

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or what action you should take, you should consult your stockbroker, bank manager, solicitor or other appropriate independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended) if you are resident in the United Kingdom or, if not, another appropriately authorised independent financial adviser.

If you have sold or otherwise transferred all of your Ordinary Shares, please immediately forward this Circular and the accompanying Form of Proxy and Link Form to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. However, this Circular should not be mailed, distributed, sent, forwarded to or transmitted in or into any jurisdiction where local laws or regulations may result in a significant risk of civil, regulatory or criminal exposure for the Company if information or documentation concerning the proposals described in this Circular is sent or made available to Shareholders in that jurisdiction. If you have sold only part of your holding of your Ordinary Shares, please contact your stockbroker, bank or other agent through whom the sale or transfer was effected immediately.

Defenx plc

(incorporated in England and Wales under the Companies Act 2006 with registered number 08993398)

Proposed cancellation of admission of the Ordinary Shares to trading on AIM

Re-registration as a private limited company

Adoption of new articles of association

Exit Opportunity for minority shareholders

and

Notice of general meeting

Cancellation and Re-registration are conditional, *inter alia*, on the approval of the Shareholders at the General Meeting by the passing of the relevant Resolutions. Notice of the General Meeting of the Company to be held at the offices of Trowers & Hamlin LLP, 3 Bunhill Row, London EC1Y 8 YZ on 20 December 2019 at 11.00 a.m. is set out at Part IV of this Circular. Whether or not you intend to be present at the General Meeting you are urged to complete and return the enclosed Form of Proxy, in accordance with the instructions printed thereon, so as to be received by the Company's Registrars, SLC Registrars, Elder House, St Georges Business Park, 207 Brooklands Road, Weybridge, Surrey KT13 0TS, as soon as possible and in any event by no later than 11.00 a.m. on 18 December 2019. Completion and return of Forms of Proxy will not preclude Shareholders from attending and voting at the General Meeting in person should they so wish.

The Directors, whose names appear on page 5 of this Circular, accept individual and collective responsibility for the information contained in this Circular (other than the information which describes BV Tech or its intentions, which is the responsibility of BV Tech, and the Recommendation on page 18, which is the responsibility of the Independent Directors), including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Circular for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information. BV Tech accepts responsibility for any information in this circular which describes BV Tech or its intentions. To the best of the knowledge and belief of BV Tech (which has taken all reasonable care to ensure that such is the case), the information in this Circular for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

Strand Hanson, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively for the Company in connection with Cancellation and is not acting for any other person nor will it otherwise be responsible to any person for providing the protections afforded to customers of Strand Hanson, or for advising any other person in respect of Cancellation. Strand

Hanson's responsibilities as the Company's nominated adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of Cancellation. No representation or warranty, express or implied, is made by Strand Hanson as to any of the contents of this Circular (without limiting the statutory rights of any person to whom this Circular is issued). Strand Hanson has not approved the contents of, or any part of, this Circular and no liability whatsoever is accepted by Strand Hanson for the accuracy of any information or opinions contained in this Circular or for the omission of any information.

FORWARD-LOOKING STATEMENTS

This Circular contains forward-looking statements. These relate to the Company's and/or the Group's future prospects, developments and strategies. Forward-looking statements are identified by their use of terms and phrases such as "believe", "could", "envisage", "intend", "anticipate", "seek", "target", "may", "plan", "will" or the negative of those, variations of or comparable expressions, including by references to assumptions. The forward-looking statements in this Circular are based on current expectations and are subject to risks and uncertainties which could cause actual results to differ materially from those expressed or implied by those statements.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Announcement of intention to cancel admission to trading on AIM	7.00 a.m. on 4 November 2019
Announcement providing update regarding Cancellation	7.00 a.m. on 27 November 2019
Announcement of Cancellation and Exit Opportunity	7.00 a.m. on 4 December 2019
Posting of this Circular, Forms of Proxy and Link Form	4 December 2019
Exit Opportunity opens	4 December 2019
Latest time and date for receipt of Forms of Proxy	11.00 a.m. on 18 December 2019
Time and date of General Meeting	11.00 a.m. on 20 December 2019
Announcement of result of General Meeting	by 6.00 p.m. on 20 December 2019
Expected last day of dealings in Ordinary Shares on AIM	6 January 2020
Exit Opportunity closes	1.00 p.m. on 6 January 2020
Announcement of result of Exit Opportunity	By 6.00 p.m. on 6 January 2020
Expected time and date of Cancellation	7.00 a.m. on 7 January 2020
Expected date of Re-registration ⁽³⁾	By 5 February 2020

Notes:

- (1) The dates and times specified are subject to change and will be notified by the Company through a Regulatory Information Service. All references to time are to UK time.
- (2) Cancellation requires the approval of not less than 75 per cent. of the votes cast by Shareholders, whether voting in person or by proxy, at the General Meeting.
- (3) Re-registration requires the approval of not less than 75 per cent. of the votes cast by Shareholders, whether voting in person or by proxy, at the General Meeting.

