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This announcement contains inside information.

9 December 2020

MelodyVR Group PLC
(“MelodyVR Group” or the “Company”)

Subscription of 201,349,772 Subscription Shares at 3.75 pence per Ordinary Share

Davis Capital Loan Facility and Bridge Facility

Publication of Admission Document and restoration of trading on AIM

Notice of General Meeting

Further to the announcement of 25 August 2020 of the conditional acquisition of Rhapsody International Inc., a Delaware corporation trading as Napster (“Napster”), MelodyVR Group (AIM: MVR), one of the leading creators of virtual reality content, announces that yesterday it posted to Shareholders the Admission Document, including a notice of General Meeting, which is now available on the Company’s website.

The Company also announces that it has conditionally raised \$10 million by way of the Subscription and entered into a binding commitment letter setting out the terms in respect of a \$25 million delayed draw term loan facility from Davis Partnership, LP

Details of the Subscription

The Company is proposing to issue 201,349,772 Subscription Shares at a price of 3.75 pence per share to subscribers.

The Subscription Shares will represent approximately 8.2 per cent of the Enlarged Ordinary Share Capital. The Subscription Shares will have the effect of diluting the Existing Ordinary Shares by approximately 9.8 per cent. and on Admission, the Company will have an implied market capitalisation of approximately £92.4 million at the Issue Price.

Certain Directors of the Company have subscribed for an aggregate of 26,619,279 Subscription Shares through the Subscription. It is expected that the subscribing Directors’ interests on Admission will be as follows:

Director	No. of New Ordinary Shares to be acquired pursuant to the Subscription	Aggregate value at Issue Price	Resulting holding following Admission	% of enlarged issued voting share capital
Anthony Matchett	3,333,333	£125,000	158,482,796	6.4%
Steven Hancock	3,333,333	£125,000	120,884,136	4.9%
Grant Dollens	19,952,613	£748,223	121,616,725	4.9%

Assuming 200 million Consideration Shares issued

The issue of the Subscription Shares is subject to Shareholder approval of the Authority Resolutions at the General Meeting.

The Subscription Shares will be issued fully paid, and following allotment, will rank in full for all dividends or other distributions hereafter declared, made or paid on the Ordinary Shares of the Company and will rank pari passu in all other respects with all other Ordinary Shares in issue on Admission. The rights attaching to such Ordinary Shares are set out in paragraph 10 of Part VI of the Admission Document.

Key Terms of the Davis Capital Loan Facility

On 8 December 2020, Rhapsody entered into a binding commitment letter setting out the terms in respect of a \$25 million delayed draw term loan facility (the "Loan Facility") from Davis Partnership, LP. The Loan Facility will be closed between the date of publication of this announcement and Admission. The repayment date of the loan will be 20 months from the date of closing the Loan Facility and Rhapsody may drawdown in minimum tranches of \$5 million at an interest rate of 10 per cent per annum calculated daily from the date of drawdown until the date of repayment (inclusive). Rhapsody will also be subject to a 2 per cent draw fee in connection with each draw upon the Loan Facility. The Loan Facility will be secured by a first priority lien on all of the assets of Rhapsody and its domestic and certain foreign subsidiaries, including on receivables of Rhapsody and certain subsidiaries, subject to certain exceptions. The Loan Facility will include customary affirmative and negative covenants for transactions of this nature and a covenant that requires Rhapsody to maintain a minimum of US\$2 million of liquidity. In consideration for the Loan Facility, Davis Partnership, LP will receive warrants granting the ability to invest \$20 million in the Company within a period of 10 years, at the Issue Price. It is a condition of the Loan Facility that the Company will use commercially reasonable efforts to install Lancing Davis as a director of the Company as soon as practicable.

