

## **Blue Star Capital plc**

("Blue Star Capital" or "the Company")

### **Conditional Subscription for 50,000,000 Ordinary Shares and an allotment of a further 50,000,000 Ordinary Shares on the Capitalisation of the Converting Loans**

### **Removal of share capital limit and increase in authority to issue securities**

### **Proposed adoption of an investing policy**

### **Notice of General Meeting**

The Board of Blue Star Capital announces that a circular (the "Circular") containing the proposals set out below and Notice of General Meeting is today being sent to shareholders and a copy is available on the Company's website [www.bluestarcapital.co.uk](http://www.bluestarcapital.co.uk).

#### **1 Summary**

The Company has conditionally raised £150,000 before expenses by way of a Subscription by Places for 50,000,000 New Ordinary Shares at a price of 0.3 pence per share;

The Subscription is conditional upon each of the Resolutions being duly passed at the General Meeting and Admission becoming effective by no later than 8 a.m. on 1 November 2013;

The Company intends to use the net proceeds for the general working capital requirements of the Company and to source, evaluate and execute new investment opportunities; and

The Company is also seeking shareholder authority to amend its Investing Policy, as required by the AIM Rules.

Unless otherwise stated, all defined terms shall have the same meaning as in the Circular.

The General Meeting of the Company will be held at the offices of Daniel Stewart at Becket House, 36 Old Jewry, London, EC2R 8DD at 9.00 a.m. on 30 October 2013.

The Circular sets out the background to, reasons for and details of the Proposals and the General Meeting. It also explains why the Board is recommending that Shareholders vote in favour of the Resolutions.

#### **2 Introduction**

Blue Star announces that it proposes to raise £150,000 (before expenses) through the issue (by way of the Subscription) of 50,000,000 new Ordinary Shares at an issue price of 0.3 pence per Ordinary Share. The Subscribers have agreed to subscribe for the Subscription Shares subject to the passing of the Resolutions and Admission, pursuant to the Subscription Agreements. The Issue Price represents a discount of approximately 52 per cent. to the price of 0.625 pence per Existing Ordinary Share, being the mid market price of the Existing Ordinary Shares at the close of business on 4 October 2013 (being the last practicable date prior to the publication of this document).

The Company has also agreed to capitalise the Converting Loans by the issue of the Capitalisation Shares at a price of 0.3 pence per Ordinary Share.

It is intended that the proceeds of the Subscription will be used to provide working capital for the Company.

Subject to the completion of the Proposals and the passing of the Resolutions, it is intended that application will be made to the London Stock Exchange to admit the Subscription Shares and Capitalisation Shares to trading on AIM.

The Company also proposes to change its Investing Policy. Currently, the Investing Policy restricts the Company to a very specific segment of the market and while this sector remains of interest, the Board believes there are significant opportunities in certain other sectors and it would therefore be in the Company's and shareholders' interests to broaden the areas of potential investment to these sectors.

Pursuant to Rule 8 of the AIM Rules, an investing company must seek the prior consent of its shareholders in a general meeting for any material change to its investing policy.

### **3 Background to and reasons for the proposed Subscription and Capitalisation**

The Board is proposing to raise funds in order to provide working capital for the Company and to provide a small amount of funds for new investments. Over the last two years, the Company has significantly cut costs and sought transactions which would allow value to be created for Shareholders. It is the Board's belief that market conditions are now looking more favourable and with the Subscription and the change in investing policy, the Board believes the Company will be in a stronger position to source, evaluate and execute new investment opportunities.

The Board of Blue Star is keen to reduce the size of the Company's indebtedness which is making Blue Star a less attractive investment proposition. As at 30 September 2013, the amount outstanding under the Shareholder Loans (including interest and repayment premium) was £601,832.

Following discussions with certain Lenders, the Capitalisation will result in £150,000 or 25 per cent. of the principal of the Shareholder Loans being converted into Ordinary Shares at the Subscription Price.

The Company has consulted with the main Shareholders of Blue Star which have indicated support for the Capitalisation.

Further to the announcement on 30 September 2013, the Company has agreed a further extension to the Shareholder Loans; the terms of the Shareholder Loans remain unchanged, except that repayment, which had been extended to 31 October 2013, has now been deferred until 31 January 2014.

