

AQSE MARKET MAKER WARRANT INCENTIVE SCHEME - 2021

1 Overview

The scheme is designed to improve the liquidity and functioning of the AQSE markets by issuing Warrants for reward credits earned.

The Warrants will give market makers the right to subscribe in cash for ordinary shares in AQSE at the Exercise Price. The Warrants, when exercised, will represent in aggregate up to 19.9% of the equity in AQSE.

2 Terms

The key terms of the scheme follows:

Award Period	The Warrants will be awarded each year on the 12-month anniversary of the scheme for a period of three years.										
Performance Criteria	<p>The Warrants available will be allocated based on the methodology set out in the Annexure to this sheet.</p> <p>Warrants will be allocated to the top five market makers ranked on the average number of reward credits achieved in a month in that year in such proportion as determined by AQSE in that year.</p> <p>The allocation of the available Warrants for the first year will be as follows:</p> <table><tr><td>First place</td><td>39%</td></tr><tr><td>Second place</td><td>27%</td></tr><tr><td>Third place</td><td>17%</td></tr><tr><td>Fourth place</td><td>10%</td></tr><tr><td>Fifth place</td><td>7%</td></tr></table> <p>For example, the first issue of Warrants will be for 8% of AQSE. The market maker who attains first place at the end of the first year will receive Warrants over 3.19% of AQSE. The market maker in fifth place will receive Warrants over 0.56% of AQSE.</p>	First place	39%	Second place	27%	Third place	17%	Fourth place	10%	Fifth place	7%
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Number of Warrants	<p>The total number of Warrants available for issue over the period of the scheme will, on exercise, represent no more than 19.9% of the fully diluted issued share capital of AQSE.</p> <p>The number of Warrants awarded each year will be in such proportion as determined by AQSE.</p> <p>On the first award date (December 2021), it is proposed to make available for allocation up to 8% of the total Warrants to be issued under the scheme</p>										