Key Terms of the Davis Capital Bridge Facility

Ahead of signing the Loan Facility, the Company intends to enter into a secured bridge facility agreement and debenture with Davis Partnership, LP (the "Bridge Facility"). The Bridge Facility will be for the principal amount of US\$5 million and will bear interest at a rate 15 per cent per annum, which interest is due and payable on the maturity date of 31 March 2021. The Company will repay and terminate the Bridge Facility with proceeds from a subsequent equity offering or by drawing on the Loan Facility prior to the maturity date. While any amounts are outstanding under the Bridge Facility, the Loan Facility will be decreased by such corresponding amount.

Related Party Transactions

The loan by Davis Partnership, LP constitutes a related party transaction for the purposes of the AIM Rules by virtue of Davis Capital Partners, LLC being a substantial shareholder of the Company. The commitment letter, and subsequent Loan Facility, has been entered into in order to ensure sufficient working capital immediately following the Acquisition and support the strategy for the Enlarged Group. The Directors are entering into the Loan Facility having considered the availability to the Company of alternate sources of finance including equity and debt financing. The Directors therefore consider, having consulted with the Company's nominated adviser, Arden, that the terms upon which Davis Partnership, LP is providing the Loan Facility to the Company are fair and reasonable insofar as the Company's shareholders are concerned.

The Bridge Facility by Davis Partnership, LP constitutes a related party transaction for the purposes of the AIM Rules by virtue of Davis Capital Partners, LLC being a substantial shareholder of the Company. The Bridge Facility has been entered into in order to ensure sufficient capital is available to the Company until it is able to draw down on the Loan Facility. The Directors are entering into the Bridge Facility having considered the Company's immediate working capital requirements and no alternate sources of finance being immediately available. The Directors therefore consider, having consulted with the Company's nominated adviser, Arden, that the terms upon which Davis Partnership, LP is providing the Bridge Facility to the Company are fair and reasonable insofar as the Company's shareholders are concerned.

Anthony Matchett, Steven Hancock and Grant Dollens, (being current Directors of the Company) are related parties for the purposes of the AIM Rules and have agreed to subscribe for New Ordinary Shares pursuant to the Subscription. Simon Cole and Andrew Botha, being the Directors not participating in the Subscription, are considered to be independent directors of the Company for the purposes of AIM Rule 13 in connection with the Subscription. They consider, having consulted with the Company's nominated adviser, Arden, that the terms of the Subscription by Anthony Matchett, Steven Hancock and Grant Dollens are fair and reasonable insofar as the Company's shareholders are concerned.

Key terms of the acquisition

Under the terms of the Merger Agreement, a wholly-owned subsidiary of the Company will be merged with and into Napster (with Napster being the surviving entity). Upon completion of the transaction, Napster will be a wholly-owned 2nd-tier subsidiary of the Company.

The Company has already advanced the sum of \$12 million by way of cash deposits which have been placed into escrow. At any time prior to Completion, Napster may request funds to be released from the deposit in order to pay certain identified rights holder obligations. Any such requests must be approved by the Company. In the event that the Acquisition fails to complete due to Napster being unable to meet the closing conditions of the Acquisition, the deposit will be refunded to the Company and Napster must repay any advances to the Company within six months of Completion. In the event that the Company fails to fulfil certain closing obligations under the Merger Agreement, the deposit may be forfeited. At Completion, the deposit will be released to certain of Napster's debt-holders and shareholders, and a further \$3m will be deposited by the Company into an escrow account. This amount will be used to secure certain indemnity obligations of Napster's shareholders and unless used pursuant to those indemnity obligations, will be released to the former Napster shareholders 18 months after closing.

As further consideration for the Acquisition, the Company will issue at least 200 million Consideration Shares to Napster's debt-holders and shareholders at Completion. The number of Consideration Shares may increase as result of any decline in the Company's share price below 4.30 pence between signing of the Merger Agreement and Completion, pursuant to the terms of the Merger Agreement. As such, the final number of Consideration Shares to be issued will not be confirmed until Completion.

As part of the Acquisition, it has been agreed that \$30 million of shareholder loans that would otherwise be repayable by the Enlarged Group will be written off in full upon Completion of the Acquisition. Therefore this liability will be extinguished and no further amounts will be due following Completion.