COMPANY INFORMATION

Directors	Anthony Henry Reeves (<i>Interim Executive Chairman</i>) Raffaele Boccardo (<i>Interim Executive Deputy Chairman</i>) Nic Hellyer (<i>Non-Executive Director</i>) Giorgio Beretta (<i>Non-Executive Director</i>)
Company secretary	Liam O'Donoghue
Registered office	201 Temple Chambers 3-7 Temple Avenue London EC4Y 0DT
Business address	105 Victoria Street London SW1E 6QT
Nominated adviser and sole financial adviser to the Company	Strand Hanson Limited 26 Mount Row London W1K 3SQ
Broker to the Company	W.H. Ireland Limited 24 Martin Lane London EC4R 0DR
Solicitors to the Company	Trowers & Hamblins LLP 3 Bunhill Row London EC1Y 8YZ
Registrars	SLC Registrars Elder House St Georges Business Park 207 Brooklands Road Weybridge Surrey KT13 0TS

INFORMATION SPECIFIC TO THE EXIT OPPORTUNITY

Broker in relation to the Exit Opportunity	W.H. Ireland Limited 24 Martin Lane London EC4R 0DR
Receiving Agent for the Exit Opportunity	Link Market Services Trustees Limited 65 Gresham Street London EC2V 7NQ

DEFINITIONS

The following definitions and technical terms apply throughout this Circular and the accompanying Form of Proxy, unless the context otherwise requires:

“AIM”	the market of that name operated by London Stock Exchange;
“AIM Rules”	the AIM Rules for Companies of London Stock Exchange;
“Bonds”	the Company's £1,250,000, 10 per cent. secured and guaranteed convertible bonds due 2020 created by a bond instrument dated 31 August 2017;
“Broker”	W.H. Ireland Limited;
“Business Day”	a day (other than a Saturday or Sunday or public holiday) on which commercial banks are open for general business in London;
“BV Tech Announcement”	the announcement of the Exit Opportunity, made by BV Tech on the date of this Circular;
“BV Tech Loan Facility”	the loan agreement entered into on 26 November 2019, between BV Tech as lender and the Company as borrower, for the sole purpose of ensuring the Company has sufficient working capital to meet its debts as they fall due, until Cancellation has been effected;
“BV Tech”	BV Tech S.p.A.
“Cancellation”	the proposed cancellation of admission of the Ordinary Shares to trading on AIM as described in this Circular;
“Cancellation Resolution”	resolution 2 of the Resolutions;
“Circular”	this document;
“Company” or “Defenx”	Defenx plc;
“Continuing Directors”	Raffaele Boccardo and Giorgio Beretta;
“CREST”	the electronic systems for the holding and transfer of shares in uncertificated form operated by Euroclear UK & Ireland Limited;
“Directors” or “Board”	the directors of the Company whose names are set out on page 5 of this Circular;
“Exit Opportunity”	the proposal made pursuant to the BV Tech Announcement to purchase the Minority Shareholder's Ordinary Shares at a price of 3 pence per Ordinary Share;
“Form of Proxy”	the form of proxy for use in relation to the General Meeting which accompanies this Circular;
“General Meeting”	the general meeting of the Company to be held at the offices of Trowers & Hamlin LLP, 3 Bunhill Row, London EC1Y 8YZ, on 11.00 a.m. on 20 December 2019;
“Group”	the Company, together with its subsidiaries;
“Independent Directors”	all of the Directors, other than Raffaele Boccardo;

“Link Form”	the form provided by the Receiving Agent, which is appended to this document, in relation to participation in the Exit Opportunity for those Shareholders without a broker;
“London Stock Exchange”	London Stock Exchange plc;
“Market Abuse Regulation”	the Market Abuse Regulations (EU) No. 596/2014;
“Minority Shareholders”	the holders of the 12,744,044 Ordinary Shares not currently owned by BV Tech;
“New Articles”	the new articles of association of Defenx to be adopted following the passing of the Re-registration Resolution;
“Ordinary Shares”	ordinary shares of £0.018 each in the capital of the Company;
“Panel”	the UK Panel on Takeovers and Mergers;
“Receiving Agent”	Link Market Services Trustees Ltd, trading as Link Asset Services;
“Regulatory Information Service”	has the meaning given to it in the AIM Rules;
“Registrar”	SLC Registrars;
“Re-registration”	the re-registration of Defenx as a private limited company and the consequential adoption of the New Articles;
“Re-registration Resolution”	resolution 3 of the Resolutions;
“Relationship Agreement”	The relationship agreement between the Company and BV Tech, dated 11 April 2017;
“Resolutions”	the resolutions proposed to be passed at the General Meeting;
“Shareholder”	a holder of Ordinary Shares;
“Strand Hanson”	Strand Hanson Limited;
“Takeover Code”	the City Code on Takeovers and Mergers;
“UK”	the United Kingdom of Great Britain and Northern Ireland; and
“WH Ireland”	W.H. Ireland Limited.

PART I – LETTER FROM THE INTERIM EXECUTIVE CHAIRMAN

Defenx plc

(incorporated in England and Wales under the Companies Act 2006 with registered number 8993398)

Directors:

Anthony Henry Reeves (*Interim Executive Chairman*)
Raffaele Boccardo (*Interim Executive Deputy Chairman*)
Nic Hellyer (*Non-Executive Director*)
Giorgio Beretta (*Non-Executive Director*)

Registered Office:

201 Temple Chambers
3-7 Temple Avenue
London EC4Y 0DT

4 December 2019

To Shareholders (and for information purposes only, to holders of options, warrants and the Bonds)

Proposed Cancellation, Re-registration and New Articles, Exit Opportunity and Notice of General Meeting

Dear Shareholder

1 Introduction

The Company announced on 4 November 2019 its intended cancellation of admission of the Ordinary Shares to trading on AIM and provided a further update to the market on 27 November 2019. The Company's announcement of earlier today provides further details of the Cancellation and Re-registration and also provides details of the Exit Opportunity, which was announced by BV Tech earlier today.

Following discussions with BV Tech, the Company's majority shareholder, the Directors believe that it is in the best interests of the Company to seek Cancellation and Re-registration. This letter sets out the reasons for, and implications of, Cancellation and Re-registration and provides further details on the process for Cancellation, Re-registration, Exit Opportunity and an update on current trading.

Cancellation and Re-registration are conditional upon the respective Resolutions being passed at the General Meeting to be held at 11.00 a.m. on 20 December 2019, notice of which is set out at Part IV of this Circular.

