement.

2.3 **Market dealings in relevant 7digital securities by members of the Concert Party**

During the disclosure period, Magic acquired the Convertible Loan Notes which are convertible (subject to the satisfaction of certain conditions) into Ordinary Shares in accordance with the terms of the Convertible Loan Note Instrument. Assuming the full conversion of the Convertible Loan Notes in accordance with the terms of the Convertible Loan Note Instrument, this represents an interest in 9,692,921 Ordinary Shares representing 2.3 per cent of 7digital’s Issued Share Capital on the Disclosure Date. Pursuant to the terms of the Debt for Equity Swap, the conversion rights in the Convertible Loan Note Instrument will be superseded by the Debt for Equity Swap.

2.4 **General**

As at the close of business on the disclosure date and save as disclosed in this Circular:

- 2.4.1 no member of the Concert Party had an interest in or right to subscribe for, or had any short position in relation to, any relevant 7digital securities, nor had any such members of the Concert Party dealt in any relevant 7digital securities during the disclosure period;
- 2.4.2 no person acting in concert with any member of the Concert Party had an interest in or a right to subscribe for, or had any short position in relation to, any relevant 7digital securities, nor had any such person dealt in any relevant 7digital securities during the disclosure period;
- 2.4.3 neither the members of the Concert Party nor any person acting in concert with any of them has borrowed or lent any relevant 7digital securities;
- 2.4.4 no agreement, arrangement or understanding (including any compensation arrangement) exists between the Concert Party and/or any of the Directors or recent directors of 7digital, Shareholders or recent Shareholders, or any person interested or recently interested in shares of 7digital, having any connection with, or dependence upon the outcome of the Subscription or the Debt for Equity Swap; and

2.4.5 there is no agreement, arrangement or understanding whereby the beneficial ownership of any of the Subscription Shares and the Exchange Shares to be acquired by any of the Concert Party pursuant to the Subscription and the Debt for Equity Swap will be transferred to any other person.

3. PARTICIPATION IN THE SUBSCRIPTION AND THE DEBT FOR EQUITY SWAP

The Subscription and the Debt for Equity Swap are not expected to have a material effect on any member of the Concert Party's earnings, assets or liabilities.

4. MATERIAL CONTRACTS

4.1 *The Consortium Agreement*

On 7 June 2019, Magic and SKH entered into a Consortium Agreement which regulates their relationship, *inter se*, as holders of Ordinary Shares. Tamir Koch is also a party to this agreement and have the rights and obligations described below. With the prior written consent of the parties, further holders of Ordinary Shares may become party to the agreement.

The Consortium Agreement is conditional on the Subscription and the Debt for Equity Swap closing in accordance with their respective terms and applies to each member of the Consortium for so long as they or any of their affiliates hold shares in the Company to which the agreement applies or until it is terminated by, *inter alia*, mutual agreement of the parties.

The Consortium Agreement includes provisions facilitating meetings of the members of the Consortium. At such meetings the Consortium members will, acting by a majority in their number (but which must include both Magic and SKH), determine the manner in which to vote their Ordinary Shares (as a block) in respect of resolutions proposed at general meetings of the Company. Each Consortium member has granted a voting power of attorney in this respect to Tamir Koch.

The agreement applies in respect of all Ordinary Shares held by the Consortium members, from time to time, save for any Ordinary Shares issued to them in lieu of a dividend or by way of a bonus issue.

4.2 *The Subscription Agreement*

The Company, Magic and SKH entered into the Subscription Agreement on 7 June 2019 pursuant to which the Consortium agreed to subscribe for the Subscription Shares at the Issue Price and Magic agreed to exchange the outstanding Convertible Loan Notes for Exchange Shares.

Further details of the Subscription Agreement are set out in paragraph 6.1 of Part III of this Circular.

4.3 *The Relationship Agreement*

The Company, Arden and the Consortium entered into the Relationship Agreement on 7 June 2019 which is conditional upon Admission and pursuant to which the Consortium, in its capacity as a substantial Shareholder, has given various undertakings to the Company and Arden regarding the relationship between the Consortium, its associates and the Company.

Further details of the Relationship Agreement are set out in paragraph 6.2 of Part III of this Circular.

4.4 *Convertible Loan Note acquisition agreements*

On 13 May 2019, Magic entered into two separate acquisition agreements pursuant to which it acquired (in aggregate) the entirety of the outstanding Convertible Loan Notes in consideration for £578,864, representing the par value of the notes plus accrued interest. The terms of both agreements were based on the Standard Terms and Conditions for Par and Distressed Trade Transactions (Bank Debt/Claims) of the Loan Market Association.

4.5 *The Standstill Agreement*

The Company and Magic entered into the Standstill Agreement on 13 May 2019 pursuant to which Magic has agreed not to seek early redemption or conversion of the Convertible Loan Notes before

30 June 2019 except in certain limited circumstances (including a major equity issuance or the insolvency of the Company).

Further details of the Standstill Agreement are set out in paragraph 6.3 of Part III of this Circular.

4.6 **Irrevocable undertakings**

Magic has received irrevocable undertakings from two Shareholders, pursuant to which those Shareholders have undertaken to vote (or procure the voting) in favour of the Resolutions to be proposed at the General Meeting, in respect of the beneficial holdings which are under their respective control, of (in aggregate) 53,612,321 Ordinary Shares representing approximately 12.8 per cent. of the Issued Share Capital on 3 June 2019 (being the latest practicable date prior to the publication of this Circular). The irrevocable undertakings are as follows:

<i>Name</i>	<i>Number of Ordinary Shares in respect of which the undertaking is given</i>	<i>Percentage of Issued Share Capital (%)</i>
Amcomri Limited Partnership	43,612,321	10.4
Oryx International Growth Fund Limited	10,000,000	2.4
Total	53,612,321	12.8

The irrevocable undertakings will cease to be binding on the earlier of: (a) the completion of the Debt for Equity Swap and the Subscription; (b) the lapsing of the Debt for Equity Swap and the Subscription where no new, revised or replacement fundraising in respect of the Company has been announced by Magic or its affiliates; and (c) 31 December 2019.

