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For Immediate Release

30 October 2020

MelodyVR Group PLC

(‘MVR’ or the ‘Company’)

Half-yearly Results

MelodyVR Group PLC (AIM: MVR), a creator of virtual reality (‘VR’) content, is pleased to announce its Half-yearly Results for the six months to 30 June 2020.

Highlights

- On 8 January 2020, J Gore (Bahamas) Limited partially exercised an option raising proceeds of \$1 million;
- On 1 May 2020, the Company completed a successful fundraise for approximately \$12 million before costs;
- On 15 May 2020, the Company announced its Live in LA Series and its program of live unattended performances to provide engagement between artists and fans;
- On 21 May 2020, the Company announced its partnership with Live Nation to stream the “Wireless Connect” virtual music festival;
- On 22 May 2020, the Company announced its intention to change its name to MelodyVR Group PLC;
- Post period end on 8 July 2020, the Company announced its partnership with Live Nation and Ticket Master to host a series of virtual concerts at the Brixton Academy;
- Post period end on 25 August 2020, the Company completed a successful fundraise for approximately £15.4 million and the conditional acquisition of Rhapsody International Inc. trading as Napster.

- Ends -

MelodyVR Group PLC

Anthony Matchett, Executive Chairman & CEO

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Chairman's Statement

On 25 August 2020, we announced that the Company had entered into an agreement and plan of merger, that subject to certain closing conditions would result in the acquisition of Rhapsody International Inc. (trading as "Napster"). Napster is known as the original music industry disruptor and has subsequently developed a successful business in music streaming, whose music library extends to more than 80 million tracks and serves more than 1 million subscribers across 34 countries, delivering over 1 billion music streams per month. We are hugely excited by the proposed acquisition which provides us with the opportunity to accelerate the scale of our business and to create a compelling and differentiated offering for music fans around the world. We believe that combining music streaming with immersive music performances, virtual reality and augmented reality content, live streamed events amongst further content, will provide a particularly appealing proposition for engaged music fans.

Our acquisition of one of the most iconic brands in music history will not only provide the Company with immediate global scale but also allow us to access a robust technological platform together with an experienced team. The acquisition will enable us to combine immersive visual content with music streaming, but also incorporate greater artist repertoire including video content, and live streams into a single premium subscription product. Our intention is to create the world's foremost music experience, available seamlessly across audio and visual and in turn create a truly next generation music service.

Given the nature of the transaction, our acquisition of Napster is classified as a reverse takeover and as such our shares were suspended on 25 August 2020 pending publication of an Admission Document. We are currently in the process of finalising the Admission Document process and expect this to be posted to shareholders within a short period of time.

Once live, our new application will be made available across multiple devices including smartphones, tablets, smart TV's, consoles and VR devices, in addition to audio only offerings for in-car and connected home devices such as Sonos and Amazon Echo.

The combination of the two businesses provides the Company with opportunities to secure significant operating efficiencies. Our intention is to centralise the duplicated functions into Napster's business in Seattle, USA, thereby leveraging the combined benefits of proven and established operating practices, securing material cost synergies and relocating functions where practical, to a location with closer proximity to many of our key music partners. Once the deal has completed, we will continue to focus on Napster's direct-to-consumer proposition and extend its business-to-business partnerships via existing and new partners, targeting telecommunications providers as partners with whom the benefits of our new product will showcase the speed and bandwidth of their new 5G networks.

As a stand-alone business MelodyVR has defined itself as a leading immersive content creator within the music industry, based on an integrated end-to-end approach spanning live event production expertise, proprietary hardware such as camera equipment and a unique post-production workflow including compression and delivery mechanisms to enable the fast and efficient transmission of high-resolution content over average internet connections. Moving forward we will continue to leverage MelodyVR's content production expertise to create further exclusive content including; Live audio recordings, Immersive 360/VR content and both short and long form 2D content, such as music videos and documentaries. Following a similar business model to other successful subscription platforms, we believe that exclusive original content provides a unique and compelling driver for subscriber growth and that it will be a key area of focus going forward.

