
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended
September 30, 2024

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File No. 001-40777

Arqit Quantum Inc.

(Exact name of registrant as specified in its charter)

Not applicable

(Translation of Registrant's name into English)

Cayman Islands

(Jurisdiction of incorporation or organization)

3 Orchard Place

London SW1H 0BF

United Kingdom

Telephone: +44 203 91 70155

(Address of principal executive office)

Andrew Leaver

3 Orchard Place

London SW1H 0BF

United Kingdom

Telephone: +44 203 91 70155

(Name, Telephone, Email and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Ordinary shares	ARQQ	The Nasdaq Stock Market LLC
Business Combination Warrants	ARQQW	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

- 11,545,354 Ordinary Shares, par value \$0.0025 per share, as of September 30, 2024

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act.

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued by the International Accounting Standards Board

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes

No

PART I

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INDUSTRY AND MARKET DATA

In this Annual Report, we present industry data, information and statistics regarding the markets in which the Company competes as well as publicly available information, industry and general publications and research and studies conducted by third parties. This information is supplemented where necessary with the Company's own internal estimates and information obtained from discussions with its customers, taking into account publicly available information about other industry participants and the Company's management's judgment where information is not publicly available.

Industry publications, research, studies and forecasts generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications and uncertainties as the other forward-looking statements in this Annual Report. These forecasts and forward-looking information are subject to uncertainty and risk due to a variety of factors, including those described under "*Risk Factors*." These and other factors could cause results to differ materially from those expressed in any forecasts or estimates.

FREQUENTLY USED TERMS

Unless otherwise stated or unless the context otherwise requires, the terms “the Company,” “the registrant,” “our company,” “the company,” “we,” “us,” “our,” “ours,” and “Arqit” refer to Arqit Quantum Inc.

In this Annual Report, unless the context otherwise requires:

“*Arqit*” or “*Company*” means Arqit Quantum Inc., a Cayman Islands exempted limited liability company with registered number 374857 and whose registered office is at Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

“*Articles*” means the memorandum and articles of association of Arqit.

“*British pounds sterling*” or “*£*” means the legal currency of the United Kingdom.

“*Business Combination*” means the transaction completed on September 3, 2021 pursuant to the Business Combination Agreement, in connection with which Centricus Acquisition Corp. merged with and into Arqit Quantum Inc., with Arqit Quantum Inc. as the surviving entity, following which Arqit Quantum Inc. acquired all of the outstanding share capital of Arqit Limited, with Arqit Limited becoming a wholly-owned subsidiary of Arqit Quantum Inc.

“*Business Combination Warrants*” means Arqit’s 521,557 outstanding warrants to purchase its ordinary shares at an exercise price of \$287.50 per share which became exercisable on February 8, 2022. Prior to the Reverse Share Split, Arqit had 13,038,904 outstanding warrants to purchase its ordinary shares at an exercise price of \$11.50 per share.

“*Cayman Companies Act*” means the Companies Act (As Revised) of the Cayman Islands, as may be amended from time to time.

“*Code*” means the U.S. Internal Revenue Code of 1986, as amended.

“*COVID-19*” means the disease known as coronavirus disease or COVID-19, the virus known as severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) and any evolutions or mutations thereof.

“*EAR*” means the Export Administration Regulations of the U.K. Export Control Act 2002, as amended.

“*Exchange Act*” means the U.S. Securities Exchange Act of 1934, as amended.

“*February 2023 Investor Warrants*” means Arqit’s 300,000 outstanding warrants to purchase its ordinary shares at an exercise price of \$50.00 per share, which became exercisable on February 22, 2023. Prior to the Reverse Share Split, Arqit had 7,500,000 outstanding warrants to purchase its ordinary shares at an exercise price of \$2.00 per share.

“*February 2023 Placement Agent Warrants*” means Arqit’s 22,000 outstanding warrants to purchase its ordinary shares at an exercise price of \$62.50 per share, which became exercisable on February 22, 2023. Prior to the Reverse Share Split, Arqit had 550,000 outstanding warrants to purchase its ordinary shares at an exercise price of \$2.50 per share.

“*Gartner*” means Gartner, Inc.

“*IFRS*” means International Financial Reporting Standards as adopted by the International Accounting Standards Board.

“*IRS*” means the U.S. Internal Revenue Service.

“*ITAR*” means the International Traffic in Arms Regulations of the Bureau of Industry and Security of the U.S. Department of Commerce.