- 4.7 Save as set out in paragraphs 4.1 to 4.6 above, neither any member of the Consortium nor any person acting in concert with the Consortium entered into any material contract (other than any contracts entered into in the ordinary course of business) since the date two years preceding the date of this Circular.

5. RATINGS AND OUTLOOK

As at the date of this Circular, no member of the Concert Party had any ratings or outlooks publicly accorded to it by any ratings agencies.

6. RESPONSIBILITY

For the purposes of Rule 19.2 of the Code only, the directors of Magic and SKH (whose names are set out in paragraph 1.1 of this Part II) accept responsibility for the information contained in this Circular (including any expressions of opinion) relating to the Concert Party. To the best of their knowledge and belief, having taken all reasonable care to ensure that such is the case, the information contained in this Circular for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

PART III – ADDITIONAL INFORMATION

1. RESPONSIBILITY

The Directors, whose names are set out on page 8 of this Circular accept responsibility for the information contained in this Circular (including any expressions of opinion and the recommendation that Independent Shareholders vote in favour of the Whitewash Resolution) other than in relation to the Concert Party. To the best of the Directors' knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in this Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. SHARE CAPITAL

2.1 The following table shows the issued ordinary share capital of the Company as at the date of this Circular and as it is expected to be immediately following Admission:

<i>Number of Existing Ordinary Shares as at the date of this Circular</i>	<i>Aggregate nominal value of Existing Ordinary Shares as at the date of this Circular (£)</i>	<i>Number of New Shares comprising the Enlarged Share Capital immediately following Admission</i>	<i>Aggregate nominal value of the Enlarged Share Capital immediately following Admission (£)¹</i>
419,622,489	4,196,224.89	1,386,670,834	138,667.08

1. On the basis that each Existing Ordinary Share of one penny each has been sub-divided into one New Share of 0.01 pence each and one Deferred A Share of 0.99 pence each.

2.2 The New Ordinary Shares to be issued pursuant to the Subscription and the Debt for Equity Swap will on issue rank *pari passu* for all dividends and other distributions (if any) declared or made or paid in all respects with the New Shares and no Shareholders enjoy different or enhanced voting rights.

2.3 The holders of the Existing Ordinary Shares will be diluted by the issue of the New Ordinary Shares under the Subscription and Debt for Equity Swap. The effective dilution rate is 69.7 per cent.

3. DIRECTORS

3.1 The Directors and the Proposed Directors of the Company and their functions (or proposed functions, as applicable) are as follows:

<i>Director</i>	<i>Function</i>
Donald Cruickshank	Non-Executive Chairman
John Aalbers	Chief Executive Officer
Julie Hubbard	Chief Financial Officer
Eric Cohen	Non-Executive Director
Anne De Kerckhove Dit Van Der Varent	Non-Executive Director
Mark Foster	Non-Executive Director
<i>Proposed Director</i>	<i>Proposed Function</i>
Tamir Koch	Non-Executive Chairman
David Lazarus	Non-Executive Director

3.2 On completion of the Proposals, Sir Donald Cruickshank will step down as Non-Executive Chairman and Eric Cohen will step down as Non-Executive Director.

4. DISCLOSURE OF INTERESTS

For the purposes of this paragraph 4, the definitions contained in paragraph 2 of Part II of this Circular apply.

4.1 *Directors' shareholding and other interests in the Company*

As at the date of this Circular and following Admission, the interests of the Directors and the Proposed Directors, their immediate families, related trusts and connected persons, all of which are beneficial unless otherwise stated, in relevant 7digital securities (with the exception of options in respect of Ordinary Shares which are set out in paragraph 4.2 below), are as follows:

<i>Director/Proposed Director</i>	<i>As at the date of this Circular</i>		<i>On Admission</i>	
	<i>Number of Existing Ordinary Shares</i>	<i>Percentage of Existing Share Capital (%)</i>	<i>Number of New Shares</i>	<i>Percentage of Enlarged Share Capital (%)</i>
Sir Donald Cruickshank	4,718,605	1.1	4,718,605	0.3
John Bernard Aalbers	Nil	Nil	Nil	Nil
Julia Elizabeth Hubbard	Nil	Nil	Nil	Nil
Eric Cohen	1,638,251	0.4	1,638,251	0.1
Anne De Kerckhove Dit				
Van Der Varent	160,747	0.0	160,747	0.0
Mark Foster	587,943	0.1	587,943	0.0
Tamir Koch (Proposed Director) ⁽¹⁾	Nil	Nil	424,212,126	30.6
David Lazarus (Proposed Director) ⁽²⁾	Nil	Nil	542,836,219	39.1

Notes:

(1) To be registered in the name of Shmuel Koch Holdings Limited.

(2) To be registered in the name of Magic Investments S.A.

4.2 *Interests of Directors in Options over Ordinary Shares*

The following nil cost options over Ordinary Shares have been granted under the Company's EMI option scheme to the following Director as at the date of this Circular:

	<i>Number of Ordinary Shares under Option</i>	<i>Date of Grant</i>	<i>Vesting period</i>	<i>Exercise period</i>
Sir Donald Cruickshank	1,000,000	29.08.18	One third on each of the first, second and third anniversaries of the date of grant	364 days from the date of each vesting

4.3 As at the last day of the disclosure period, save as disclosed in this Circular, neither 7digital, nor any of the Directors, nor any member of their immediate families, related trusts or (so far as the Directors are aware) connected persons had an interest, right to subscribe for, or short position in any relevant securities.

4.4 As at the last day of the disclosure period, save as disclosed in this Circular, no person acting in concert with 7digital and no person with whom 7digital or persons acting in concert with 7digital has an arrangement had an interest in, right to subscribe for, or short position in any relevant securities.

4.5 As at the last day of the disclosure period, save as disclosed in this Circular, neither 7digital nor any person acting in concert with 7digital has borrowed or lent (including for these purposes any financial collateral arrangements of the kind referred to in Note 4 to Rule 4.6 of the Code) any relevant 7digital securities.

4.6 As at the last day of the disclosure period, save as disclosed in this Circular, there were no arrangements between 7digital or any person acting in concert with 7digital and any other person.

4.7 There are no incentivisation arrangements proposed between members of the Company's management who are interested in Ordinary Shares and any member of the Concert Party following completion of the Proposals.