2 Background to and reasons for Cancellation

On 30 September 2019, the Company announced its interim financial results for the six months ended 30 June 2019. As mentioned in that announcement, Strand Hanson had given the Company notice of its resignation as nominated adviser to the Company, to take effect at the close of business on 4 November 2019. Despite the Board's efforts to appoint a replacement nominated adviser prior to that date, it became apparent to the Board that any such appointment would not be possible within the timeframe left to the Company prior to the Ordinary Shares becoming suspended and then cancelled pursuant to Rule 1 of the AIM Rules.

The Board accordingly agreed with Strand Hanson that, in order to implement an orderly cancellation of admission of the Ordinary Shares to trading on AIM, Strand Hanson would continue as the Company's nominated adviser until Cancellation, provided this takes place prior to 13 January 2020.

The Board, having considered the various options available to the Group, have concluded that Cancellation is now the only viable option for the Company. In reaching this conclusion, the Directors have considered, among others, the following principal factors:

- BV Tech has, for over a year, been the sole provider of finance to the Group. In the event that BV Tech had not provided such finance, it is likely that the Group would not have had sufficient funding and would likely not have been able to continue trading. In light of the relatively small market capitalisation of the Company and the limited liquidity in its Ordinary Shares, it is unlikely that the Company will be able to attract material new investment from third party equity investors (i.e. investors with no current connection to the Company). This is compounded by the historic challenges faced by the Group and the current market conditions. The Group's ability to continue as a going concern is therefore currently dependent exclusively upon BV Tech's continued willingness to provide financial support;
- whilst BV Tech has entered into the BV Tech Loan Facility, in order to provide the necessary funds for the Company to meet its debts as they fall due, until Cancellation has been effected, the Company has no visibility at this stage as to whether BV Tech will continue to provide financial support to the Company going forward;
- the considerable costs, management time and the legal and regulatory burden associated with maintaining the Company's admission to trading on AIM are, in the Directors' opinion, materially disproportionate to the benefits to the Company in its current position, and Cancellation will enable the Company significantly to reduce administrative costs;
- with regard to the costs associated with maintaining the Company's admission to trading on AIM in particular, even though these have been, so far as reasonably possible, controlled and minimised by the Company, the Directors believe that these funds could be better utilised for the benefit of the Company;
- the shareholding structure of the Company is such that there is both a limited free float and limited liquidity in the Ordinary Shares, with the consequence that the AIM quotation does not offer investors the opportunity to trade in meaningful volumes or with frequency within an active market; and
- in the event that the Group sought to expand its business through corporate activity, given the current size of the Company, any acquisition would likely be treated as a reverse takeover under the AIM Rules, which would result in significant costs for the Company and require considerable management time to execute, as well as being potentially unattractive to the vendors of such acquisition targets.

Following careful consideration and discussion with BV Tech, the Company's majority shareholder, the Directors believe that it is in the best interests of the Company and Shareholders as a whole to seek Cancellation at the earliest opportunity.

3 Exit Opportunity

As at the close of business on 3 December 2019 (being the latest practicable date prior to the publication of this Circular):

- BV Tech holds an interest in 25,964,850 Ordinary Shares representing 67.1 per cent. of the existing issued Ordinary Shares and voting rights in the Company; and
- the Minority Shareholders hold, in aggregate, 12,744,044 Ordinary Shares in the Company.

As BV Tech currently holds more than 50 per cent. of the Company's currently issued share capital, it is able to acquire further interests in Ordinary Shares without incurring any obligation to

make a general offer to all shareholders under Rule 9 of the Takeover Code.

Both the Board and BV Tech continue to have significant regard to the situation of the Minority Shareholders and recognise that cancelling the trading of the Ordinary Shares on AIM will make it considerably more difficult for Ordinary Shareholders to sell or buy Ordinary Shares should they wish to do so. Accordingly, BV Tech has agreed with the Company that it would provide the Exit Opportunity to Minority Shareholders.

The terms of the Exit Opportunity are:

- **a purchase price of 3 pence per Ordinary Share (representing a 253 per cent. premium to the closing mid-market price per Ordinary Share on 3 December 2019, being the latest practicable date prior to the publication of this Circular and a 8 per cent. premium to the 3 month VWAP per Ordinary Share on 1 November 2019, being the last practicable date prior to announcement of the Cancellation);**
- **the Exit Opportunity shall remain open from 7.00 a.m. on 4 December 2019 until 1.00 p.m. on 6 January 2020; and**
- **any sale of Ordinary Shares by Minority Shareholders will be free of trading costs to the seller applied by the Receiving Agent or WH Ireland on behalf of BV Tech or the Company, which will be borne by BV Tech.**

Minority Shareholders who wish to sell their Ordinary Shares to BV Tech pursuant to the Exit Opportunity should refer to paragraph 4 below.

Minority Shareholders do not have to sell any Ordinary Shares if they do not wish to do so. However, Minority Shareholders who elect not to sell their Ordinary Shares pursuant to the Exit Opportunity or otherwise in the market by other means prior to Cancellation will, on completion of Cancellation, hold Ordinary Shares in a private limited company.

Furthermore, as set out in paragraph 7 below, there will be no market facility for dealing in the Ordinary Shares after Cancellation and no price will be publicly quoted for the Ordinary Shares.

The Board also notes that if, pursuant to the Exit Opportunity (or otherwise), BV Tech was to hold an interest in Ordinary Shares representing 75 per cent. or more of the Company's issued share capital it would be in a position to pass special resolutions of the Company. Accordingly, if BV Tech, pursuant to the Exit Opportunity, holds more than 75 per cent. of the Ordinary Shares at the time of the General Meeting, it will be able to pass the Cancellation Resolution and the Re-registration Resolution.

