



Private and Confidential

Subject to contract

The Directors
Cykel AI Plc
16 Great Queen Street
London, WC2B 5DG
United Kingdom

By email only

7 November 2023

Dear Sirs,

PROPOSED ACQUISITION TERMS

We set out in this letter our outline proposal for our purchase from the shareholders of Cykel AI Plc (a company incorporated in England and Wales with company number 15088392) (“**you**” or “**Target**”) of the entire issued and to be issued share capital of the Target (“**Proposal**”).

Except as set out in paragraph 3 of this letter, this letter sets out a statement of intention only and is not, and nor should it be construed as being, legally binding on any of the parties hereto.

Furthermore, the terms of this letter are subject to contract, valuation, due diligence and regulatory approval.

This letter sets out the terms and conditions of our Proposal, as well as certain assumptions, and outlines the steps required for us to be able to put forward a formal offer for Target. We have not formed a firm intention to make an offer and nothing in this letter should be regarded as a firm intention to make an offer for the purposes of Rule 2.7 of the City Code on Takeovers and Mergers (“Code”) or requiring Target to make an announcement under Rule 2.2 of the Code.

1. TRANSACTION TERMS

- 1.1 Subject to the terms of this letter, we wish to buy, by way of a scheme of arrangement, the legal and beneficial interest in the entire issued share capital in the Target (the “**Shares**”) (which may not be subsequently increased without our prior written agreement), free from all claims, liens, equities, charges, encumbrances and adverse rights of any description from the shareholders of the Target (the “**Sellers**”), in consideration for the issue and allotment of ordinary shares of £0.01 each in the capital of Mustang Energy PLC (“**MUST**”) to the Sellers for the (“**Consideration Shares**” or the “**Acquisition**”, as the context requires) based on a £1,000,000 valuation for MUST and a valuation of Target of its market capitalisation calculated on a ten day VWAP up to the date of this letter. For illustrative purposes, if Target is valued at £20m, the number of Consideration Shares will be 20 times the number of MUST shares in issue.
- 1.2 Subject to the Code, MUST will make an equivalent offer of replacement convertibles for all option rights and other rights to subscribe for Shares as at the date of this letter (which may not be subsequently increased without our prior written agreement).



- 1.3 The Consideration Shares will rank *pari passu* in all respects with the existing ordinary shares of £0.01 each in the capital of MUST, including the right to receive all dividends declared, made or paid after completion of the Transaction (as defined in paragraph 2.8) (save that they shall not rank for any dividend or other distribution declared made, or paid by reference to a record date before completion).
- 1.4 Subject to any free-float requirements of the Listing Rules, certain of the Consideration Shares, as well as 80% of MUST's existing ordinary shares will be subject to a 6 month lock-in, the terms of which will be agreed during the course of the Transaction (as defined in paragraph 2.8)
- 1.5 The Target has no subsidiaries.

2. CONDITIONS

The Acquisition is subject to the following conditions:

- 2.1 the completion of satisfactory financial, legal and commercial due diligence including on the Target's business plan, trading and financial history, cashflow forecasts and other items as MUST may determine necessary;
- 2.2 the completion of satisfactory financial, legal and commercial due diligence including on MUST's trading and financial history, cashflow forecasts and other items as Target may determine necessary;
- 2.3 MUST settling all its trade creditors prior to Admission (as defined below);
- 2.4 MUST and Target agreeing the form of the firm offer announcement relating to the proposed Acquisition to be made pursuant to Rule 2.7 of the Code;
- 2.5 finalisation of definitive documents relating to a court approved scheme of arrangement within the required time periods pursuant to, *inter alia*, part 26 of the Companies Act 2006 and the City Code on Takeovers and Mergers;
- 2.6 the scheme of arrangement being voted in favour of by the requisite percentage of Sellers and approved by the Court;
- 2.7 MUST and the Target obtaining all required shareholder, third-party and regulatory consents for the Acquisition;
- 2.8 approval by MUST and Target of the business plan and working capital requirements for the enlarged group (the "**Group**");
- 2.9 submission of the first draft of a new prospectus of MUST (the "Prospectus") and the requisite forms and checklists to the FCA before 4pm GMT on 1 December 2023 (the "First Submission Date") as well as payment of the requisite vetting fees, containing details of the Transaction (as defined in paragraph 2.8) which is not to materially change, as well as board composition which is also not to change after the First Submission Date (unless required by the FCA);



- 2.10 publication of the new Prospectus and readmission of the enlarged share capital of MUST, including the Consideration Shares, to listing on the Official List of the Financial Conduct Authority (the “FCA”) and to trading on the Standard Segment of the Main Market of the London Stock Exchange plc (“Admission”) (Admission and the Acquisition are together, the “Transaction”), which will include all requisite regulatory clearances and approvals including, *inter alia*, the Panel on Takeovers and Mergers, the London Stock Exchange plc and the FCA;
- 2.11 concurrent with Admission, the de-listing of the Target’s Shares from the Access Segment of the Aquis Stock Exchange Growth Market;
- 2.12 the Target continuing its business in the ordinary and usual course without material change;
- 2.13 the Target’s business not suffering a material reduction in its actual or prospective value;
- 2.14 the resignation of the existing MUST directors (without compensation) and the appointment of the existing Cykel directors to the board of MUST; and
- 2.15 completion occurring by no later than 31 May 2024, which may be extended with the consent of the parties but in any event will not exceed 31 July 2024.