5. SIGNIFICANT CHANGE

Save for the matters disclosed in paragraph 8 of Part I of this Circular and the agreements summarised at paragraphs 6.4 and 6.5 of this Part III, there has been no significant change in the financial or trading position of the Company since 30 June 2018, being the end of the last interim period.

As detailed in Part I of this Circular, in the event that Resolutions are not passed and the Subscription and Debt for Equity Swap do not occur and/or the Company is unable to raise the Additional Funds by 31 July 2019, it is unlikely that the Company will be able to continue as a going concern and it is highly likely that the Directors would need (in order to fulfil their duties to the Company's creditors (and to other applicable stakeholders)) to place the Company into administration. Any such administration would be likely to result in little or no value for Shareholders.

6. MATERIAL CONTRACTS ENTERED INTO BY THE COMPANY

The following contracts are all the material contracts (not being contracts entered into in the ordinary course of business) which have been entered into within the two years prior to the date of this Circular by members of the Group:

6.1 *The Subscription Agreement*

On 7 June 2019, the Company and the Consortium entered into a conditional subscription agreement pursuant to which the Consortium agreed to subscribe for the Subscription Shares at the Issue Price and agreed to exchange the outstanding Convertible Loan Notes for Exchange Shares at the Exchange Price.

The Subscription Agreement contains customary warranties and representations from the Company in favour of the Consortium and is conditional upon, *inter alia*, the Resolutions being duly passed at the General Meeting and Admission becoming effective on or before 8.00 a.m. on 26 June 2019 (or such later time and date as the Company and the Consortium shall agree). The Company has agreed to use all reasonable endeavours to procure that the conditions under the Subscription Agreement are satisfied before 4.59 p.m. on 30 June 2019.

No Consortium member shall have any obligations or liabilities to the Company under the Subscription Agreement if the Company materially breaches the terms of the Subscription Agreement and, following receipt of notice from the relevant Consortium member(s) notifying the Company of such material breach, the Company fails to remedy its material breach of the Subscription Agreement. The Company shall have no obligations or liabilities to a Consortium member under the Subscription Agreement if that Consortium member materially breaches the terms of the Subscription Agreement and following receipt of notice from the Company notifying the relevant Consortium member of such breach, the Consortium member fails to remedy its material breach of the Subscription Agreement.

If within 12 months of Admission the Company enters into, or agrees to enter into, a legally binding agreement with any person other than the Investors (the "**Further Subscription Agreement**") to issue new Ordinary Shares for a subscription price lower than the Subscription Price (the "**New Subscription Price**"), the Company undertakes to, as soon as reasonably practicable after entering into the Further Subscription Agreement but in any event prior to issuing the new Ordinary Shares pursuant to the Further Subscription Agreement, subject to the receipt of the relevant subscription monies from each Investor, issue at nominal value a number of Ordinary Shares to each Investor to put that Investor in the position they would have been in had they subscribed for the Subscription Shares issued to them pursuant to the Subscription Agreement at the New Subscription Price, provided that the number of additional Ordinary Shares issued to the Investors shall not exceed 211,377,546 in aggregate (which shall be divided between the Investors pro rata to their existing percentage ownership of the Company's issued share capital) and shall not increase the Investor's percentage

ownership of the Company's issued share capital (save where any such percentage increase does not trigger a mandatory offer under Rule 9 of the Code).

The obligations of the Consortium members under the Subscription Agreement are several, not joint and several.

6.2 **The Relationship Agreement**

The Company, Arden and the Consortium entered into the Relationship Agreement on 7 June 2019 which is conditional upon completion of the Proposals and pursuant to which the Consortium, in its capacity as a substantial Shareholder, has given various undertakings to the Company and Arden regarding the relationship between the Consortium, its associates and the Company.

In particular, the Consortium has agreed to exercise its voting rights so as to procure that, insofar as it is able to do so by the exercise of its voting rights, the Company is capable of carrying on its business independently of the Consortium and its associates.

For so long as the Consortium holds Ordinary Shares representing, in aggregate, 20 per cent. or more of the rights to vote at a general meeting of the Company ("**voting rights**"), the Consortium shall be entitled, subject to the terms of the Relationship Agreement to appoint two directors to the Board (each a "**Nominated Director**"). The Consortium shall continue to have the right to appoint one Nominated Director if it holds Ordinary Shares representing, in aggregate, less than 20 per cent. but more than 10 per cent. of the voting rights.

Save for the provisions relating to the appointment of the Nominated Directors, the Relationship Agreement will terminate if the Consortium and its associates cease to be interested collectively in more than 30 per cent. of the Company's voting share capital from time to time.

6.3 **The Standstill Agreement**

The Company and Magic entered into the Standstill Agreement on 13 May 2019 pursuant to which Magic has agreed not to seek early redemption or conversion of the Convertible Loan Notes before 30 June 2019 except in certain limited circumstances (including a major equity issuance or the insolvency of the Company).

6.4 **Asset Transfer Agreement dated 2 May 2019 (the "ATA")**

On 2 May 2019 the Company and its Danish subsidiary (7digital ApS) entered into the ATA pursuant to which they sold certain select assets and technology and transferred certain staff to TDC A/S ("**TDC**").

The consideration for the transaction was €1.375m in cash, of which €1.0m was paid to 7digital at completion of the transaction on 2 May 2019. The remainder of the cash consideration was retained by TDC to cover certain potential liabilities and will be released by TDC to the Company by no later than 31 January 2020 to the extent that it is not required to meet such liabilities. The consideration is also subject to customary post-closing adjustments.

6.5 **Settlement Agreements dated 28 February 2019 (the "Settlement Agreements")**

On 28 February 2019, the Company and 7digital Limited entered into settlement agreements with each of Juke Entertainment GmbH and Juke Nederland B.V. (together "**Juke**"), wholly owned subsidiaries of Media-Saturn-Holding GmbH ("**MediaMarktSaturn**").

Under the Settlement Agreements, the Company accepted settlement of, and release from, all outstanding contracts and commitments relating to the Juke music service for an immediate payment by Juke of €4,001,000. Further, Juke agreed to write off all interest payments and £250,000 of the principal amount of the Convertible Loan Notes issued to Juke pursuant to the Convertible Loan Note Instrument. The Company agreed to pay the balance of the Convertible Loan Note principal amount of £500,000 from the proceeds of the Settlement Agreements.

