

## **Versatile Systems Inc. - Effects of Canadian domicile**

The Company is a Canadian company continued in the province of British Columbia, Canada under the British Columbia Business Corporations Act (“BCBCA”). There are certain differences between the corporate structure of the company and that of a public limited company incorporated in the UK under the UK Companies Act. Set out below is a description of the principal differences:

### *Pre-emption rights*

The Company is not required under Canadian law to offer new Common Shares to existing Shareholders on a pre-emptive basis as is required of companies incorporated under the UK Companies Act. As such, it may not be possible for existing Shareholders to participate in future share issues, which may dilute an existing Shareholder’s interest in the Company.

### *Takeovers*

The Company is existing under the laws of the province of British Columbia, Canada and therefore transactions in its Common Shares will not be subject to the provisions of the City Code (the Takeover Code issued from time to time by or on behalf of the UK Panel on Takeovers and Mergers). The Company is, instead, regulated by the relevant laws of the province of British Columbia and the federal laws of Canada applicable therein.

In Canada, securities laws are generally a matter of provincial/territorial jurisdiction and as a result, takeover bids are governed by the securities legislation in each province or territory.

The Company is a “reporting issuer” (as defined under provincial securities laws) in British Columbia. Under the securities laws of British Columbia, when any person (an “offeror”), or any person acting jointly or in concert with the offeror, except pursuant to a formal bid, acquires the beneficial ownership of, or the power to exercise control or direction over, or securities convertible into, voting or equity securities of any class of a reporting issuer that, together with such offeror’s securities, would constitute 10 percent or more of the outstanding securities of that class, the offeror must immediately issue and file a press release announcing the acquisition, and file a report of such acquisition with the applicable securities regulatory authorities within two business days thereafter. Certain institutional investors may elect an alternate reporting system. Once an offeror has filed such report, the offeror is required to issue further press releases and file further reports each time the offeror, or any person acting jointly or in concert with the offeror, acquires beneficial ownership of, or the power to exercise control or direction over, or securities convertible into, an additional two percent or more of the outstanding securities of the applicable class.

In British Columbia, a takeover bid is generally defined as an offer to acquire outstanding voting or equity securities of a class made to any holder of such securities in British Columbia, which, if the securities subject to the offer to acquire, together with securities held by the offeror and any person acting jointly or in concert with the offeror, constitute in aggregate 20 percent or more of the outstanding securities of that class of securities at the date of the offer to acquire. Subject to limited exemptions, a takeover bid must be made to all holders of securities of the class that is subject to the bid who are in British Columbia and must give all such security holders at least 35 days to deposit securities pursuant to the bid. The offeror must deliver to the security holders a takeover bid circular which describes the terms of the takeover bid and the directors of the

reporting issuer must deliver a directors' circular within 15 days of the date of the bid, making a recommendation or a statement that the directors are unable to make or are not making a recommendation and the reasons why. While individual provincial securities laws in Canada only regulate offers to residents of that province, the Canadian Securities Administrators have adopted a policy whereby they may issue a cease trade order against a company if a takeover bid is not made to all Canadian security holders.

Under British Columbia corporate law, where an offeror has successfully acquired 90 percent of the shares of a company (exclusive of those previously held by the offeror), the offeror may, within five months after making the offer to acquire shares of the company, send written notice to any shareholder who did not accept the offer compelling them to sell their shares on the same terms as contained in the original offer, subject to the right of such shareholder to make application to court, in which case the court may set the price and terms of payment and make such other consequential orders and give such directions as it deems appropriate.

There have been no public takeover bids in respect of the Company's equity in the last fiscal year or the current fiscal year.

#### *Disclosure of interests in shares*

As the Company is a "reporting issuer" in British Columbia, the securities laws of British Columbia require persons who are "insiders" of the Company to disclose their direct and indirect beneficial ownership of, and control or direction over, securities of the Company. Such disclosure is available on the website [www.sedi.ca](http://www.sedi.ca)

For these purposes, the term "insider" includes (in addition to, amongst others, a director or senior officer of the Company) any person who has:

- direct or indirect beneficial ownership of;
- control or direction over; or
- a combination of direct or indirect beneficial ownership of and of control or direction over,

securities of the Company carrying more than 10 percent of the voting rights attached to all of the Company's outstanding voting securities (which would include the Common Shares), excluding, for the purpose of the calculation of the percentage held, any securities held by the person as underwriter in the course of a distribution.

If a person becomes an insider by virtue of purchases of securities of the Company, they must immediately issue a press release disclosing the purchaser and file a report within two business days in accordance with the requirements of the Securities Act (British Columbia). Further disclosure is required when additional purchases are made that amount to two percent or more of the issued securities.

The Company is not required to make disclosures in accordance with the Disclosure and Transparency Rules published by the Financial Services Authority in the UK from time to time.