4 How to participate in Exit Opportunity

WH Ireland has been instructed by BV Tech to purchase Ordinary Shares on its behalf on the terms detailed above in respect of the Exit Opportunity. Minority Shareholders wishing to participate in the Exit Opportunity should contact the relevant person, as follows:

Contact for Minority Shareholders with a broker

Minority Shareholders deemed to be 'professional clients' in accordance with the Financial Conduct Authority's Conduct of Business Sourcebook, Chapter 3.5, or those with a broker defined under the same terms, should contact WH Ireland or instruct their broker using the following contact details:

Contact: Melvyn Brown (Sales & Trading, WH Ireland), telephone: +44 (0)20 7220 1666

Contact for Minority Shareholders without a broker

Minority Shareholders without a broker or deemed to be 'retail clients' under the Financial Conduct Authority's Conduct of Business Sourcebook, Chapter 3.4, should contact the Receiving Agent using the following details, who will be able to purchase Ordinary Shares on the terms detailed above, on behalf of BV Tech. In order to sell Ordinary Shares via the Receiving Agent, Minority Shareholders are requested to view the Link Form appended to this document which is also included with the Circular on the Company's website.

Contact: Link Corporate Dealing Team, telephone: +44 (0)20 3728 5868, email: ced@linkgroup.co.uk

5 Re-registration

Following the proposed Cancellation, the Board believes that the requirements and associated costs of the Company maintaining its public company status will be difficult to justify and that the Company will benefit from the more flexible requirements and lower overhead costs associated with private limited company status. It is therefore proposed to re-register the Company as a private limited company.

In connection with the Re-registration, it is proposed that the New Articles be adopted to reflect the change in the Company's status to a private limited company. The principal effects of the adoption of the New Articles on the rights and obligations of Shareholders and the Company are summarised in Part II of this Circular and a blackline version of the New Articles, showing the proposed amendments to the Company's existing articles of association, is available on the Company's website at the following link (and will also be available for inspection at the General Meeting): <https://investors.defenx.com>.

Subject to and conditional upon the Cancellation and the passing of the Re-registration Resolution, application will be made to the Registrar of Companies for the Company to be re-registered as a private limited company. Re-registration will take effect when the Registrar of Companies issues a certificate of incorporation on Re-registration. The Registrar of Companies will not issue the certificate of incorporation on Re-registration until the Registrar of Companies is satisfied that no valid application can be made to cancel the resolution to re-register as a private limited company.

6 Process for Cancellation and Re-registration

Under the AIM Rules, it is a requirement that Cancellation must be approved by not less than 75 per cent. of votes cast by Shareholders at a general meeting. Under the Companies Act 2006, it is a requirement that Re-registration and adoption of the New Articles must be approved by not less than 75 per cent. of votes cast by shareholders at a general meeting. Accordingly, the Notice of General Meeting set out at Part IV of this Circular contains special resolutions to approve Cancellation, Re-registration and the adoption of the New Articles.

Furthermore, Rule 41 of the AIM Rules requires any AIM company that wishes London Stock Exchange to cancel the admission of its shares to trading on AIM to notify shareholders and to separately inform London Stock Exchange of its preferred cancellation date at least 20 Business Days prior to such date. In accordance with AIM Rule 41, the Directors have notified London Stock Exchange of the Company's intention, subject to the Cancellation Resolution being passed at the General Meeting, to cancel the Company's admission of the Ordinary Shares to trading on AIM on 7 January 2020. Cancellation will not take effect until at least five clear Business Days have passed following the passing of the Cancellation Resolution.

If the Cancellation Resolution is passed at the General Meeting, it is proposed that the last day of trading in Ordinary Shares on AIM will be 6 January 2020 and that Cancellation will take effect at 7.00 a.m. on 7 January 2020.

If the Re-registration Resolution is passed at the General Meeting and the Registrar of Companies issues a certificate of incorporation on Re-registration, it is anticipated that the Re-registration will become effective by 5 February 2020.

As set out below, BV Tech, the Company's largest shareholder, which is currently interested in approximately 67.1 per cent. of the Ordinary Shares, has given an irrevocable undertaking to vote in favour of the Resolutions. Accordingly, the Directors believe it is likely that the Resolutions will be passed at the General Meeting. This does not, however, preclude Shareholders from attending and voting (whether in person or proxy) at the General Meeting.

7 Principal effects of Cancellation

The principal effects that Cancellation will have on Shareholders include the following:

- **Bond instrument**

Cancellation constitutes an event of default under the bond instrument, dated 31 August 2017 creating the Bonds.

Where there has been such an event of default, the Security Trustee (as defined in such bond instrument) may at its discretion (or must if so directed by the requisite number of bondholders, being one-quarter in principal amount of the outstanding Bonds or not less than 75 per cent. of the votes cast at a meeting of bondholders) give notice to the Company that the Bonds are immediately repayable at their principal amount together with accrued interest.

The Company has notified the Security Trustee and bondholder that Cancellation (which is subject to Shareholders passing the Cancellation Resolution at the General Meeting) constitutes an event of default and it awaits a response.

The Continuing Directors are considering, together with BV Tech, the Company's options should it be required to settle all outstanding monies due under the bond instrument and the implications for the Company of not being in a position to finance such settlement (which would currently be the case) in the context of the trust deed entered into on 31 August 2017 between the Company, Defenx Italia Srl, Defenx SA and the Security Trustee and the guarantee and debenture entered into by the same parties on even date. Where the Company is unable to meet its liabilities under these agreements, the Security Trustee may seek to enforce its security.

- **Relationship Agreement**

The Relationship Agreement between the Company and BV Tech dated 11 April 2017 shall terminate on Cancellation, with the effect that, *inter alia*, there shall be no ongoing contractual obligation upon BV Tech to ensure that the Company carries on its business independently of BV Tech or that transactions and relationships between BV Tech and the Company are at arm's length and on normal commercial terms.