Over the course of the coming months we intend to develop a new application which will enable us to drive revenues by providing users with a premium, recurring, monthly subscription service. For a monthly fee, music fans will receive access to Napster's recorded music library of 80m+ tracks, together with new live audio recordings, long and short form video content and MelodyVR's library of immersive VR experiences. We will continue to produce live-streamed digital events, monetized directly via the platform, as well as sold via 3rd party providers such as Live Nation and Ticketmaster. Live-streamed events are anticipated to serve as both a driver for subscriber growth and provide a significant source of additional revenue, incremental to the monthly subscription fee. The intention to retail merchandise alongside digital event tickets, such as clothing products, vinyl records and other show/artist related paraphernalia is expected to provide new monetisation and engagement opportunities.

Principal Risks and Uncertainties

Whilst completion of the acquisition is subject to a number of closing conditions including the publication of an admission document and the passing of resolutions at general meeting approving the transaction, we are pleased to report that the key rights holders have now approved the transaction which ensures that the business will be fully licenced with the three major record labels going forward. The ultimate success of our combined offering will depend on the successful integration of our two business both from a technical and operational perspective and the creation of a new user journey which excites and appeals to users. We continue to see live streaming as a core offering and as such depend on uninterrupted high-speed internet connection through which to upload our content. The limitations associated with outdoor venues or music festivals will impact our ability to provide audience-attended recorded content. It is anticipated the recordings or audience attended shows will resume in 2021 or 2022. Immersive content remains an emerging market despite the heightened engagement that we have seen following the release of our mobile applications and the accessibly now afforded on the billions of smartphones world-wide. We continue to believe that MelodyVR is peerless in terms of our entertainment offering, technical capabilities and licencing and distribution network and that of vision for of the combined MelodyVR/Napster business will provide for an exciting and compelling proposition for shareholders and music fans alike.

Results

The results for the Group reflect the stand-alone performance of MelodyVR Group PLC for the six months ended 30 June 2020. Moving forward our results, subject to the successful completion of the acquisition, will consolidate the activities of the Napster business.

During the six months ended 30 June 2020 the Group reported revenues of £0.2m (2019 : £0.1m which principally comprised subscription revenues derived from its partnership with O2, together with content consumed from its VR music platform via Apple's App Store, Google's Playstore and Oculus Store.

After cost of sales comprising payments to rights holders and content capture costs which included the creation and operation of our Live in LA studio the Group reported a gross loss of £(1.1)m (2019 : £(0.2)m). After administrative expenses, finance income and foreign exchange gains, the Group reported a consolidated accumulated loss of £(10.7)m (2019 : £(7.1)m) for the 6 months under review.

At 30 June 2020 the total of the consolidated balance sheet totalled £12.2m (2019 : £19.9m).

Outlook

Delivering on the vision for our new music offering will be core to our success going forward. Whilst completion of the transaction is dependent upon securing additional funds associated to secure the working capital requirements going forward, we believe the marriage of these two businesses, and the combination of existing services with new content offerings, delivered in a way which truly engages the music fan will ensure success over the course of the next few years.

With scale and global presence, we will have the opportunity to further extend awareness of our immersive offerings and attract partners who see real value in a differentiated offering. We believe our relationships with Live Nation, Ticketmaster, Good Morning America amongst others will provide significant opportunities for content capture which in turn will fuel the benefits of our differentiation.

New devices and enhanced connectivity will allow more fans from more territories to engage with our platform with the resultant scale delivering growth and a drive towards profitability as an enlarged group. We are confident that our vision for the future will meet the expectations of our fans and shareholders alike.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR MELODYVR GROUP PLC

for the six months ended 30th June 2020

	Notes	Unaudited Six months to 30th June 2020 £	Unaudited Six months to 30th June 2019 £	Audited Year to 31st December 2019 £
Revenue		189,932	128,432	194,971
Cost of Sales		(1,283,116)	(352,372)	(1,832,042)
Gross Profit/(Loss)		(1,093,184)	(223,940)	(1,637,071)
Administrative expenses		(9,391,361)	(6,974,796)	(14,227,561)
OPERATING LOSS		(10,484,545)	(7,198,736)	(15,864,632)
Operating loss before non-recurring and non-cash items		(9,353,223)	(6,146,383)	(13,794,485)
Depreciation, Amortisation and Impairment		(1,002,638)	(864,120)	(1,626,671)
Share based payments		(128,684)	(188,233)	(443,476)
OPERATING LOSS		(10,484,545)	(7,198,736)	(15,864,632)
Finance income		21,204	62,404	106,891
Finance costs		(15,726)	(15,115)	(14,229)
Foreign exchange gain		(262,333)	12,450	(381,101)
LOSS FOR THE PERIOD BEFORE TAXATION		(10,741,400)	(7,138,997)	(16,153,071)
Taxation		-	-	1,184,287
NET LOSS AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(10,741,400)	(7,138,997)	(14,968,784)
Attributable to:				
Owners of the parent company		(10,741,400)	(7,138,997)	(14,968,784)
Non – controlling interest		-	-	-
Loss per share				
Basic and Diluted from Continuing Operations	3	(0.68)p	(0.54)p	(1.1)p