“*JOBS Act*” means the Jumpstart Our Business Startups Act of 2012, as amended.

“*Nasdaq*” means the Nasdaq Capital Market.

“*NATO*” means the North Atlantic Treaty Organization.

“*NIST*” means the U.S. Department of Commerce’s National Institute of Standards and Technology.

“*ordinary shares*” means the ordinary shares, with \$0.0025 post Reverse Share Split par value per share, of the Company.

“*PFIC*” means passive foreign investment company within the meaning of Section 1297 of the Code.

“*PKI*” means public key infrastructure.

“*QEF election*” means a “qualified electing fund” election under Section 1295 of the Code.

“*Registration Rights Agreement*” means the Registration Rights Agreement dated September 3, 2021 among Arqit, Centricus Heritage LLC, Adam M. Aron, Nicholas Taylor, the shareholders of Arqit Limited prior to the completion of the Business Combination and Heritage Assets SCSP.

“*Reverse Share Split*” the consolidation of the ordinary shares and preference shares whereby every twenty five shares were consolidated into one share effective September 25, 2024.

“*Sarbanes-Oxley Act*” means the Sarbanes-Oxley Act of 2002.

“*SEC*” means the U.S. Securities Exchange Commission.

“*Securities Act*” means the U.S. Securities Act of 1933, as amended.

“*September 2023 Investor Warrants*” means Arqit’s 830,230 outstanding warrants to purchase its ordinary shares at an exercise price of \$19.50 per share, which became exercisable on September 12, 2023. Prior to the Reverse Share Split, Arqit had 20,755,677 outstanding warrants to purchase its ordinary shares at an exercise price of \$0.78 per share.

“*September 2023 Placement Agent Warrants*” means Arqit’s 28,207 outstanding warrants to purchase its ordinary shares at an exercise price of \$24.37 per share, which became exercisable on September 12, 2023. Prior to the Reverse Share Split, Arqit had 705,128 outstanding warrants to purchase its ordinary shares at an exercise price of \$0.975 per share.

“*September 2024 Investor Warrants*” means Arqit’s 5,440,000 outstanding warrants to purchase its ordinary shares at an exercise price of \$2.50 per share exercisable upon the later of (i) one year from the issuance date, (ii) the date of the approval by the Company’s shareholders of an increase in authorized capital sufficient to permit the issuance of shares upon the exercise of the September 2024 Investor Warrants and (iii) the date that the closing trading price of the Ordinary Shares on the Nasdaq Capital Market has exceeded \$5.00 for 60 consecutive trading days.

“*U.S. dollar*” or “*\$*” means the legal currency of the United States.

“*warrants*” means the Business Combination Warrants, the February 2023 Investor Warrants, the February 2023 Placement Agent Warrants, the September 2023 Investor Warrants, the September 2023 Placement Agent Warrants and the September 2024 Investor Warrants.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

This Annual Report contains our audited consolidated financial statements as of and for the periods ended September 30, 2024, 2023 and 2022 (our “audited consolidated financial statements”). The Company qualifies as a foreign private issuer as defined under Rule 405 under the Securities Act and prepares its financial statements denominated in U.S. dollars in accordance with International Financial Reporting Standards as adopted by the International Accounting Standards Board (“IFRS”).

CAUTIONARY NOTE ABOUT FORWARD-LOOKING STATEMENTS AND RISK FACTOR SUMMARY

This Annual Report contains certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, the provisions of Section 27A of the Securities Act of 1933 (the “Securities Act”) and Section 21E of the Exchange Act of 1934 (the “Exchange Act”). These forward-looking statements are subject to risks and uncertainties and include information about possible or assumed future results of the business, financial condition, results of operations, liquidity, plans and objectives of the Company. In some cases, you can identify forward-looking statements by terminology such as “believe,” “may,” “estimate,” “continue,” “anticipate,” “intend,” “should,” “plan,” “expect,” “predict,” “potential,” or the negative of these terms or other similar expressions. The statements regarding the following matters are forward-looking by their nature:

- that there will be significant market opportunities for the Company’s products as a result of an expected transformation in the cyber encryption industry over the next decade;
- that consumers, businesses and governments across all geographies and industries will likely need to replace the existing cyber encryption technology used in almost all electronic interfaces in order to maintain cyber security;
- that the global addressable market for information security services will be \$294 billion by the end of 2028;
- that new opportunities for growth in demand for the Company’s products are expected in government, defense, telecoms, financial services, Internet of Things and connected car markets;
- that “public key infrastructure” will be vulnerable to quantum computer attack; and
- that quantum computers of sufficient scale to break “public key infrastructure” may be available within a few years.