- **Trading, transferability and value of the Ordinary Shares**

Following Cancellation, there will no longer be a formal market mechanism enabling Shareholders to trade their Ordinary Shares on AIM (or any other recognised market or trading exchange).

While the Ordinary Shares will remain freely transferable, there will be no trading facility in place post Cancellation and the Ordinary Shares will be more difficult to sell compared to shares of companies traded on AIM (or any other recognised market or trading exchange).

It may also be more difficult for Shareholders to determine the market value of their investment in the Company at any given time.

- **Loss of regulatory protection**

Following Cancellation and Re-registration, the Company will be a private limited company registered with the Registrar of Companies in England and Wales in accordance with and subject to the Companies Act 2006 and the New Articles.

The Company will no longer be required to comply with the AIM Rules (and accordingly, Shareholders will no longer be afforded the protections given by the AIM Rules). In particular:

- the Company will not be required to make any public announcements of material events, announce its interim or final results, comply with any of the corporate governance practices applicable to AIM companies, announce substantial transactions and related party transactions, comply with the requirement to obtain shareholder approval for reverse takeovers and fundamental changes in the Company's business, or maintain a website containing the information required by the AIM Rules;
- Strand Hanson will cease to be the Company's nominated adviser and the Company will cease to retain a nominated adviser; and
- WH Ireland will cease to be the Company's broker and the Company will cease to retain a broker.

The Company will no longer be subject to the Market Abuse Regulation regulating inside information.

The Company will no longer be subject to the Disclosure Guidance and Transparency Rules and will therefore no longer be required to publicly disclose major shareholdings in the Company (save as required by the Companies Act 2006).

The Company will no longer be subject to the Takeover Code, in relation to which further details are set out in paragraph 8 below.

- **Director and company secretary resignations**

Anthony Reeves and Nic Hellyer have each signed an agreement with the Company, dated 3 December 2019, confirming their resignation as Directors with effect from Cancellation. In the case of Anthony Reeves, he shall also resign as a director of Defenx Italia Srl.

Further, upon the Re-registration becoming effective, Liam O'Donoghue will resign as the Company's company secretary.

The Company shall make payments to Anthony Reeves and Nic Hellyer upon Cancellation, and to One Advisory Group Limited in lieu of their respective contractual obligations relating to notice of termination.

The Continuing Directors wish to record their gratitude to Anthony Reeves and Nic Hellyer for their support and stewardship of the Company, in the case of Anthony Reeves since before the Company's admission to AIM.

Following Cancellation, the Continuing Directors shall review the Company's requirements for further appointments to the Board.

- **CREST**

The Company's CREST facility will be cancelled and, although the Ordinary Shares will remain transferable, they will cease to be transferable through CREST. Shareholders who hold Ordinary Shares in CREST will receive share certificates.

- **Website**

The Board intends to continue to maintain the Company's website (<https://investors.defenx.com>) and to post updates on that website from time to time, although as described above, Shareholders should be aware that there will be no obligation on the Company to include the information required under Rule 26 of the AIM Rules or to make announcements and/or update the website as required by the AIM Rules.

- **Tax**

Cancellation might have either positive or negative taxation consequences for Shareholders (Shareholders who are in any doubt about their tax position should consult their own professional independent adviser immediately).

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

8 Takeover Code

The Takeover Code currently applies to the Company. Following the Cancellation, the Company will cease to be subject to the Takeover Code, as a result of a majority of the Board ceasing to be resident in the UK, Channel Islands or Isle of Man. This may change should the Board appoint additional directors to the Company and a majority of the Board is again resident in the UK, Channel Islands or Isle of Man.

Should the Company become subject to the Takeover Code upon such appointments, then following Re-registration, the Company would be subject to its terms for a period of 10 years following the Cancellation (however, the Takeover Code may cease to apply earlier, if a majority of the Board again ceases to be resident in the UK, Channel Islands or Isle of Man).

A summary of the protections afforded to Shareholders by the Takeover Code, which will be lost on Cancellation and Re-registration is set out in Part III of this Circular.

9 Future Strategy of the Group

Following Cancellation, the Continuing Directors, in consultation with BV Tech, will further consider the Group's strategy. Based on the Continuing Directors' understanding of BV Tech's current intentions, this may include potential acquisitions over the next twelve to eighteen months. Any such acquisitions would likely be funded by the issuance of new shares in the Company. However, BV Tech's considerations remain at a very preliminary stage and there can be no guarantee that any acquisitions will occur during this twelve to eighteen month period or at all, and/or that BV Tech's intentions will not change.

10 Current trading

Since the Company's interim results for the six months ended 30 June 2019, announced on 30 September 2019, the Group has continued and continues to be reliant on the financial support of BV Tech. In addition to the BV Tech Loan Facility announced on 27 November 2019, the Group has also received advanced payment of the final two quarterly payments of, in aggregate, €300,000 under BV Tech's commitment to purchase Defenx's products, and has now received the €1.2 million due in full.

As set out in the interims, the Board also continues to believe that investment in the Group's next generation products is coming to fruition, with products now available for sale to corporate and private users of computers and smartphones. Marketing and sales to third parties continues to be primarily channelled through BV Tech, where several major contracts continue to be actively pursued.

Payments have now been made to the Swiss tax authorities in respect of the Company's Swiss subsidiary in relation to the 2016 assessment and, following drawdown of the BV Tech Loan Facility, the Company intends to then settle the 2017 assessment. Further to the Company's announcement of 27 November 2019, the Board confirms that the Company has appealed the amount for 2017 and, having taken advice, believes that the quantum due is significantly lower than that sought by the Swiss tax authorities. The Company also notes that the Swiss tax authorities have indicated that they will seek to review the subsidiary's 2018 filings.

The service agreement entered into between Defenx Italia Srl and BV Tech announced on 9 April 2019 is due to expire on 31 December 2019. The Company intends to extend this agreement for 2020, on terms to be agreed, following Cancellation.