The Company also agreed to use its best endeavours to ensure an orderly sale of MediaMarktSaturn's shareholding in the Company.

6.6 **Convertible Loan Note Instrument dated 25 October 2018 (the “Convertible Loan Note Instrument”), Subscription Agreements dated 25 October 2018 (the “2018 Subscription Agreements”) and Deed of Variation dated 13 May 2019 (the “Deed of Variation”)**

On 25 October 2018, the Company constituted £1.5 million worth of convertible loan notes pursuant to the terms of the Convertible Loan Note Instrument. At the same time, the Company entered into the 2018 Subscription Agreements with three shareholders pursuant to which they agreed to subscribe for Convertible Loan Notes.

The Convertible Loan Note Instrument is on standard market terms and the Convertible Loan Notes are convertible into ordinary shares at certain specified times prior to maturity in December 2019. The price at which the principal and interest under the Convertible Loan Note Instrument may be converted into new ordinary shares is calculated by reference to the volume weighted average price of the existing ordinary shares. The maximum number of new ordinary shares which could have been issued pursuant to the conversion of the Convertible Loan Notes is 58,157,529 Ordinary Shares.

Pursuant to the Deed of Variation the Company agreed with the remaining noteholders to vary the terms of the Convertible Loan Note Instrument to permit noteholders to transfer their Convertible Loan Notes.

6.7 **Placing Agreement dated 1 December 2017 (the “2017 Placing Agreement”)**

Pursuant to the terms of the 2017 Placing Agreement, Arden, as agent for the Company, conditionally agreed to use its reasonable endeavours to procure subscribers for 163,405,661 new Ordinary Shares in the capital of the Company with certain institutional and other investors at a price of 4 pence per ordinary share.

The placing was not underwritten by Arden. The Placing Agreement was conditional upon, *inter alia*, the resolutions proposed at the general meeting of the Company held on 18 December 2017 being duly passed.

The 2017 Placing Agreement contained customary warranties from the Company in favour of Arden in relation to, *inter alia*, the accuracy of the information in this Circular and other matters relating to the Group and its business. In addition, the Company agreed to indemnify Arden in relation to certain defined liabilities that it may incur in respect of the placing. Arden had 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 given to Arden in the 2017 Placing Agreement, the failure of the Company to comply in any material respect with any of its obligations under the 2017 Placing Agreement, the occurrence of a force majeure event or a material adverse change affecting the condition, or the earnings or business affairs or prospects of the Company or the Group as a whole.

The 2017 Placing Agreement also provided for the Company to pay all costs, charges and expenses of, or incidental to, the placing and admission including all legal and other professional fees and expenses.

The new Ordinary Shares placed pursuant to the terms of the Placing Agreement were admitted to trading on AIM on 19 December 2017.

6.8 **Subscription Agreements dated 1 December 2017 (the “2017 Subscription Agreements”)**

On 1 December 2017, the Company entered into the 2017 Subscription Agreements with 24-7 Entertainment GmbH, an existing investor, and a new investor, pursuant to which the investors conditionally agreed to subscribe for 36,594,339 new Ordinary Shares at a price of 4 pence per ordinary share. The 2017 Subscription Agreements were conditional upon, *inter alia*, the 2017 Placing Agreement becoming unconditional in all respects and not being terminated.

The new Ordinary Shares subscribed for pursuant to the terms of the 2017 Subscription Agreements were admitted to trading on AIM on 19 December 2017.

6.9 **Acquisition Agreement dated 20 June 2017 (the “Acquisition Agreement”)**

On 20 June 2017, the Company entered into an agreement with MediaMarktSaturn to acquire the business of 24-7 Entertainment GmbH. The Acquisition completed on 21 June 2017.

Pursuant to the Acquisition Agreement, the Company agreed to acquire 100 per cent of 24-7 Entertainment ApS, together with certain other assets from MediaMarktSaturn.

Three year contracts totalling £11 million were agreed for existing services. A contract to the value of £6 million over its lifetime, including an initial set up fee of £1.4 million, was also been agreed with MediaMarktSaturn to develop several new digital music services. Under the terms of the Acquisition Agreement, a proportion of these revenues was agreed to be paid to 7digital within 14 days of completion.

The consideration of £2.2 million was satisfied by the issue of 23,144,616 new Ordinary Shares to MediaMarktSaturn. In addition, the Company agreed to pay an initial cash payment of £0.9 million in respect of the cash which remains on the balance sheet of 24-7 Entertainment GmbH.

7. DIRECTORS' REMUNERATION AND SERVICE AGREEMENTS

The service agreements and letters of appointment for each of the Directors are summarised below and, other than as described, have not been entered into or amended in the six months preceding the publication of this Circular:

- (a) John Aalbers is employed as Chief Executive Officer pursuant to the terms of a service agreement with the Company dated 15 March 2019. The agreement is terminable by either party on not less than six months' written notice. Mr Aalbers is paid a basic annual salary of £240,000 and is entitled to receive a bonus up to a maximum of 100 per cent. of basic salary in the event that the Company achieves certain performance objectives. His basic salary is subject to annual review by the remuneration committee of the Company. In addition, he is entitled to membership of the Company private health insurance and contributory group personal pension schemes. Mr Aalbers is subject to certain non-competition and non-solicitation covenants for a period of 12 months following the termination of his employment. The agreement is governed by English law.
- (b) Julia Hubbard is employed as Chief Financial Officer pursuant to the terms of a service agreement with the Company dated 19 March 2019. The agreement is terminable by either party on not less than six months' written notice. Ms Hubbard is paid a basic annual salary of £180,000 and may receive a bonus at the absolute discretion of the Company. Her basic salary is subject to annual review by the remuneration committee of the Company. In addition, she is entitled to membership of the Company private health and death in service and contributory group personal pension schemes. Ms Hubbard is subject to certain non-competition and non-solicitation covenants for a period of 12 months following the termination of his employment. The agreement is governed by English law.
- (c) Pursuant to the terms of a letter of engagement with the Company dated 2 August 2017, as amended by a remuneration increase letter date 24 January 2018, Sir Donald Cruickshank has agreed to serve as Chairman of the Board and non-executive director of the Company for an annual fee of £54,250. This appointment was initially for a fixed term of one year and subsequently renewed but will terminate automatically if Sir Donald is removed from office by a resolution of Company Shareholders or is not re-elected to office.
- (d) Pursuant to the terms of a letter of engagement with the Company dated 8 April 2015, as amended by a remuneration increase letter date 29 January 2018, Mark Foster has agreed to serve as a non-executive director of the Company for an annual fee of £32,500. This appointment was initially for a fixed term of one year and subsequently renewed but will terminate automatically if Mr Foster is removed from office by a resolution of Company Shareholders or is not re-elected to office.
- (e) Pursuant to the terms of a letter of engagement with the Company dated 24 February 2016, Eric Cohen has agreed to serve as a non-executive director of the Company for an annual fee of £30,000. This appointment was initially for a fixed term of one year and subsequently renewed but will terminate automatically if Mr Cohen is removed from office by a resolution of Company Shareholders or is not re-elected to office.
- (f) Pursuant to the terms of a letter of engagement with the Company dated 24 February 2016, as amended by a remuneration increase letter date 29 January 2018, Anne de Kerckhove Dit Van Der Varent has agreed to serve as a non-executive director of the Company for an annual fee of £32,500. This appointment was initially for a fixed term of one year and subsequently renewed but will terminate automatically if Ms de Kerckhove Dit Van Der Varent is removed from office by a resolution of Company Shareholders or is not re-elected to office.

8. MARKET QUOTATIONS

The following are middle market quotations for the Existing Ordinary Shares, as derived from the AIM Appendix of the Daily Official List of the London Stock Exchange, for the first Business Day of each of the six months set out below and for the latest practicable date prior to the publication of this Circular:

<i>Date</i>	<i>Price per share (pence)</i>
2 January 2019	1.9
1 February 2019	1.05
1 March 2019	1.45
1 April 2019	1.13
1 May 2019	0.19
3 June 2019	0.23
6 June 2019	0.23

9. RATINGS AND OUTLOOKS

As at the date of this Circular the Company has not had any ratings or outlooks publicly accorded to it by ratings agencies.

10. MAJOR SHAREHOLDERS

Insofar as is known to the Company, the following Shareholders (other than any Director) as at the date of this Circular and immediately following Admission will be interested, directly or indirectly, in three per cent. or more of the voting rights in respect of the Company's issued share capital:

<i>Name</i>	<i>As at the date of this Circular</i>		<i>On Admission</i>	
	<i>Number of Existing Ordinary Shares</i>	<i>Percentage of Existing Share Capital (%)</i>	<i>Number of New Shares</i>	<i>Percentage of Enlarged Share Capital (%)</i>
24-7 Entertainment GmbH	48,238,995	11.5	48,238,995	3.5
Amcomri Limited Partnership	43,612,321	10.4	43,612,321	3.2

11. INCORPORATION OF FINANCIAL INFORMATION BY REFERENCE

11.1 The following documents (or parts of documents), which have been filed with the Panel and are available for inspection in accordance with paragraph 13.2 of this Part III, contain information about the Company, which is relevant to this Circular.

11.2 The table below sets out the sections of these documents which are incorporated by reference into, and form part of, this Circular in accordance with Rule 24.15 of the Code, and only the parts of the documents identified in the table below are incorporated into, and form part of, this Circular. The parts of these documents which are not incorporated by reference are either not relevant for Shareholders or are addressed elsewhere in this Circular.

<i>Source document from which information is incorporated into this Circular by reference</i>	<i>Information incorporated by reference</i>	<i>Page number(s) in source document</i>
7digital's interim report for the period ended 30 June 2018	Unaudited financial statements for the period ended 30 June 2018	
7digital's annual report and financial statements for the year ended 31 December 2017	Audited financial statements of 7digital for the financial year ended 31 December 2017 together with the unqualified independent auditor's report thereon	
	Independent auditor's report	22
	Profit and loss account	31
	Balance sheet	32
	Statement of cash flows	33
7digital's annual report and financial statements for the year ended 31 December 2016	Notes to the financial statements	36-65
	Audited financial statements of 7digital for the financial year ended 31 December 2016 together with the unqualified independent auditor's report thereon	
	Independent auditor's report	20
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11.3 A copy of each of the documents incorporated by reference into this Circular is available, free of charge, for downloading or inspection at <http://www.7digital.com/investors>.

12. CONSENT

Arden has given, and has not withdrawn, its consent to the inclusion of its name and references to it in this Circular, in the form and context in which they appear.

13. DOCUMENTS AVAILABLE FOR INSPECTION

13.1 Copies of the following documents will be published on the Company's website at <http://www.7digital.com/investors> and will be available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this Circular at the registered office of the Company and at the place of the General Meeting for 15 minutes prior to the meeting and during the meeting:

13.1.1 the Articles of Association;

13.1.2 the Subscription Agreement;

13.1.3 the Relationship Agreement;

13.1.4 the Consortium Agreement;

13.1.5 the Irrevocable Undertakings;

13.1.6 the New Articles;

13.1.7 the audited financial statements for the financial year ended 31 December 2017;

13.1.8 the unaudited interim report for the period ended 30 June 2018;

13.1.9 the consent letter from Arden;

13.1.10 the material contracts referred to in paragraph 6 of this Part III in so far as they relate to the Proposals; and

13.1.11 this Circular.

13.2 A person who has received this Circular may request a copy of any documents or information incorporated by reference into this Circular. A copy of any such documents or information incorporated by reference into this Circular will not be provided unless requested from the Company Secretary at 69 Wilson Street, London, EC2A 2BB or by telephoning on +44 207 099 7777.

13.3 Save as set out above in this Circular, neither the contents of the Company's website, nor the contents of any website accessible from hyperlinks on the Company's website, is incorporated into, or forms part of, this Circular.