The preceding list is not intended to be an exhaustive list of all of forward-looking statements in this Annual Report. The forward-looking statements are based on beliefs, assumptions and expectations of the Company of future performance, taking into account the information currently available. These statements are only predictions based upon the current expectations and projections of the Company about future events.

You should not rely upon forward-looking statements as predictions of future events. Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, they cannot guarantee that future results, levels of activity, performance and events and circumstances reflected in the forward-looking statements will be achieved or will occur. Except as required by law, the Company undertakes no obligation to update publicly any forward-looking statements for any reason after the date of this Annual Report, to conform these statements to actual results or to changes in expectations.

Important risks, uncertainties, assumptions, and other factors that could cause our actual results or conditions to differ materially from our forward-looking statements include, among others, the items in the following list, which also summarizes some of our most principal risks:

- The Company is an early stage company with a history of losses and will be reliant upon a significant increase in sales and marketing activity in order to become profitable in the future.
- The Company’s limited operating history makes it difficult to evaluate its business and future prospects and increases the risk of your investment.
- The market adoption of the Company’s product is not fully proven, is evolving and may develop more slowly than or differently from the Company’s expectations. Its future success depends on the growth and expansion of these markets and its ability to adapt and respond effectively to evolving markets.
- The Company’s primary distribution channel is through channel partnerships, and therefore the Company is dependent upon maintaining and increasing the number of channel partnerships, and developing annual recurring revenues through those channel partnerships, in order to continue to develop its business.

- The Company will require additional capital to fund its operations, and if it is unable to obtain such capital, it will be unable to successfully continue to develop its business and commercialize its products.
- The Company is reliant upon the lease of data center capacity and access to fiber optic infrastructure from third parties in order to commercialize its product.
- The complexity of the Company's products could result in unforeseen delays or expenses from undetected defects, errors or reliability issues in software, which could reduce the market adoption of its new products, damage its reputation with current or prospective customers and expose it to product liability and other claims and adversely affect its operating costs.
- The Company may not be able to adequately protect or enforce its intellectual property rights or prevent unauthorized parties from copying or reverse engineering its products or technology. Its efforts to protect and enforce its intellectual property rights and prevent third parties from violating its rights may be costly.
- Third-party claims that the Company is infringing intellectual property, whether successful or not, could subject it to costly and time-consuming litigation or expensive licenses, and its business could be adversely affected.
- Certain of the Company's products contain third-party open source software components, and failure to comply with the terms of the underlying open source software licenses could restrict its ability to sell its products or expose the Company to other risks.
- The Company's intellectual property applications, including patent applications, may not be approved or granted or may take longer than expected to be approved, which may have a material adverse effect on its ability to prevent others from commercially exploiting products similar to its.
- In addition to patented technology, the Company relies on unpatented proprietary technology, trade secrets, designs, experiences, work flows, data, processes, software and know-how.
- The markets in which the Company competes are characterized by rapid technological change, and competing product innovations could adversely affect market adoption of its products.
- The Company's business depends substantially on the efforts of its executive officers and highly skilled personnel. The Company needs to attract and retain a large number of skilled, specialized and dedicated employees in different jurisdictions in order to grow and manage its business, and if the Company loses the services of existing key employees or fail to achieve its recruitment goals, its operations may be disrupted.
- Failure to comply with governmental trade controls, including export and import control laws and regulations, sanctions, and related regimes could subject the Company to liability or loss of contracting privileges, limit its ability to compete in certain markets or harm its reputation with the governments.
- Failures, or perceived failures, to comply with privacy, data protection, and information security requirements in the jurisdictions in which the Company operates may adversely impact its business, and such legal requirements are evolving and may require improvements in, or changes to, its policies and operations.
- Fluctuations in currency exchange rates may adversely affect the Company's business and result of operations.
- The Company's Business Combination Warrants are accounted for as liabilities and the changes in value of the warrants could have a material effect on its financial results.
- Interruption or failure of the Company's information technology and communications systems could impact its ability to effectively provide its products and services.
- If any of the Company's third parties' systems, its customers' cloud or on-premises environments, or its internal systems are breached or if unauthorized access to customer or third-party data is otherwise obtained, public perception of its business may be harmed, and the Company may lose business and incur losses or liabilities.