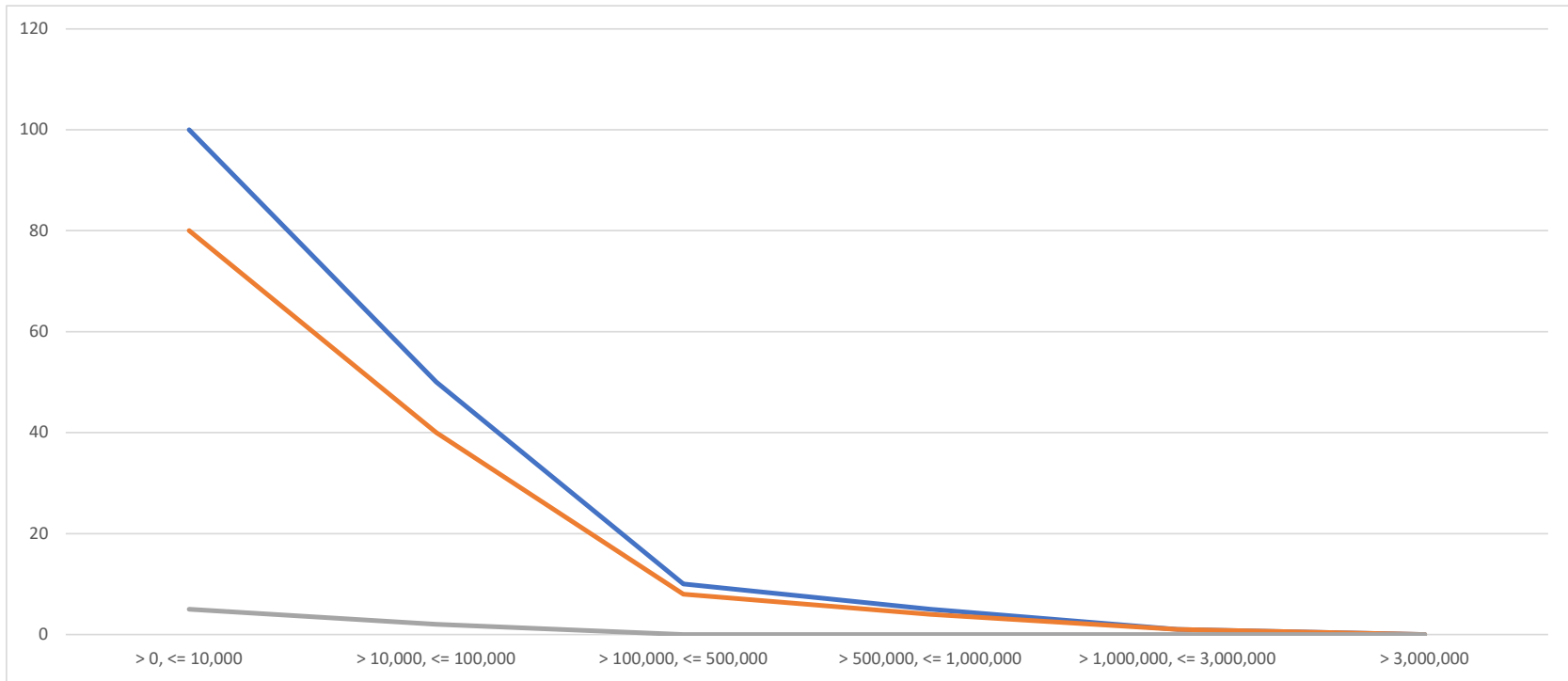
Conditions on Grant	<p>To be eligible for the Warrants, the market maker must in that calendar month:</p> <ol style="list-style-type: none"> 1) have paid at least the minimum AQSE market maker subscription fee (£2,000 per month); 2) be registered as market maker in no less than 50% of securities available for trading in the APEX segment of the AQSE Growth Market; 3) meet the AQSE size and spread requirements for the securities in which they are registered for at least 75% of the period. The size and spread requirements for the first year shall be a spread of no more than 5% in AQSE APEX stocks at the EMS (which shall be such number of shares as to be no less than £1,000).
Exercise	<p>The Warrants may be exercised in full on the first anniversary of the date of grant. Warrants not exercised within two months of the first anniversary shall lapse.</p> <p>AQSE may also determine that the Warrants may be exercised immediately before, or conditional, on an Exit.</p>
Exercise Price	<p>The exercise price for the Warrants will be four times prior year revenue divided by the number of shares in issue on a fully diluted basis.</p> <p>For example, if revenues for 2020 are £1.5 million, the exercise price per warrant will be:</p> <p>£1.5 m x 4 = £6 million</p> <p>Share capital in issue: 399,154,102</p> <p>Diluted share capital: 399,154,102 x 1.08 = 431,086,430</p> <p>Exercise price per warrant: £6 m / 431, 086,430 = £0.0140 per warrant.</p>
Transfer restrictions	<p>The Warrants will be non-transferable.</p>
Lapse	<p>The Warrants will lapse and shall no longer be exercisable on the earliest of the 14 months from the date of grant, an Exit, the date on which the warrant holder becomes bankrupt or does or omits to do anything as a result of which the warrant holder is deprived of the legal or beneficial ownership of the warrant.</p>
Pre-emption rights	<p>The holders of Warrants will not have pre-emption rights over further issues of ordinary shares or warrants.</p>
Drag rights	<p>The Articles of AQSE will include a drag right to ensure that the holders of shares on exercise of the Warrants (the “warrant shareholders”) cannot refuse to sell on an Exit.</p>

	In the event of an Exit due to a takeover of AQX, the consideration payable to the warrant shareholders on the drag shall be 4 times AQSE's prior year revenue.
Exit	<p>An IPO, sale of more than 80% of the issued ordinary share capital of AQSE or takeover of AQX.</p> <p>On an IPO, the Board will also have discretion to impose a 'lock-up' on a proportion of each participant's shares allotted on exercise of the warrants, with the result that the stated portion will not be capable of sale for a set period of time immediately following the IPO.</p>