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR MELODYVR GROUP PLC

for the six months ended 30th June 2020

(unaudited)

	Share Capital £	Share Premium Reserve £	Merger Relief Reserve £	Share Option Reserve £	Retained Losses £	Reverse Takeover Reserve £	Non- Controlling Interest £	Currency Translation Reserve £	Total £
Balance at 1st July 2019	14,804,875	39,950,079	486,611	2,162,498	(27,412,803)	(10,002,543)	(44,990)	(77,733)	19,865,994
Total comprehensive loss for the period	-	-	-	-	(7,829,787)	-	-	-	(7,829,787)
Grant of share options/warrants	-	-	-	255,243	-	-	-	-	255,243
Issue of new shares	139,975	581,150	-	-	-	-	-	-	721,125
Currency Translation Reserve	-	-	-	-	-	-	-	125,674	125,674
Non-Controlling Interest	-	-	-	-	-	-	-	-	-
Balance at 31st December 2019	14,944,850	40,531,229	486,611	2,417,741	(35,242,590)	(10,002,543)	(44,990)	47,941	13,138,249
Total comprehensive loss for the period	-	-	-	-	(10,741,400)	-	-	-	(10,741,400)
Grant of share options/warrants	-	-	-	128,686	-	-	-	-	128,686
Issue of new shares	2,861,269	7,068,214	-	-	-	-	-	-	9,929,483
Currency Translation Reserve	-	-	-	-	-	-	-	(217,064)	(217,064)
Non-Controlling Interest	-	-	-	-	-	-	-	-	-
Balance at 30th June 2020	17,806,119	47,599,443	486,611	2,546,427	(45,983,990)	(10,002,543)	(44,990)	(169,123)	12,237,954

CONSOLIDATED STATEMENT OF FINANCIAL POSISITON FOR MELODYVR GROUP PLC

as at 30th June 2020

	Notes	Unaudited as at 30th June 2020 £	Unaudited as at 30th June 2019 £	Audited as at 31st December 2019 £
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	4	1,082,766	963,404	813,728
Right of Use Assets	5	620,369	-	515,706
Financial Assets	7	258,107	-	235,446
Intangible assets	6	3,800,128	2,327,574	2,647,050
TOTAL NON-CURRENT ASSETS		5,761,370	3,290,978	4,211,930
CURRENT ASSETS				
Inventories		368,025	-	371,877
Trade and other receivables		5,101,554	1,235,569	3,382,819
Cash and cash equivalents		5,320,925	17,506,396	6,795,341
TOTAL CURRENT ASSETS		10,790,504	18,741,965	10,550,037
TOTAL ASSETS		16,551,874	22,032,943	14,761,967
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables		(3,682,997)	(2,166,949)	(1,143,311)
Lease liabilities		(368,928)	-	(156,964)
TOTAL CURRENT LIABILITIES		(4,051,925)	(2,166,949)	(1,300,275)
NON-CURRENT LIABILITIES				
Lease liabilities		(261,995)	-	(323,443)
TOTAL LIABILITIES		(4,313,920)	(2,166,949)	(1,623,718)
TOTAL NET ASSETS		12,237,954	19,865,994	13,138,249
EQUITY				
Share capital	8	17,806,119	14,804,875	14,944,850
Share premium reserve		47,599,443	39,950,079	40,531,229
Retained losses		(45,983,990)	(27,412,803)	(35,242,590)
Share Option Reserve		2,546,427	2,162,498	2,417,741
Merger Relief Reserve		486,611	486,611	486,611
Non-controlling interests		(44,990)	(44,990)	(44,990)
Currency Translation Reserve		(169,123)	(77,733)	(47,941)
Reverse takeover reserve		(10,002,543)	(10,002,543)	(10,002,543)
TOTAL EQUITY		12,237,954	19,865,994	13,138,249