- If the Company's network and products do not interoperate with its customers' internal networks and infrastructure or with third-party products, websites, or services, its network may become less competitive and its results of operations may be harmed.

Some of these factors are discussed in more detail in this Annual Report, including under "Item 3. Key Information—Risk Factors," "Item 4. Information on the Company" and "Item 5. Operating and Financial Review and Prospects." Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this Annual Report as anticipated, believed, estimated or expected.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not Applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable.

ITEM 3. KEY INFORMATION

3.A. [Reserved]

3.B. CAPITALIZATION AND INDEBTEDNESS

Not Applicable.

3.C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not Applicable.

3.D. RISK FACTORS

You should carefully consider the risks described below, together with all of the other information included in this Annual Report, in evaluating us and our shares. Our business, financial condition or results of operations could be materially and adversely affected by any of these risks. The trading price and value of our ordinary shares could decline due to any of these risks, and you may lose all or part of your investment. This Annual Report also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below and elsewhere in this Annual Report.

Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations.

Risks Related to Arqit's Business and Operations

Arqit is an early stage company with a history of losses and will be reliant upon a significant increase in sales and marketing activity in order to become profitable in the future.

Arqit has only just started to generate material revenues through the commercialization of its products. For the years ended September 30, 2022, 2023 and 2024, Arqit generated operating losses of \$63.8 million, \$54.5 million and \$24.7 million respectively. Arqit intends to continue to invest and to increase investments in sales, marketing and product development, and believes that it will continue to incur operating and net losses until at least the time it is able to fully commercialize its products, but which may occur later than expected or not at all. There can be no assurance that Arqit's products or its sales strategy will be commercially successful. Arqit's potential profitability is dependent upon the successful development and commercial introduction and acceptance of its products, which may not occur. Because Arqit will incur the costs and expenses of commercializing its products before it receives any significant revenues with respect thereto, its losses in future periods may be significant. If Arqit is never able to achieve or sustain profitability, its results of operations could differ materially from its expectations and Arqit's business, financial condition and results of operations could be materially adversely affected.

Arqit's limited operating history makes it difficult to evaluate its business and future prospects and increases the risk of your investment.

Arqit began operations in 2017, has a limited operating history, and operates in the post-quantum cryptography encryption industry, which is rapidly evolving. As a result, there is limited information that investors can use in evaluating Arqit's business, strategy, operating plan, results and prospects. Arqit intends to derive most of its revenues from the delivery of its symmetric key agreement product, Arqit SKA-Platform™, formerly known as QuantumCloud™, which is a newly developed technology. It is difficult to predict future revenues and appropriately budget for expenses, and Arqit has limited insight into trends that may emerge and affect its business. If the assumptions Arqit uses to plan and operate its business are incorrect or change, its results of operations could differ materially from its expectations and Arqit's business, financial condition and results of operations could be materially adversely affected.

The market adoption of Arqit's product is not fully proven, is evolving and may develop more slowly than or differently from Arqit's expectations. Its future success depends on the growth and expansion of these markets and its ability to adapt and respond effectively to evolving markets.

The market adoption of Arqit's product is relatively new, rapidly evolving, and not fully proven. Accordingly, it is difficult to predict customer adoption and renewals and demand for its products and services, the entry of competitive products, the success of existing competitive products, or the future growth rate, expansion, longevity, and the size of the market for its products. The expansion of and its ability to penetrate these new and evolving markets depends on a number of factors, including: the cost, performance, and perceived value associated with its products, and the extent to which its products improve security and are easy to use for its customers. If Arqit experiences security incidents or disruptions in delivery or service, the market for its products may be negatively affected. If its products do not continue to achieve market acceptance, or there is a reduction in demand caused by decreased customer acceptance, technological challenges, weakening economic conditions, privacy, data protection and data security concerns, governmental regulation, competing technologies and products, or decreases in information technology spending or otherwise, the market for its products may not continue to develop or may develop more slowly than Arqit expects, which could adversely affect its business, financial condition, and results of operations.

Arqit's primary distribution channel is through channel partnerships, and therefore Arqit is dependent upon maintaining and increasing the number of channel partnerships, and developing annual recurring revenues through those channel partnerships, in order to continue to develop its business.