### **4 Proposed Investing Policy**

The Company's current Investing Policy states the following:

*Blue Star intends to invest in the Security and Surveillance sector, including Explosives Detection Systems Surveillance, Border & Perimeter Security Systems, Bio-Terror: Detection, Diagnostics & Treatment, Training & Simulation Systems, Access Control/Biometrics, People Screening, Cyber Security & Data Security, Container Screening, Emergency Planning and Integrated Response Systems.*

*The Company's geographical range is mainly UK companies but considers opportunities in the mainland EU and will actively co-invest in larger deals.*

*The Company can take positions in investee companies by way of equity, debt or convertible or hybrid securities.*

*The Company's investments are passive in nature, but may be actively managed. The Company may be represented on, or observe, the boards of its investee companies. The Company's investments are likely to be illiquid and consequently are to be held for the medium to long term.*

*The Company does not have any maximum exposure limits, limits on cross-holdings or other investing restrictions. It is the Directors intention not to invest more than 10% of the Company's gross assets in any individual company (calculated at the time of investment).*

*The Directors may exercise the powers of the Company to borrow money and to give security over its assets. The Company may also be indirectly exposed to the effects of gearing to the extent that investee companies have outstanding borrowings.*

*It is anticipated that returns from the Company's investment portfolio will upon realisation or sale of its investee companies, rather than from dividends received. Whilst it is not possible to determine the timing of exits, the Directors will seek to return capital to shareholders when appropriate.*

For the reasons highlighted in above, the Directors believe the current Investing Policy restricts the Company to a small segment of the market and the Directors believe it is in the Company's and Shareholders interest to broaden the areas of potential investment to a wider remit.

Therefore, subject to Shareholder approval, the Directors propose the following additions to the amended Investing Policy:

*The Company is seeking potential investment opportunities in the media, technology and gaming sectors in general. It is proposed therefore that the Company's investment remit be expanded to include companies where a significant part of their business is performed through the internet, television and social media and/or companies engaged in telecoms, gaming and media.*

## **5 The Subscription and Capitalisation**

The Company intends to raise £150,000 (before expenses) pursuant to the Subscription.

As described above, the Subscribers have conditionally agreed to subscribe for 50,000,000 new Ordinary Shares (representing approximately 17.07 per cent. of the Enlarged Share Capital) at the Issue Price, subject to the Resolutions being approved and to Admission.

The Subscription is conditional upon:

- each of the Resolutions being duly passed at the General Meeting;
- Admission becoming effective by no later than 8 a.m. on 1 November 2013;

The Subscription Shares will upon their issue rank pari passu in all respects with the Existing Ordinary Shares including the right to receive all dividends or other distributions declared, made or paid by the Company following Admission.

Application will be made to the London Stock Exchange for the Subscription Shares to be admitted to trading on AIM. It is expected that such admission will occur at 8.00 a.m. on 1 November 2013.

## **6 Use of proceeds**

The issue of the Subscription Shares will raise gross proceeds of £150,000 for the Company (approximately £127,000 after expenses). The Company intends to use the net proceeds for the general working capital requirements of the Company and to source, evaluate and execute new investment opportunities.

## **7 Expected timetable of principal events**

Date of this document	7 October 2013
Latest time and date for receipt of a completed Form of Proxy for General Meeting	9.00 a.m. on 28 October 2013
General Meeting	9.00 a.m. on 30 October 2013
Admission	8.00 a.m. on 1 November 2013

### **Enquiries:**

<b>Blue Star Capital plc</b>	Tony Fabrizi	Tel: 0777 178 2434
<b>Daniel Stewart &amp; Company plc</b> (Nomad & Joint Broker)	David Hart Director, Corporate Finance Martin Lampshire, Head of Corporate Broking	Tel: 020 7776 6550

**- Ends -**

## **Appendix**

<b>“Act”</b>	the Companies Act 2006
<b>“Admission”</b>	the admission of the Subscription Shares and the Capitalisation Shares to trading on AIM becoming effective in accordance with the AIM Rules
<b>“AIM”</b>	the market of that name, operated by the London Stock Exchange Plc
<b>“AIM Rules”</b>	the AIM Rules for Companies published by the London Stock Exchange
<b>“Capitalisation”</b>	the capitalisation of the Converting Loans by way of an issue of the Capitalisation Shares at a price of 0.3 pence per Ordinary Share