Dated: 7 June 2019

PART IV – DEFINITIONS

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

Act	the Companies Act 2006, as amended;
Additional Funds	certain additional funds being targeted by the Company, being up to £4.5 million to be raised pursuant to a proposed equity placing and/or subscription, being considered following the completion of the Proposals;
Admission	admission to trading on AIM of the Exchange Shares and the Subscription Shares becoming effective in accordance with Rule 6 of the AIM Rules;
AIM	the AIM Market operated by the London Stock Exchange;
AIM Rules	the AIM Rules for Companies published by the London Stock Exchange from time to time;
Arden	Arden Partners plc, the Company's nominated adviser, broker and financial adviser;
Articles of Association	the articles of association of the Company in force as at the date of this Circular;
Board or Directors	the board of directors of the Company;
Business Day	a day other than a Saturday or Sunday or public holiday in England and Wales on which banks are open in London for general commercial business;
Capital Reorganisation	the Sub-Division and such other matters necessary to give effect to the same;
Circular	this document;
Code	the City Code on Takeovers and Mergers, as amended by the Panel from time to time;
Company or 7digital	7digital Group plc, a company incorporated and registered in England and Wales under the Companies Act 1985 with registered number 3958483;
Concert Party	the concert party for the purposes of the Code as more particularly described in Part II of this Circular;
Consortium or Investors	together, Magic and SKH;
Consortium Agreement	the consortium agreement entered into on 7 June 2019 between (1) Magic, (2) SKH and (3) Tamir Koch and summarised in paragraph 4.1 of Part II of this Circular;
Convertible Loan Note Instrument	the convertible loan note instrument dated 25 October 2018 and summarised in paragraph 6.6 of Part III of this Circular;
Convertible Loan Notes	the Convertible Loan Notes, constituted pursuant to the Convertible Loan Note Instrument;

CREST	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the Operator (as defined in the CREST Regulations);
CREST Manual	the CREST manual issued by Euroclear;
CREST member	a person who has been admitted by Euroclear as a system member (as defined in the CREST Regulations);
CREST participant	a person who is, in relation to CREST, a system participant (as defined in the CREST Regulations);
CREST Proxy Instruction	the instruction whereby CREST members send a CREST message appointing a proxy for the General Meeting and instructing the proxy how to vote and containing the information set out in the CREST Manual;
CREST Regulations	the Uncertificated Securities Regulations 2001 (SI 2001/3755);
CREST sponsor	a CREST participant admitted to CREST as a CREST sponsor being a sponsoring system participant (as defined in the CREST Regulations);
CREST sponsored member	a CREST member admitted to CREST as a sponsored member;
Debt for Equity Swap	the proposed debt for equity swap of the outstanding principal and accrued interest of the Convertible Loan Notes in exchange for the Exchange Shares;
Deferred A Shares	the 419,622,489 deferred A shares of 0.99 pence each in the capital of the Company arising pursuant to the Sub-Division;
Deferred Shares	the 115,751,517 existing deferred shares of 9 pence each in the capital of the Company;
Euroclear	Euroclear UK & Ireland Limited, being the operator of CREST;
Enlarged Share Capital	the ordinary share capital of the Company immediately following Admission of the Exchange Shares and the Subscription Shares;
Exchange Price	0.176 pence per Exchange Share, being the effective issue price of the Exchange Shares;
Exchange Shares	the 332,915,704 New Shares to be issued pursuant to the Debt for Equity Swap;
Existing Ordinary Shares	the 419,622,489 Ordinary Shares in issue at the date of this Circular;
Form of Proxy	the form of proxy accompanying this Circular for use by Shareholders in connection with the General Meeting;
FCA	the Financial Conduct Authority;
FSMA	the Financial Services and Markets Act 2000;
General Meeting	the general meeting of the Company, to be held at the offices of Arden Partners PLC, 125 Old Broad Street, London EC2N 1AR at 10.00 a.m. on 25 June 2019, or any adjournment thereof, notice of which is set out at the end of this Circular;

Group	the Company and its subsidiaries and subsidiary undertakings from time to time;
Independent Shareholders	all Shareholders with the exception of any Shareholders who are members of the Concert Party;
Issue Price	0.2 pence per Subscription Share;
Issued Share Capital	the ordinary shares of the Company in issue from time to time;
London Stock Exchange	London Stock Exchange plc;
Magic	Magic Investments S.A., a company incorporated under the laws of Luxembourg and registered with the Luxembourg Register of Commerce and Companies under number B186.943 with its registered address at 33, rue du Puits Romain L-8070 Bertrange, Grand Duchy of Luxembourg;
member account ID	the identification code or number attached to any member account in CREST;
New Articles	the articles of association of the Company, amended to include the rights and restrictions attaching to the Deferred A Shares;
New Ordinary Shares	together, the Exchange Shares and the Subscription Shares;
New Shares	new ordinary shares of 0.01 pence each in the capital of the Company, following completion of the Sub-Division;
Notice of General Meeting	the notice of the General Meeting which appears at the end of this Circular;
Ordinary Shares	means, prior to the Capital Reorganisation, the ordinary shares of one penny each in the capital of the Company or, following the Capital Reorganisation, the ordinary shares of 0.01 pence each in the capital of the Company (as applicable);
Panel	the Panel on Takeovers and Mergers;
Panel Waiver	the waiver by the Panel of the obligation which would otherwise arise under Rule 9 of the Code requiring one or more of the members of the Concert Party to make an offer for the Issued Share Capital of the Company pursuant to Rule 9 of the Code as a result of the issue of the Subscription Shares and the Exchange Shares to the Consortium;
Proposals	means, together, the Capital Reorganisation, the Subscription, the Debt for Equity Swap, the Waiver Proposal and Admission;
Proposed Directors	means each of Tamir Koch and David Lazarus;
Resolutions	the Resolutions to be proposed at the General Meeting, as set out in the Notice of General Meeting;
Rule 9	Rule 9 of the Code;
Shareholders	holders of Ordinary Shares;
SKH	Shmuel Koch Holdings Limited, a company incorporated under the laws of Israel with company number 512962812 and its registered address at 6 Hevra Hadasha Street, Tel Aviv, Israel;