Publication of Admission Document, General Meeting and Admission

The Ordinary Shares were suspended from trading on AIM on 25 August 2020 pending publication of an AIM admission document, following the announcement of the conditional Acquisition, classified as a reverse takeover under the AIM Rules. With the publication of the Admission Document, trading in the Company's Ordinary Shares on AIM will be restored at 07.30 a.m. today.

The General Meeting to approve the Resolutions in relation to the Acquisition and the Subscription will be held virtually at 10.00 a.m. on 24 December 2020. A summary of the action Shareholders should take is set out in the Admission Document, and in the accompanying Form of Proxy.

Application will be made to the London Stock Exchange for the Enlarged Ordinary Share Capital to be admitted to trading on AIM. Admission of the Enlarged Share Capital to trading on AIM, subject to the passing of the Resolutions and the satisfaction of all other conditions, expected to take place on or around 29 December 2020.

Notice of General Meeting

A notice convening the General Meeting is set out in the Admission Document, which is to be held virtually at 10.00 a.m. on 24 December 2020, for the purpose of considering, and if thought fit, passing the Resolutions which seek to do the following:

- approve the Acquisition and authorise the Directors to issue the Consideration Shares for the purposes of the Acquisition;
- authorise the Directors to issue the Consideration Shares and disapply pre-emption rights in respect of the Consideration Shares.
- authorise the Directors to issue, grant rights to subscribe for, or convert any security into shares in the Company up to an aggregate nominal amount of £10,309,229.95, being approximately 50 per cent. of the Existing Issued Share Capital and to disapply pre-emption rights in respect of an aggregate nominal amount of £10,309,229.95, being approximately 50 per cent. of the Existing Issued Share Capital.

The Acquisition Resolution will be proposed as an ordinary resolution (Resolution 1). The Authority Resolutions will be proposed as ordinary resolutions (Resolutions 2 and 3) and as special resolutions (Resolutions 4 and 5). An ordinary resolution, in order to be passed, requires the approval of a simple majority of those voting in person or on a proxy or on a poll, and a special resolution requires the approval of 75 per cent. of those voting in person or on a proxy or on a poll.

It is a condition to completion of the Acquisition that the Acquisition Resolution is approved by Shareholders.

Expected timetable of principal events

	2020
Posting of the Admission Document and the Form of Proxy to Shareholders	8 December
Latest time and date for receipt of completed Forms of Proxy and receipt of electronic proxy appointments via the CREST system	10.00 a.m. on 22 December
Time and date of the General Meeting	10.00 a.m. on 24 December
Announcement of the result of the General Meeting	24 December
Completion of the Acquisition	29 December
Admission and commencement of dealings in the Enlarged Ordinary Share Capital on AIM	29 December
CREST accounts credited in respect of the Subscription Shares (where applicable)	29 December
Dispatch of definitive share certificates in respect of the Subscription Shares (where applicable) by	within 5 business days of Admission

Key Statistics

Existing share capital at the date of the Admission Document

Number of Existing Ordinary Shares	2,061,845,991
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Subscription and Acquisition

Issue Price	3.75 pence
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Number of Subscription Shares	201,349,772
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Gross proceeds of the Subscription (receivable by the Company)	\$10.1 million
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Estimated net proceeds of the Subscription available to Company	\$8.4 million
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Costs of the Subscription and Admission	\$1.7 million
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Number of Consideration Shares	At least 200,000,000
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Upon Admission

Number of Ordinary Shares in issue upon Admission before additional Consideration Shares	2,463,195,763
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Percentage of Enlarged Ordinary Share Capital represented by the New Ordinary Shares	16.3%
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Estimated market capitalisation of the Company at Admission at the Issue Price	£92.4 million
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TIDM	MVR
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ISIN number	GB00BD2YHN21
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LEI	213800B2AKGQC3D2R751
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Capitalised terms in this Announcement shall have the meanings given to such terms in the Company's Admission Document published today.