<b>“Capitalisation Shares”</b>	50,000,000 Ordinary Shares to be issued to the Converting Loans Holders pursuant to the Capitalisation
<b>“Clear Days”</b>	means (in relation to a period of a notice) that period, excluding the day when the notice is give or deemed to be given and the day for which it is given or on which it is to take effect
<b>“Company” or “Blue Star”</b>	Blue Star Capital Plc, a company incorporated in England and Wales with Registered Number 05174441
<b>“Completion”</b>	completion of the Subscription in accordance with its terms
<b>“Converting Loans”</b>	loans in the aggregate amount of £150,000 which have been advanced to the Company by the Converting Loan Holders and forming part of the Shareholder Loans
<b>“CREST”</b>	the computer-based system established under the CREST Regulations which enables title to units of relevant securities (as defined in the CREST Regulations) to be evidenced and transferred without a written instrument and in respect of which Euroclear UK & Ireland Limited is the operator (as defined in the CREST Regulations)
<b>“CREST Regulations”</b>	the Uncertificated Securities Regulations 2001 (SI 2001/3755)
<b>“Daniel Stewart”</b>	Daniel Stewart & Company Plc, the Company’s nominated adviser and broker for the purposes of the AIM Rules, a member of the London Stock Exchange and regulated in the UK by the Financial Conduct Authority
<b>“Diluted Enlarged Share Capital”</b>	the maximum number of Ordinary Shares in issue assuming exercise of all of the Existing Warrants
<b>“Directors”</b>	the Directors of the Company, being at the date of this Document: The Rt Hon The Lord Geoffrey Dear and Anthony Fabrizi
<b>“Enlarged Share Capital”</b>	the 292,942,191 Ordinary Shares in issue immediately following Admission, comprising the Existing Ordinary Shares, the Subscription Shares and the Capitalisation Shares
<b>“Existing Ordinary Shares”</b>	the 192,942,191 Ordinary Shares in issue as at the date of this document
<b>“Existing Warrants”</b>	the warrants issued and outstanding constituted on the terms set out in the warrant instrument executed by the Company on 28 April 2011 (as amended) to subscribe at GB 0.6 pence per share for up to 15,000,000 Ordinary Shares
<b>“Form of Proxy”</b>	the form of proxy for use in connection with the General Meeting
<b>“GB”</b>	Sterling, the lawful currency of the United Kingdom
<b>“General Meeting”</b>	the general meeting of the Company, to be held at the offices of Daniel Stewart at Becket House, 36 Old Jewry, London, EC2R 8DD, at 9.00a.m. on 30 October 2013 to approve the Resolutions, notice of which is set out at the

end of this document

<b>“Investing Policy”</b>	the proposed investing policy of the Company to be pursued by the Company following repassing of the Resolutions, further details of which are set out in paragraph 3 of part I of this document
<b>“Issue Price”</b>	GB 0.3 pence per Subscription Shares
<b>“Loan Agreement”</b>	the loan agreement entered into with Highland Fund Managers Limited, Anthony Fabrizi and certain other lenders on 28 April 2011 as amended by subsequent announcements by the Company
<b>“Lenders”</b>	Highland Fund Managers Limited, Anthony Fabrizi and certain other lenders who are party to the Loan Agreement as lenders
<b>“Ordinary Shares”</b>	the ordinary shares of GB 0.1 pence each in the share capital of the Company
<b>“Proposals”</b>	the Subscription, the Capitalisation and the adoption of the Investing Policy
<b>“Registrar”</b>	Capita Asset Services, the Company's registrar
<b>“Regulatory Information Service”</b>	any service by which companies can disseminate information in accordance with the AIM Rules
<b>“Resolutions”</b>	the resolutions set out in the Notice of General Meeting
<b>“Share Authorities”</b>	the authorities of the Directors to issue and allot shares pursuant to the Resolutions
<b>“Shareholder Loans”</b>	the loans provided to the Company by the Lenders pursuant to the Loan Agreement
<b>“Shareholders”</b>	person(s) who is/are registered as holder(s) of Ordinary Shares from time to time
<b>“Subscribers”</b>	the persons making the Subscription
<b>“Subscription”</b>	the conditional subscription for the Subscription Shares as described in this document
<b>“Subscription Agreements”</b>	the agreements dated 4 October 2013 between the Company and the Subscribers pursuant to which the Subscribers have agreed, to subscribe and the Company has agreed to issue the Subscription Shares, further details of which are set out in paragraph 4 of Part I of this document
<b>“Subscription Shares”</b>	the 50,000,000 new Ordinary Shares to be issued to the Subscribers pursuant to the Subscription.