Standstill Agreement	the standstill agreement entered into on 13 May 2019 between the Company and Magic and summarised in paragraph 6.3 of Part III of this Circular;
Subscription	the proposed subscription by the Consortium for the Subscription Shares at the Issue Price, the details of which are set out in this Circular;
Subscription Shares	the 634,132,641 New Shares to be subscribed for by the Consortium pursuant to the Subscription;
Subscription Agreement	the conditional agreement entered into on 7 June 2019 between the Company and the Consortium pursuant to which the Consortium agreed to subscribe for the Subscription Shares at the Issue Price and sets out the terms of the Debt for Equity Swap and summarised in paragraph 6.1 of Part III of this Circular
Sub-Division	the sub-division of each Existing Ordinary Share into one New Share and one Deferred A Share;
UK or United Kingdom	the United Kingdom of Great Britain and Northern Ireland;
UKLA	the UK Listing Authority, being the FCA acting in its capacity as the competent authority for the purposes of Part VI of the FSMA;
uncertificated or uncertificated form	Ordinary Shares which are recorded on the register of members of the Company 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;
Waiver Proposal	the proposals described in paragraph 9 of Part I of this Circular that Independent Shareholders approve, on a poll, the Panel's agreement to waive any obligation on any member of the Concert Party to make a general offer to Shareholders pursuant to Rule 9 that would otherwise arise as a result of the issue and allotment of the New Ordinary Shares to the Consortium pursuant to the Subscription and the Debt for Equity Swap; and
Whitewash Resolution	the resolution numbered 1 set out in the Notice of General Meeting.

NOTICE OF GENERAL MEETING

7DIGITAL GROUP PLC

(Incorporated in and registered in England and Wales under the Companies Act 1985 with registered number 03958483)

NOTICE IS HEREBY GIVEN that a General Meeting of 7digital Group plc (the “**Company**”) will be held at 10.00 a.m. on 25 June at the offices of Arden Partners PLC, 125 Old Broad Street, London EC2N 1AR (the “**Meeting**”) for the purposes of considering and, if thought fit, passing the following resolutions of which Resolutions 1, 2, 4, and 6 will be proposed as ordinary resolutions and Resolutions 3, 5 and 7 will be proposed as special resolutions. Resolution 1 will be taken on a poll of Independent Shareholders in accordance with the requirements of the Panel on Takeovers and Mergers (the “**Panel**”).

In this notice, words and phrases that are defined in the Company’s circular to shareholders dated 7 June 2019 (“**Circular**”) have the same meanings unless the context requires otherwise.

ORDINARY RESOLUTION

1. THAT, the waiver granted by the Panel on Takeovers and Mergers of the obligations which would otherwise arise on the Consortium (as such term is defined in the Circular) to make a general offer to the Shareholders of the Company pursuant to Rule 9 of the City Code on Takeovers and Mergers as a result of the issue to the Consortium of New Ordinary Shares in the Company pursuant to its participation in the Debt for Equity Swap and/or the Subscription (as such terms are defined and described in the Circular) be and is hereby approved by the Independent Shareholders (as defined in the Circular) on a poll.

ORDINARY RESOLUTION

2. THAT, conditional upon the passing of Resolutions 1 and 3, pursuant to article 7.2 of the Articles, each of the issued ordinary shares of one penny each in the capital of the Company (“**Existing Ordinary Share**”) be and is hereby sub-divided into:
 - (a) one new ordinary share of 0.01 pence each in the capital of the Company (“**New Share**”), such shares having the same rights, being subject to the same restrictions and ranking on the same basis (save as to nominal value) as the Existing Ordinary Shares, as set out in the Company’s Articles; and
 - (b) one new deferred A share of 0.99 pence each in the capital of the Company (“**Deferred A Share**”), and the Deferred A Shares will have the rights and be subject to the restrictions set out in the New Articles.

SPECIAL RESOLUTION

3. THAT, conditional upon the passing of Resolution 2, the Articles of Association produced to the meeting marked “Resolution 3” and initialled by the Chairman of the meeting for the purpose of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.

ORDINARY RESOLUTION

4. THAT, conditional upon the passing of Resolutions 1 and 2, the Directors be and they are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006, as amended (the “**Act**”) to exercise all powers of the Company to allot shares in the Company, and grant rights to subscribe for or to convert any security into shares of the Company (such shares, and rights to subscribe for or to convert any security into shares of the Company being “**relevant securities**”) provided that this authority shall be limited to the allotment of:
 - (a) 634,132,641 new ordinary shares of 0.01 pence each in the capital of the Company in connection with the Subscription (as such term is defined in the Circular); and

- (b) 332,915,704 new ordinary shares of 0.01 pence each in the capital of the Company in connection with the Debt for Equity Swap (as such term is defined in the Circular),

and unless previously renewed, revoked, varied or extended, this authority shall expire on the date which is 18 months from the date of the passing of this resolution, except that the Company may at any time before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement as if this authority had not expired.

SPECIAL RESOLUTION

5. THAT, conditional upon the passing of Resolutions 1, 2 and 4, the Directors be and they are empowered pursuant to section 570(1) and 571(1) of the Act, as applicable, to allot equity securities (as defined in section 560 of the Act) of the Company for cash pursuant to the authority of the Directors under section 551 of the Act conferred by Resolution 4, and/or where such allotment constitutes an allotment of equity securities by virtue of section 560(2) of the Act, as if section 561(1) of the Act did not apply to such allotment provided that the power conferred by this resolution shall be limited to the allotment of:
- (a) 634,132,641 new ordinary shares of 0.01 pence each in the capital of the Company in connection with the Subscription; and
- (b) 332,915,704 new ordinary shares of 0.01 pence each in the capital of the Company in connection with the Debt for Equity Swap,

and unless previously renewed, revoked, varied or extended this power shall expire on the date falling 18 months after the date of the passing of this resolution, except that the Company may before the expiry of this power make an offer or agreement which would or might require equity securities to be allotted under this authority after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if this power had not expired.

ORDINARY RESOLUTION

6. THAT, conditional upon the passing of Resolutions 1 and 2, in addition to any equivalent authorities and powers granted to the Directors prior to the passing of this resolution, the Directors be and they are generally and unconditionally authorised pursuant to section 551 of the Act to exercise all powers of the Company to allot shares in the Company, and grant rights to subscribe for or to convert any security into shares of the Company (such shares, and rights to subscribe for or to convert any security into shares of the Company being “**relevant securities**”) up to an aggregate nominal amount of £300,000 provided that, unless previously revoked, varied or extended, this authority shall expire on the date falling 18 months after the date of the passing of this resolution, except that the Company may at any time before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement as if this authority had not expired.