11 General Meeting actions to be taken

Cancellation, Re-registration and the adoption of the New Articles requires the passing of the Cancellation Resolution and the Re-registration Resolution at the General Meeting.

The Company also proposed Resolutions 1 and 4, which will be proposed as an ordinary resolution, and a special resolution, respectively. Such Resolutions authorise the Directors of the Company, subject to and conditional upon Cancellation becoming effective, to allot Ordinary Shares up to an aggregate nominal value of £2,500,000 and to do so dis-applying the statutory pre-emption rights.

Notice of the General Meeting to be held at the offices of Trowers & Hamlins LLP, 3 Bunhill Row, London EC1Y 8 YZ on 20 December 2019 at 11.00 a.m. is set out at Part IV of this Circular.

Whether or not you propose to attend the General Meeting, you are requested to complete the Form of Proxy in accordance with the instructions printed thereon and return it, duly signed, together with any power of attorney under which it is executed, as soon as possible but in any event so as to arrive not later than 11.00 a.m. on 18 December 2019. Completion and return of a Form of Proxy will not preclude a member from attending and voting at the General Meeting should they wish.

12 Irrevocable undertakings

The Board has received an irrevocable undertaking from BV Tech (representing approximately 67.1 per cent. of the Ordinary Shares), to vote in favour of the Resolutions. Accordingly, the Directors believe it is likely that the Resolutions will be passed at the General Meeting.

13 Recommendation

The Board considers Cancellation, the Re-registration and the adoption of the New Articles to be in the best interests of Shareholders as a whole. Accordingly, the Board recommends that Shareholders vote in favour of the Resolutions, as they have undertaken to do in respect of their own holdings of Ordinary Shares and Ordinary Shares under their control representing, in aggregate, approximately 67.1 per cent. of the issued share capital of the Company.

The Independent Directors consider it appropriate that those Minority Shareholders who are unable or unwilling to hold shares in the Company following Cancellation should be given an opportunity to realise their investment under the Exit Opportunity. However, the Independent Directors make no recommendation to Minority Shareholders in relation to their participation in the Exit Opportunity and recommend that all Minority Shareholders consult their duly authorised independent advisers before they make a decision as to whether to sell some, all, or none of their Ordinary Shares, in order to obtain advice relevant to their particular circumstances.

Nevertheless, Shareholders should, when making their decision whether or not to avail themselves of the Exit Opportunity, bear in mind, *inter alia*, the following:

- The loss of the listing, and resultant liquidity, should Cancellation take effect;
- The loss of the protections of the AIM Rules, particularly with regard to approvals and disclosure obligations, should Cancellation take effect;
- The loss of the protections of the Takeover Code, should Cancellation take effect;
- The 253 per cent. premium that the Exit Opportunity represents to the price per Ordinary Share on 3 December 2019, being the last practicable date prior to publication of this Circular;
- The 8 per cent. premium that the Exit Opportunity represents to the 3 month VWAP per Ordinary Share on 1 November 2019, being the last practicable date prior to announcement of Cancellation;
- The fact that Cancellation, should it occur, constitutes an event of default under the Bond Instrument; and
- That, should BV Tech, pursuant to the Exit Opportunity, hold more than 75 per cent. of the Ordinary Shares it will be able to pass Ordinary and Extraordinary Resolutions and, in addition, will no longer be bound by the Relationship Agreement.

In addition, Shareholders should be aware that I will be selling my shareholding in the Company of 31,250 Ordinary Shares, equivalent to approximately 0.1 per cent. of the Company's issued share capital, through the Exit Opportunity. Please note that none of the other Independent Directors hold shares in the Company.

Yours sincerely

Anthony Henry Reeves
Interim Executive Chairman

PART II – PRINCIPAL CHANGES ARISING FROM THE NEW ARTICLES

1 Accounts

A public company is required to file its accounts within six months following the end of its financial year and then to circulate copies of the accounts to Shareholders. Following the Re-registration and the adoption of the New Articles, the period for the preparation of accounts is extended to nine months following the end of the financial year. The Company will still be required to circulate accounts to Shareholders (although the period for doing so is extended for private companies).

2 General meetings and resolutions

A public company is required to hold an annual general meeting of Shareholders each year, whereas a private company is not. Therefore, following the Re-registration and the adoption of the New Articles the Company will not hold annual general meetings.

In addition, after the Re-registration, resolutions of the Shareholders of the Company may be obtained via written resolutions, rather than via physical meetings. This is done by obtaining the approval in writing to that resolution of the holders of a majority of voting shares then in issue (in the case of ordinary resolutions) and the holders of 75 per cent. of the voting shares then in issue (in the case of special resolutions).

3 Directors

The Company's existing articles of association contain provisions requiring each Director to retire from office at the at the third annual general meeting after the annual general meeting or general meeting (as the case may be) at which he was appointed or last re appointed. These provisions have been removed in the New Articles.

4 Issue of shares for non-cash consideration

As a public company, there are restrictions on the ability of the Company to issue new shares, for example, by requiring the Company to obtain a valuation report in the case of shares issued for non-cash consideration. These restrictions will not apply following the Re-registration and adoption of the New Articles.

5 Refusal to register a share transfer

The Board will in the New Articles have absolute discretion to refuse to register any share transfer that is not made in accordance with the share transfer provisions in the New Articles (whether the share is paid up or not).

6 Financial assistance, reductions of capital and purchase of own shares out of capital

As a public limited company, the Company is currently prohibited from performing actions which constitute financial assistance for the acquisition of its own shares. This limits the ability of the Company to engage in certain transactions. However, following the Re-registration, these restrictions will no longer apply.