3. BINDING TERMS

Given that the Transaction will involve the parties incurring costs, the following paragraphs of this letter will comprise legally binding obligations as follows:

3.1 Information

We will each provide to the other promptly on request all information on or relating to each of us that we and our respective advisers may reasonably require and otherwise make relevant personnel available to enable us to carry out our respective due diligence, with a view to confirming the basis of this letter of intent by no later than 17 November 2023.

3.2 Confidentiality

Each of us will keep and maintain all and any information that we may receive pursuant to this letter either in relation to any one of us or in relation to the terms of the Transaction in the strictest confidence and shall not use such information other than to fulfil the purpose set out in this letter. Furthermore, we shall each use our respective reasonable endeavours to ensure that any advisers or other third parties consulted by any of us in the context of this letter shall respect and adhere to this obligation of confidentiality. The obligations in this paragraph 3.2 are subject always to our and Target’s obligations under the Code.



3.3 **Exclusivity - Target**

- 3.3.1 The Target, by entering into this letter and in consideration of the aggregate sum of £1 paid by MUST to the Target (receipt of which is hereby acknowledged) and MUST undertaking, and incurring fees, expenses and other costs in connection with, the due diligence investigations in relation to the Target and the Transaction generally, undertake that they will not directly or indirectly for a period of 30 days from the date of this letter or, if earlier, until MUST notifies the Target in writing that it does not intend to proceed with the proposed purchase of the Shares, solicit further offers for the sale of any Shares or any material part of the business, assets or undertaking of the Target or enter into or continue or seek negotiations with any third party ("**Third Party Negotiations**") in connection with any of the aforesaid.
- 3.3.2 Immediately on signing this letter, the Target shall terminate, or procure the termination of, any Third Party Negotiations currently taking place.
- 3.3.3 The Target undertakes that its officers, employees, agents, advisers and representatives, comply with the undertakings in this paragraph 3.3 as if they were the Target.

3.4 **Exclusivity - MUST**

- 3.4.1 MUST, by entering into this letter and in consideration of the aggregate sum of £1 paid by Target to MUST (receipt of which is hereby acknowledged) and Target undertaking, and incurring fees, expenses and other costs in connection with, the due diligence investigations in relation to MUST and the Transaction generally, undertake that MUST will not directly or indirectly for a period of 30 days from the date of this letter or, if earlier, until Target notifies us in writing that it does not intend to proceed with the Proposals, enter into or continue or seek negotiations with any third party ("**MUST Third Party Negotiations**") in connection with acquisition by MUST of any business or assets that would constitute a reverse takeover under the Listing Rules.
- 3.4.2 Immediately on signing this letter, the MUST shall terminate, or procure the termination of, any MUST Third Party Negotiations currently taking place.
- 3.4.3 MUST undertakes that its officers, employees, agents, advisers and representatives, comply with the undertakings in this paragraph 3.3 as if they were MUST.

3.5 **Costs**

- 3.5.1 The Target shall contribute to the Transaction costs to be incurred by MUST, such costs to be agreed in writing by way of separate correspondence.
- 3.5.2 If the first draft of the Prospectus is not submitted to the FCA on or before the First Submission Date, the Target shall still be liable to MUST for the costs as set out at 3.5.1 above, unless



such failure to submit the first draft of the Prospectus is principally a result of MUST's default or delay.

3.5.3 The Target shall not contribute to the settlement of any outstanding debts of MUST as at the date of this letter.

3.6 **Governing law and jurisdiction**

3.6.1 This letter and any dispute or claim relating to it or its subject matter (including non-contractual claims) is governed by and is to be construed in accordance with English law.

3.6.2 The parties irrevocably agree that the courts of England shall have exclusive jurisdiction to settle any claim, dispute or issue (including non-contractual claims) which may arise out of or in connection with this letter.

Assuming you are in agreement with the terms mentioned above we would be grateful if you would countersign the attached copy of this letter and return it to us. On receipt of your letter we shall instruct our solicitors to prepare draft documents and our accountants to begin financial due diligence.

Yours sincerely

Dean Gallegos for and on behalf of

Mustang Energy PLC

We hereby acknowledge and agree to the above terms:

Jonathan Bixby for and on behalf of

Cykel AI PLC