CONSOLIDATED CASH FLOW STATEMENT FOR MELODYVR GROUP PLC

for the six months ended 30th June 2020

	Unaudited Six months to 30th June 2020	Unaudited Six months to 30th June 2019	Audited Year to 31st December 2019
	£	£	£
Loss from continuing operations	(10,741,400)	(7,138,997)	(16,153,071)
Adjustments for:			
Amortisation of intangible assets	522,036	419,316	1,001,809
Depreciation of fixed assets	359,411	275,209	610,128
Impairment of intangible asset	-	169,595	-
Depreciation of right-of-use assets	121,192	-	14,734
Loss on disposal of intangible assets	-	-	169,596
Share based payment expense	128,684	188,233	443,476
(Increase) / decrease in inventories	3,851	-	(371,877)
(Increase)/decrease in trade and other receivables	(1,718,735)	(286,866)	(596,636)
Increase/(decrease) in trade and other payables	2,539,686	869,081	(790,126)
	—	—	—
Net cash outflow from operating activities	(8,785,275)	(5,504,429)	(15,671,967)
Investing activities	—	—	—
Purchase of property, plant and equipment	(628,449)	(304,425)	(489,864)
Investment in intangible assets	(1,675,114)	(820,938)	(1,722,908)
Purchase of financial assets	-	-	(235,446)
Net cash generated used in investing activities	(2,303,563)	(1,125,363)	(2,448,218)
Financing activities			
Proceeds from issue of ordinary share capital	9,795,964	4,800,000	4,588,714
Proceeds from the exercise of warrants	133,519	6,585	938,997
Net cash generated from financing activities	9,929,483	4,806,585	5,527,711
	—	—	—
(Decrease)/increase in cash and cash equivalents	(1,159,355)	(1,823,207)	(12,592,474)
Effect of changes in foreign exchange	(315,061)	1,655	59,867
Cash and cash equivalents brought forward	6,795,341	19,327,948	19,327,948
Cash and cash equivalents carried forward	5,320,925	17,506,396	6,795,341

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR MELODYVR GROUP PLC

for the six months ended 30th June 2020

1. Basis of preparation of interim financial information

The consolidated interim financial statements have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards as endorsed by the European Union (“IFRS”) and expected to be effective at the year ended 31 December 2020.

The interim financial statements are unaudited and do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2019, prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, have been filed with the Registrar of Companies. The Auditors’ Report on these accounts was unqualified, did not include any matters to which the Auditors drew attention by way of emphasis without qualifying their report and did not contain any statements under section 498 of the Companies Act 2006.

The consolidated interim financial statements are for the 6 months to 30 June 2020.

The interim consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the group’s annual financial statements for the year ended 31 December 2019, which were prepared in accordance with IFRSs as adopted by the European Union.

Going Concern

The directors have prepared detailed cash flow forecasts and are of the opinion that it is appropriate to prepare these financial statements on a going concern basis. In making this assessment management has considered:

- a) The current working capital position and operational requirements
- b) The sensitivities associated with projected expenditure
- c) The timing and magnitude of planned capital expenditure
- d) The strategic exploitation of the company’s significant resources

The conclusion of this assessment and having regard to the existing working capital position the Directors are of the opinion that the Group will have adequate resources to enable it to undertake its planned activities for the next twelve months.

2. Statement of compliance

The financial statements comply with IFRSs as adopted by the European Union.

The Group currently adopts all relevant accounting standards that have been endorsed by the EU. There are various standards that are expected to be endorsed in 2020. The Group believes these standards will have no material impact on the financial statements.