Annexure

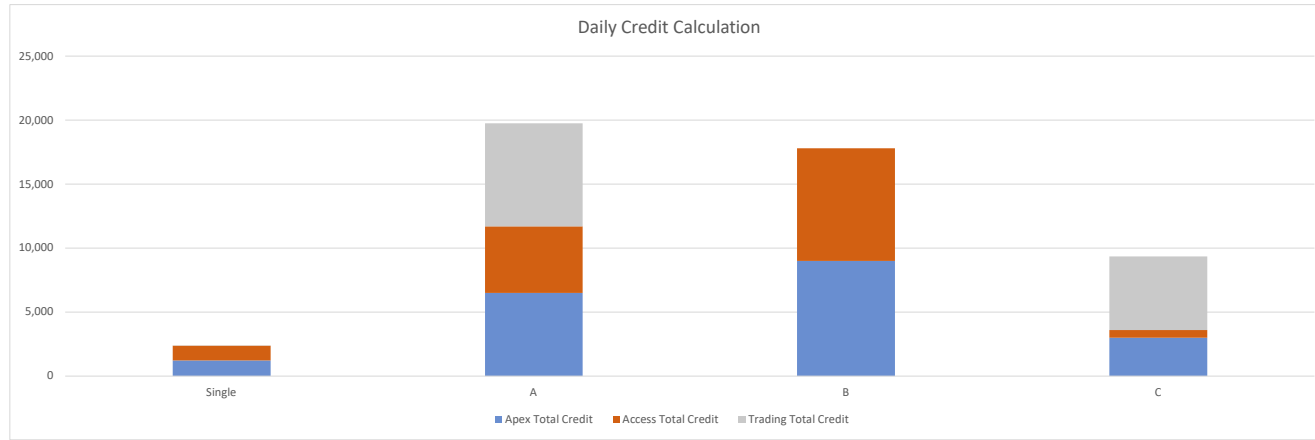
Schedule of Credits

Market	Volume					
	> 0, <= 10,000	> 10,000, <= 100,000	> 100,000, <= 500,000	> 500,000, <= 1,000,000	> 1,000,000, <= 3,000,000	> 3,000,000
	Volume Level 1	Volume Level 2	Volume Level 3	Volume Level 4	Volume Level 5	Volume Level 6
	0	10,000	100,000	500,000	1,000,000	3,000,000
Market	Credit Level (bps) 1	Credit Level (bps) 2	Credit Level (bps) 3	Credit Level (bps) 4	Credit Level (bps) 5	Credit Level (bps) 6
Apex	100	50	10	5	1	0
Access	80	40	8	4	1	0
Trading	5	2	0	0	0	0



Daily Credit Calculation

Market Maker	Apex Daily		Access Daily		Trading Daily		Apex Daily						Access Daily						Trading Daily						Overall Total Credit			
	Count of Securities Executed	Average Volume Per Security	Count of Securities Executed	Average Volume Per Security	Count of Securities Executed	Average Volume Per Security	Apex Daily Credit Level 1	Apex Daily Credit Level 2	Apex Daily Credit Level 3	Apex Daily Credit Level 4	Apex Daily Credit Level 5	Apex Daily Credit Level 6	Apex Total Credit	Access Daily Credit Level 1	Access Daily Credit Level 2	Access Daily Credit Level 3	Access Daily Credit Level 4	Access Daily Credit Level 5	Access Daily Credit Level 6	Access Total Credit	Trading Daily Credit Level 1	Trading Daily Credit Level 2	Trading Daily Credit Level 3	Trading Daily Credit Level 4		Trading Daily Credit Level 5	Trading Daily Credit Level 6	Trading Total Credit
	Single	1	1,150,000	1	5,000,000	1	5,000,000	100	450	400	250	15	0	1,215	80	360	320	200	200	0	1,160	5	18	0		0	0	0
A	10	200,000	10	200,000	350	4,500,000	1,000	4,500	1,000	0	0	0	6,500	800	3,600	800	0	0	0	5,200	1,750	6,300	0	0	0	0	8,050	19,750
B	10	450,000	20	100,000	0	0	1,000	4,500	3,500	0	0	0	9,000	1,600	7,200	0	0	0	0	8,800	0	0	0	0	0	0	0	17,800
C	10	50,000	5	20,000	250	3,000,000	1,000	2,000	0	0	0	0	3,000	400	200	0	0	0	0	600	1,250	4,500	0	0	0	0	5,750	9,350



Ranking

Market Maker	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Average Monthly Rank	Total Rank
A	3	2	1	3	4	4	3	3	3	3	4	4	3.0833	3
B	4	6	5	4	3	3	6	5	6	5	7	5	4.9167	5
C	1	1	2	1	2	2	1	4	4	2	2	3	2.0833	1
D	7	7	6	7	7	6	4	6	5	6	5	6	6.0000	7
E	5	4	3	5	6	7	7	7	7	7	6	7	5.9167	6
F	2	3	4	2	1	1	2	1	2	4	3	2	2.2500	2
G	6	5	7	6	5	5	5	2	1	1	1	1	3.7500	4