In addition, the Company must currently obtain the sanction of the Court for any reduction of capital, which can be a lengthy and expensive process. However, following the Re-registration, the Company will be able to take advantage of more flexible provisions applicable to private companies, which do not require the approval of the Court. Similarly, following Re-registration, the Company will be able to effect buy backs of shares out of capital, which it is currently prohibited from doing as a public limited company.

7 Company Secretary

As a public company, the Company is required to appoint a company secretary. There is no such requirement for private company although the Company may appoint one should it wish.

8 Removal of unnecessary provisions and simplification

The New Articles will not contain many of the detailed provisions of the existing articles of association which are common for listed companies, and which will not be necessary for the Company following the Cancellation. Many of these provisions duplicate provisions of company law or can be simplified.

These include provisions relating to:

- (a) the form of resolutions;
- (b) the Company's previous deferred share class;
- (c) uncertified shares; and
- (d) the requirement to keep accounting records.

PART III – THE TAKEOVER CODE

The Takeover Code currently applies to the Company. Following the Cancellation, the Company will cease to be subject to the Takeover Code as a result of a majority of the Board ceasing to be resident in the UK, Channel Islands or Isle of Man. This may change should the Board appoint additional directors to the Company and a majority of the Board is again resident in the UK, Channel Islands or Isle of Man.

Should the Company become subject to the Takeover Code upon such appointments, then following Re-registration, the Company would be subject to its terms for a period of 10 years following the Cancellation (however, the Takeover Code may cease to apply earlier, if a majority of the Board ceases to be resident in the UK, Channel Islands or Isle of Man).

Shareholders should note that, if the Cancellation becomes effective, they will not receive the protections afforded by the Takeover Code in the event that there is a subsequent offer to acquire their Ordinary Shares.

Brief details of the Panel, the Takeover Code and the protections given by the Takeover Code are described below.

Before giving your consent to the Re-registration of the Company as a private company, you may want to take independent professional advice from an appropriate independent financial adviser.

The Takeover Code

The Takeover Code is issued and administered by the Panel. The Company is a company to which the Takeover Code currently applies and its Shareholders are accordingly currently entitled to the protections afforded by the Takeover Code.

The Takeover Code and the Panel operate principally to ensure that shareholders are treated fairly and are not denied an opportunity to decide on the merits of a takeover and that shareholders of the same class are afforded equivalent treatment by an offeror. The Takeover Code also provides an orderly framework within which takeovers are conducted. In addition, it is designed to promote, in conjunction with other regulatory regimes, the integrity of the financial markets.

The General Principles and Rules of the Takeover Code

The Takeover Code is based upon a number of general principles (the "General Principles") which are essentially statements of standards of commercial behaviour. For your information, these General Principles are set out in Part 1 of Appendix A of this Part III. The General Principles apply to all transactions with which the Takeover Code is concerned. They are expressed in broad general terms and the Takeover Code does not define the precise extent of, or the limitations on, their application. They are applied by the Panel in accordance with their spirit to achieve their underlying purpose.

In addition to the General Principles, the Takeover Code contains a series of rules (the "Rules"), of which some are effectively expansions of the General Principles and examples of their application and others are provisions governing specific aspects of takeover procedure. Although most of the Rules are expressed in more detailed language than the General Principles, they are not framed in technical language and, like the General Principles, are to be interpreted to achieve their underlying purpose. Therefore, their spirit must be observed as well as the letter of the Rules. The Panel may derogate or grant a waiver to a person from the application of a Rule in certain circumstances.

Giving up the protection of the Takeover Code

A summary of key points regarding the application of the Takeover Code to takeovers generally is set out in Part 2 of Appendix A of this Part III.

You are encouraged to read this information carefully as it outlines certain important protections which will cease to apply following Cancellation.

APPENDIX A

Part 1: The General Principles of the Takeover Code

All holders of the securities of an offeree company of the same class must be afforded equivalent treatment; moreover, if a person acquires control of a company, the other holders of securities must be protected.

The holders of the securities of an offeree company must have sufficient time and information to enable them to reach a properly informed decision on the bid; where it advises the holders of securities, the board of the offeree company must give its views on the effects of implementation of the bid on employment, conditions of employment and the locations of the company's places of business.

The board of an offeree company must act in the interests of the company as a whole and must not deny the holders of securities the opportunity to decide on the merits of the bid.

False markets must not be created in the securities of the offeree company, of the offeror company, or of any other company concerned by the bid in such a way that the rise or fall of the prices of the securities becomes artificial and the normal functioning of the markets is distorted.

An offeror must announce a bid only after ensuring that he/she can fulfil in full any cash consideration, if such is offered, and after taking all reasonable measures to secure the implementation of any other type of consideration.

An offeree company must not be hindered in the conduct of its affairs for longer than is reasonable by a bid for its securities.

Part 2: Detailed application of the Takeover Code

The following is a summary of key provisions of the Takeover Code which apply to transactions to which the Takeover Code applies. You should note that after the Cancellation you will be giving up protections afforded by the Takeover Code.

Equality of treatment

General Principle 1 of the Takeover Code states that all holders of securities of an offeree company of the same class must be afforded equivalent treatment. Furthermore, Rule 16.1 requires that, except with the consent of the Panel, special arrangements may not be made with certain shareholders in the Company if there are favourable conditions attached which are not being extended to all shareholders.

Information to shareholders

General Principle 2 requires that holders of securities of an offeree company must have sufficient time and information to enable them to reach a properly informed decision on a bid. Consequently, a document setting out full details of an offer must be sent to the offeree company's shareholders.

The opinion of the offeree board and independent advice

The board of the offeree company is required by Rule 3.1 of the Takeover Code to obtain competent independent advice as to whether the financial terms of an offer are fair and reasonable and the substance of such advice must be made known to its shareholders. Rule 25.2 requires that the board of the offeree company must send to the offeree company's shareholders and persons with information rights its opinion on the offer and its reasons for forming that opinion. That opinion must include the board's views on: (i) the effects of implementation of the offer on all the company's interests, including, specifically, employment; and (ii) the offeror's strategic plans for the offeree company and their likely repercussions on employment and the locations of the offeree company's places of business.