3. Loss per share

Loss attributable to equity holders of the Company:	Unaudited 30th June 2020	Unaudited 30th June 2019	Audited Year to 31st December 2019
	£	£	£
Continuing and total operations	(10,741,400)	(7,138,997)	(14,968,784)
	No. of shares	No. of shares	No. of shares
Weighted average number of ordinary shares in issue for basic and fully diluted earnings	1,590,872,778	1,314,643,091	1,368,304,682
	Pence per Share	Pence per share	Pence per Share
Loss per share	(0.68)p	(0.54)p	(1.1)p
Basic and diluted:	(0.68)p	(0.54)p	(1.1)p

4. Tangible fixed assets

	Audio-visual production Equipment	Fixtures & Fittings	Computer Equipment	Leasehold Improvements	Total
	£	£	£	£	£
Cost					
As at 31 December 2019	731,224	97,038	1,112,768	74,285	2,015,315
Additions	242,218	-	69,698	316,533	628,449
Disposal	-	-	-	-	-
As at 30 June 2020	973,442	97,038	1,182,466	390,818	2,643,764
Accumulated depreciation					
As at 31 December 2019	393,832	42,082	691,388	74,285	1,201,587
Charge for the period	149,945	12,100	190,549	6,817	359,411
As at 30 June 2020	543,777	54,182	881,937	81,102	1,560,998
Net Book Value					
As at 31 December 2019	337,392	54,956	421,380	-	813,728
As at 30 June 2020	429,665	42,856	300,529	309,716	1,082,766

5. Right of use assets

	Land and Buildings	Total
	£	£
Cost		
As at 31 December 2019	530,440	530,440
Additions	225,855	225,855
Disposal	-	-
As at 30 June 2020	<u>756,295</u>	<u>756,295</u>
Accumulated depreciation		
As at 31 December 2019	14,734	14,734
Charge for the period	121,192	121,192
As at 30 June 2020	<u>135,926</u>	<u>135,926</u>
Net Book Value		
As at 31 December 2019	<u>515,706</u>	<u>515,706</u>
As at 30 June 2020	<u>620,369</u>	<u>620,369</u>

6. Intangible assets

	Goodwill	Development	Content - released	Content - in production	Total
	£	£	£	£	£
Cost					
As at 31 December 2019	603,476	1,880,493	1,152,046	314,876	3,950,891
Additions	-	-	150,000	1,525,114	1,675,114
Reclassification	-	-	-	-	-
Impairment	-	-	-	-	-
As at 30 June 2020	<u>603,476</u>	<u>1,880,493</u>	<u>1,302,046</u>	<u>1,839,990</u>	<u>5,626,005</u>
Accumulated amortisation					
As at 31 December 2019	-	535,532	768,309	-	1,303,841
Charge for the period	-	330,006	192,030	-	522,036
Impairment	-	-	-	-	-
As at 30 June 2020	<u>-</u>	<u>865,538</u>	<u>960,339</u>	<u>-</u>	<u>1,825,877</u>
Net Book Value					
As at 31 December 2019	<u>603,476</u>	<u>1,344,961</u>	<u>383,737</u>	<u>314,876</u>	<u>2,647,050</u>
As at 30 June 2020	<u>603,476</u>	<u>1,014,955</u>	<u>341,707</u>	<u>1,839,990</u>	<u>3,800,128</u>

Goodwill has been calculated as the fair value of the MelodyVR Group PLC ordinary shares pre reverse takeover less the net asset value of the Company at the time of take over.

7. Financial Assets

	Unaudited as at 30th June 2020	Unaudited as at 30th June 2019	Audited as at 31st December 2019
	£	£	£
Security deposit	258,107	-	235,446

8. Share Capital

	30th June 2020 (unaudited) Number	30th June 2019 (unaudited) Number
Ordinary shares of 1.1 pence each	499,725,635	495,095,455
Ordinary shares of 1.16 pence each	231,750,344	231,750,344
Ordinary shares of 1.2 pence each	4,615,090	-
Ordinary shares of 1.4 pence each	41,024,988	41,024,988
Ordinary shares of 1.7 pence each	205,232,810	205,232,810
Ordinary shares of 1.85 pence each	33,419,076	22,947,958
Ordinary shares of 3.75 pence each	275,410,966	-
Ordinary shares of 4.5 pence each	111,111,111	111,111,111
Ordinary shares of 8 pence each	187,500,000	187,500,000
Ordinary shares of 15.399 pence each	4,997,041	-
Ordinary shares of 16 pence each	125,000,000	125,000,000
Deferred shares of 0.24p each	150,520,616	150,520,616
Deferred shares of 0.95p each	26,000,000	26,000,000
Total	1,896,307,667	1,596,183,282

Further copies of this document are available both at the registered office of the Company. The statement will also be available to download on the Company's website: <http://melodyvr.group>