ENDS

For further information, please contact:

MelodyVR Group PLC

Anthony Matchett, Executive Chairman & CEO

www.melodyVR.group

Arden Partners plc: Nominated Adviser and Broker

Tel: +44 (0) 20 7614 5900

Corporate Finance: Ruari McGirr / Benjamin Cryer / Daniel Gee-Summons

Corporate Broking: Simon Johnson

Notes to Editors:

MelodyVR Ltd ("MelodyVR") is a wholly owned subsidiary of MelodyVR Group PLC, a company that is listed on the AIM market of the London Stock Exchange under the ticker MVR.L. MVR, a creator of virtual reality content, joined AIM on 16 May 2016 following a reverse takeover of Armstrong Ventures plc. Further information can be viewed at www.melodyvr.com.

Prior to its publication, certain information contained within this announcement was deemed to constitute inside information for the purposes of Article 7 of EU Regulation 596/2014 ("MAR"). In addition, market soundings (as defined in MAR) were taken in respect of the Acquisition with the result that certain persons became aware of inside information (as defined in MAR), as permitted by MAR. This inside information is set out in this announcement and such information is now considered to be in the public domain. Accordingly, those persons that received inside information in a market sounding are no longer in possession of such inside information relating to the Company and its securities.

This Announcement should be read in its entirety. In particular, you should read and understand the information provided in the "Important Notices" section of this Announcement.

Important Notices

The Ordinary Shares of the Company have not been and will not be registered under the US Securities Act of 1933, as amended.

The Subscription Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or with any securities regulatory authority of any state or jurisdiction of the United States, and may not be offered, sold or transferred, directly or indirectly, in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

Arden is regulated in the United Kingdom by the Financial Conduct Authority (the "FCA"). Each of Arden and Beech Hill Securities is acting exclusively for the Company and no one else in connection with the Subscription and Admission, and Arden and Beech Hill Securities will each not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in relation to the Subscription or Admission or any other matters referred to in this Announcement.

Forward-looking statements

This announcement contains statements about the Company that are or may be deemed to be "forward-looking statements".

All statements, other than statements of historical facts, included in this announcement may be forward-looking statements. Without limitation, any statements preceded or followed by, or that include, the words "targets", "plans", "believes", "expects", "aims", "intends", "will", "may", "should", "anticipates", "estimates", "projects", "would", "could", "continue" or words or terms of similar substance or the negative thereof, are forward-looking statements. Forward-looking statements include, without limitation, statements relating to the following: (i) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects and (ii) business and management strategies and the expansion and growth of the operations of the Company.

These forward-looking statements are not guarantees of future performance. These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of any such person, or industry results, to be materially different from any results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements are based on numerous assumptions regarding the present and future business strategies of such persons and the environment in which each will operate in the future. Investors should not place undue reliance on such forward-looking statements and, save as is required by law or regulation (including to meet the requirements of the AIM Rules, MAR, the Prospectus Rules and/or the FSMA), The Company does not undertake any obligation to update publicly or revise any forward-looking statements (including to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based). All subsequent oral or written forward-looking statements attributed to the Company or any persons acting on their behalf are expressly qualified in their entirety by the cautionary statement above. All forward-looking statements contained in this announcement are based on information available to the Directors of the Company at the date of this announcement, unless some other time is specified in relation to them, and the posting or receipt of this announcement shall not give rise to any implication that there has been no change in the facts set forth herein since such date.

Information to Distributors

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("MiFID II"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "MiFID II Product Governance Requirements"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Subscription Shares have been subject to a product approval process, which has determined that the Subscription Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "Target Market Assessment").

Notwithstanding the Target Market Assessment, Distributors should note that: the price of the Subscription Shares may decline and investors could lose all or part of their investment; Subscription Shares offer no guaranteed income and no capital protection; and an investment in Subscription Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Subscription.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to Subscription Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the Subscription Shares and determining appropriate distribution channels.