The circular from the offeree company must also deal with other matters such as interests and recent dealings in the securities of the offeror and the offeree company by relevant parties and whether the directors of the offeree company intend to accept or reject the offer in respect of their own beneficial shareholdings.

Rule 20.1 states that, except with the consent of the Panel or as provided in the Notes on Rule 20.1, information and opinions relating to an offer or a party to an offer must be made equally available to all offeree company shareholders and persons with information rights as nearly as possible at the same time and in the same manner.

Optionholders and holders of convertible securities or subscription rights

Rule 15 of the Takeover Code provides that when a Takeover Code offer is made for voting equity share capital or other transferable securities carrying voting rights and the offeree company has convertible securities outstanding, the offeror must make an appropriate offer or proposal to the stockholders to ensure their interests are safeguarded. Rule 15 also applies in relation to holders of options and other subscription rights.

If the Cancellation occurs, all of these protections under the Code will be lost.

PART IV – NOTICE OF GENERAL MEETING

Defenx plc

(incorporated in England and Wales under the Companies Act 2006 with registered number 08993398)

Notice is hereby given that a General Meeting of the Company will be held at 11.00 a.m. on 20 December 2019 at the offices of Trowers & Hamlin LLP, 3 Bunhill Row, London EC1Y 8YZ to consider and, if thought fit, pass the following resolutions, of which resolution 1 will be proposed as an ordinary resolution and resolutions 2 to 4 (inclusive) will be proposed as special resolutions.

ORDINARY RESOLUTION

1. THAT, subject to and conditional upon Cancellation becoming effective, the directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (**Act**) to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for or convert any security into shares in the Company up to an aggregate nominal amount of £2,500,000, provided that such allotments be made during the period from the date of the passing of this resolution and expiring on the five year anniversary of such date, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would, or might, require shares to be allotted or rights to subscribe or convert security into shares to be granted after such expiry.

SPECIAL RESOLUTIONS

2. THAT, in accordance with Rule 41 of the AIM Rules for Companies, the cancellation of the admission to trading on AIM (the market of that name operated by London Stock Exchange plc) of the ordinary shares of 1.8 pence each in the capital of the Company be and is hereby approved and the directors of the Company be authorised to take all actions reasonable or necessary to effect such cancellation.
3. THAT, subject to and conditional upon Cancellation becoming effective, and pursuant to section 97 of the Act:
 - (a) the Company be re-registered as a private company with the name "Defenx Limited"; and
 - (b) the regulations contained in the printed document submitted to the meeting and for the purpose of identification signed by the Chairman be approved and adopted as the articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association of the Company.
4. THAT, subject to resolution 1 above being passed and section 551 of the Act, the directors be empowered, pursuant to section 570 of the Act, to allot equity securities (as defined in section 560 of the Act) as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:
 - (c) during the period expiring on the fifth anniversary of the passing of this resolution but so that this power shall enable the Company to make offers or agreements which would or might require equity securities to be allotted after the expiry of this power;
 - (d) up to an aggregate nominal amount of £2,500,000; and

- (e) shall include the power to sell treasury shares under section 727 of the Act.

Date: 4 December 2019

Registered Office:
201 Temple Chambers
3-7 Temple Avenue
London EC4Y 0DT

By Order of the Board

Liam O'Donoghue
Company Secretary

Notes:

1. Shareholders entitled to attend and vote at the meeting may appoint one or more proxies to attend, speak and vote in their place. A proxy need not be a shareholder of the Company.

2. Shareholders may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. Shareholders may not appoint more than one proxy to exercise rights attached to any one share. Shareholders should contact the Company's registrars, SLC Registrars, if they wish to appoint more than one proxy or they should photocopy the Form of Proxy.

3. A vote withheld option is provided on the Form of Proxy to enable you to instruct your proxy not to vote on the resolutions. However, it should be noted that a vote withheld in this way is not a "vote" in law and will not be counted in the calculation of the votes "For" and "Against" such resolutions.

4. A Form of Proxy is enclosed with this Circular, and members who wish to use it should see that it is deposited, duly completed, with the Company's registrars, SLC Registrars, Elder House, St Georges Business Park, 207 Brooklands Road, Weybridge, Surrey KT13 0TS by no later than 48 hours before the time fixed for the meeting (or any adjournment thereof) weekends and bank holidays excluded. Completing and posting of the Form of Proxy will not preclude the appointing shareholder from attending and voting in person at the General Meeting should they wish to do so.

5. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders registered in the register of members of the Company as at 6.30 p.m. on 18 December 2019 shall be entitled to attend or vote at the aforesaid meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register of members after 6.30 p.m. on 18 December 2019 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

6. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) of it by using the procedures described in the CREST Manual. CREST personal members, sponsored CREST members and 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 for them.

To complete a valid proxy appointment or instruction using the CREST service, the CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must in order to be valid, be transmitted and received by SLC Registrars (Participant ID 7RA01) by no later than 48 hours before the time fixed for the meeting (or any adjournment thereof) weekends and bank holidays excluded. The time of receipt of the instruction will be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which SLC Registrars is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will apply 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 ensure that

his CREST sponsor or voting service provider(s) take(s)) the necessary action to ensure that a message is transmitted by means of the CREST system by a particular time. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should refer to the sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat a CREST Proxy Instruction as invalid as set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

7. As at 6.00 p.m. on the date immediately prior to this notice, the Company's issued share capital comprised 38,708,894 ordinary shares. Each ordinary share carries the right to one vote at a general meeting of the Company and therefore the total number of voting rights in the Company as at 6.00 p.m. on the date immediately prior to this notice is 38,708,894.