

## **Bits Corp plc (the "Company")**

### **Notice of Extraordinary General Meeting ("EGM")**

#### **Placing of 9,750,000 ordinary shares of 1p each at 4p per share**

The Company has today posted a notice to shareholders convening an EGM for 9.00am on 29 August 2002. The business to be considered at the Extraordinary General Meeting is the granting to the Board the authority to allot shares in the Company for cash and to make such allotments other than in proportion to shareholders' existing holdings of shares. The authorities sought will enable the Board to raise up to £390,000 (through a placing of 9,750,000 ordinary shares at a price of 4p each (the "Placing")) which the Board believes will fund an expected cash shortfall in the Company until the end of October 2002 which has arisen for the reasons set out below.

Bits Corp has agreed with one of its publishers, with whom it had an agreement to publish and distribute an original Bits game (the "Game"), to suspend the contractual agreement for the publishing of this game due to fundamental differences in approach. Although some of the development expenditure for the Game has been reimbursed by the publisher, there is a substantial shortfall. The Company has reached an agreement for the purchase of the rights to the Game, including the rights to develop and publish it on other platforms, with a view to completing the Game and selling it to another publisher. In this regard, discussions are underway with a number of potential publishers.

Further, it was stated in the interim report for the half-year to 30 September 2001, that it was expected that the Company's performance for the second half of the year would also reflect revenue from the signing of publishing agreements for two games for intended release on Nintendo's Gameboy Advance. The process of signing the Gameboy Advance titles has taken longer than anticipated. Whilst the Company has been in discussion with publishers for both titles it was felt that it was in the best interests of the Company to take the time necessary to secure the best possible terms.

The Directors believe that the Placing is in the best interests of the Company and that the net proceeds of the Placing should provide the necessary working capital until the end of October 2002. The Directors remain confident of being able to sell the publishing rights to the Game to avoid any further funding requirement at that time. Should the Company be unable to re-sell the publishing rights to the Game then the Board will undertake a further review of all of Company's available options at that time.

The Company is nearing completion of "Die Hard: Vendetta" for Nintendo's GameCube and has been working on two further funded developments that are yet to be announced.

#### **Unaudited preliminary results for the year ended 31 March 2002**

The results for the year to 31 March 2002 now reflect all of these matters. The Company has today reported turnover for the year ended 31 March 2002 of £994,000 with a loss after taxation of £1.74 million, both being significantly below market expectations.

## **The Placing**

Pursuant to a placing agreement dated 6 August 2002 between Collins Stewart Limited and the Company (the "Placing Agreement"), Collins Stewart Limited has agreed to use its reasonable endeavours to procure placees for up to 9,750,000 new ordinary shares and the Company has agreed to pay to Collins Stewart Limited for its services a fee of £20,000, payable on completion of the Placing and £20,000 payable on 1 December 2002. The Placing Agreement contains warranties given by the Company in relation to the Company. In addition, the Company has given Collins Stewart an indemnity in certain circumstances. Collins Stewart are entitled to terminate the Placing Agreement in certain circumstances prior to completion of the Placing, principally in the event of a material breach of the Placing Agreement or of the warranties contained therein or in the case of a force majeure arising.

The Placing, which is not underwritten, is conditional upon the passing of the resolutions at the EGM.

Placees who will conditionally agree to subscribe for ordinary shares under the Placing include one of the Company's major institutional shareholders, Fouad Katan (4,250,000 ordinary shares) (through a company of which he is the sole director and shareholder and a pension fund of which he is the sole beneficiary), the Company's chief executive and Julian Levy (250,000 ordinary shares), one of the Company's non-executive directors.

The Placing (if fully subscribed) is intended to raise £390,000, before expenses. After expenses of the Placing (estimated in total at £52,338 (including VAT)) the Placing is intended to raise £337,662 net which, it is anticipated, will be used to fund the Company's working capital requirements until the end of October 2002.

### **Further information:**

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