SPECIAL RESOLUTION

7. THAT, conditional upon the passing of Resolutions 1 and 2, in addition to any equivalent authorities and powers granted to the Directors prior to the passing of this resolution, the Directors be and they are empowered to allot equity securities (as defined in section 560 of the Act) of the Company wholly for cash pursuant to the authority of the directors under section 551 of the Act conferred by Resolution 6 above (in accordance with section 570(1) of the Act) and/or by way of a sale of treasury shares (in accordance with section 573 of the Act), in each case as if section 561(1) of the Act did not apply to such allotment provided that the power conferred by this resolution shall be limited to:
- (a) the allotment of equity securities in connection with an offer of, or invitation to apply for, equity securities:
- (i) in favour of holders of ordinary shares in the capital of the Company, where the equity securities respectively attributable to the interests of all such holders are proportionate (as

nearly as practicable) to the respective number of ordinary shares in the capital of the Company held by them; and

- (ii) to holders of any other equity securities as required by the rights of those securities or as the directors otherwise consider necessary,

but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal, regulatory or practical problems arising under the laws or requirements of any overseas territory or by virtue of shares being represented by depository receipts or the requirements of any regulatory body or stock exchange or any other matter whatsoever; and

- (b) the allotment, otherwise than pursuant to sub-paragraph (a) above, of equity securities up to an aggregate nominal value equal to £300,000, and

unless previously revoked, varied or extended, this power shall expire on the date falling 18 months after the date of the passing of this resolution except that the Company may before the expiry of this power make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such an offer or agreement as if this power had not expired.

Dated: 7 June 2019

By order of the Board

Julia Hubbard

Company Secretary

Registered office: 69 Wilson Street, London, EC2A 2BB

Notes:

(1) **Entitlement to attend and vote**

Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 and paragraph 18(c) of the Companies Act 2006 (Consequential Amendments) (Uncertificated Securities) Order 2009, the Company specifies that only those members registered on the Company's register of members at close of business on 21 June 2019 shall be entitled to attend, speak and vote at the General Meeting (or if the meeting is adjourned, those members registered on the register of members of the Company not later than 48 hours before the time fixed for the adjourned meeting). In calculating the period of 48 hours mentioned above no account shall be taken of any part of a day that is not a working day.

(2) **Appointment of proxies**

If you are a member of the Company at the time set out in note (a) above, you are entitled to appoint a proxy or proxies to exercise all or any of your rights to attend, speak and vote (on a show of hands or on a poll) at the General Meeting and you should have received a proxy form with this notice of meeting. You can appoint a proxy only by using the procedures set out in these notes and the notes to the proxy form or electronically at www.signalshares.com, or, if you hold your shares in uncertificated form you may use the CREST electronic proxy appointment service as noted below.

A proxy does not need to be a member of the Company but must attend the General Meeting to represent you. Details of how to appoint the Chairman of the General 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 General Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.

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, please photocopy the proxy form. All forms must be returned together in the same envelope.

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 the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the General Meeting.

(3) **Appointment of proxy using hard copy proxy form**

The notes to the proxy form explain how to direct your proxy how to vote on the resolution or withhold their vote. To appoint a proxy using the proxy form, the form must be:

- (a) completed and signed;
- (b) sent or, during normal business hours only, delivered to Link Asset Services at PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF; and
- (c) received by Link Asset Services no later than 10.00 a.m. on 21 June 2019.

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.

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.

(4) **Appointment of proxy electronically**

As an alternative to completing the hard-copy form of proxy, you can appoint a proxy electronically by visiting www.signalshares.com. You will be asked to enter your Investor Code shown on your share certificate and agree to certain terms and conditions. For an electronic proxy appointment to be valid, your appointment must be received by Link Asset Services not less than 48 hours before the time appointed for holding the General Meeting or adjourned meeting to which it relates.

(5) **Appointment of proxy using CREST electronic proxy appointment service**

CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the General Meeting and any adjournment(s) thereof by utilising 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.

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's 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, Link Asset Services (ID RA10), by 10.00 a.m. on 21 June 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.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland 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 shall be 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.

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.

(6) **Appointment of proxy by joint members**

In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

(7) **Changing proxy instructions**

To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the hard-copy form of proxy and would like to change the instructions using another hard-copy form of proxy, please contact Link Asset Services at PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF, United Kingdom.

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.

(8) **Termination of proxy appointments**

Any appointment under a form of proxy may only be revoked by delivering a notice in writing given by or on behalf of the person by whom or on whose behalf the form of proxy was given to Link Asset Services at PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF.

A notice revoking a proxy appointment only takes effect if it is delivered before:

- (a) the start of the General Meeting or adjourned meeting to which it relates; or*
- (b) (in the case of a poll not taken on the same day as the General Meeting or adjourned meeting) the time appointed for taking the poll to which it relates.*

Appointment of a proxy does not preclude you from attending the General Meeting (or any adjournment thereof) and voting in person. If you have appointed a proxy and attend the General Meeting (or any adjournment thereof) in person, your proxy appointment will automatically be terminated.

(9) **Corporate representatives**

A corporation which is a shareholder can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a shareholder provided that no more than one corporate representative exercises powers over the same Ordinary Shares.

(10) **Verification of identity**

Shareholders, proxies and authorised representatives will be required to provide their names and addresses for verification against the register of members and proxy appointments received by the Company before entering the General Meeting. Each authorised representative must produce proof of his or her appointment, in the form of the actual appointment or a certified copy. Other than this, there are no procedures with which any such persons must comply in order to attend and vote at the General Meeting.

(11) **Electronic address**

You may not use any electronic address provided either in this Notice of General Meeting, or in any related documents (including the Circular and the Form of Proxy), to communicate with the Company for any purposes other than those expressly stated.

(12) **Issued Share Capital and Total Voting Rights**

As at the date of the Circular to which this notice of General Meeting is attached, the Company's issued ordinary share capital comprised 419,622,489 ordinary shares of one penny each. Each Ordinary Share carries the right to one vote at a general meeting of the Company. The Company does not hold any shares in treasury. Therefore, the total number of voting rights in the Company as at the date of the Circular is 419,622,489.