Arqit is in the early stages of commercializing its business, and in December 2022 began transitioning its distribution model from an enterprise license model to distribution through channel partners. There can be no certainty over the pace and scale of revenue growth generated from such relationships, which might take longer than anticipated to generate material revenues. In addition, Arqit is dependent upon maintaining its existing, and increasing the number of, channel partnerships in order to continue to develop its business and annual recurring revenues. If revenues from channel partner relationships fail to develop, take longer than expected to develop, or Arqit fails to maintain existing or increase the number of its channel partnerships, the impact could adversely affect its business, financial condition, and results of operations.

Arqit will require additional capital to fund its operations, and if it is unable to obtain such capital, it will be unable to successfully continue to develop its business and commercialize its products.

As of September 30, 2024, Arqit had cash and cash equivalents of approximately \$18.7 million. Although Arqit believes it has sufficient funds to fund its operations for the next twelve months as of the filing of this Annual Report on Form 20-F, it will require additional capital in order to successfully continue to develop its business and commercialize its products. There is no assurance that revenues from Arqit's commercialization of its products will be sufficient to fund its operations in the future, or that additional funds will be available through other sources when required on terms that are acceptable to Arqit, or at all. If Arqit is not able to access the capital required to fund its operations, its business, financial condition and results of operations could be materially adversely affected.

Arqit is reliant upon the lease of data center capacity and access to fiber optic infrastructure from third parties in order to commercialize its product.

Arqit leases its data centres and obtains access to fiber optic infrastructure from third parties and will be reliant on the continued operation of these data centres and infrastructure to commercialize its product. While Arqit has electronic access to the components and infrastructure of its cloud platforms that are hosted by third parties, Arqit does not control the operation of these facilities. Consequently, Arqit may be subject to service disruptions as well as failures to provide adequate support for reasons that are outside of its direct control. The data centres or the fiber optic infrastructure Arqit uses to deliver its products may be vulnerable to damage or interruption from a variety of sources, including earthquakes, floods, fires, power loss, system failures, computer viruses, physical or electronic break-ins, human error or interference (including by disgruntled employees, former employees or contractors), and other catastrophic events. Its data centres or the fiber optic infrastructure Arqit uses may also be subject to local administrative actions, changes to legal or permitting requirements and litigation to stop, limit or delay operations. Despite precautions taken at these facilities, such as disaster recovery, business continuity arrangements, and diversity of supply in the Arqit network, the occurrence of a natural disaster or an act of terrorism, a decision to close the facilities without adequate notice or other unanticipated problems at these facilities could result in interruptions or degradations in its services, impede its ability to scale its operations or have other adverse impacts upon its business. In addition, if Arqit does not accurately plan for its infrastructure capacity requirements and Arqit experiences significant strains on its data center capacity, Arqit may experience delays and additional expenses in arranging new data centres, and its customers could experience performance degradation or service outages that may subject it to financial liabilities, result in customer losses and materially harm its business. If Arqit is unable to efficiently and cost-effectively fix such errors at the data centres or fiber optic infrastructure or other problems that may be identified, this could damage its reputation and negatively impact its relationship with its customers. If Arqit is

unable to successfully maintain and manage the data centres and the fiber optic infrastructure that Arqit uses, Arqit's business, financial condition and results of operations could be materially adversely affected.

The complexity of Arqit's products could result in unforeseen delays or expenses from undetected defects, errors or reliability issues in software, which could reduce the market adoption of its new products, damage its reputation with current or prospective customers and expose it to product liability and other claims and adversely affect its operating costs.

Arqit's products are highly technical and complex and require high standards to implement and may experience defects, errors or reliability issues at various stages of development and commercial implementation. Arqit may be unable to timely correct problems that have arisen or correct such problems to its customers' satisfaction. Additionally, undetected errors, defects or security vulnerabilities could result in litigation against Arqit, negative publicity and other consequences. Some errors or defects in its products may only be discovered after they have been tested, commercialized and deployed by customers. If that is the case, Arqit may incur significant additional development costs with respect to its products. These problems may also result in claims, including class actions, against Arqit by its customers or others. Its reputation or brand may be damaged as a result of these problems, customers may be reluctant to buy its products, and Arqit's business, financial condition and results of operations could be materially adversely affected.

Arqit may not be able to adequately protect or enforce its intellectual property rights or prevent unauthorized parties from copying or reverse engineering its products or technology. Its efforts to protect and enforce its intellectual property rights and prevent third parties from violating its rights may be costly.

The success of its products and business depend in part on its ability to obtain patents and other intellectual property rights and maintain adequate legal protection for its products. As of the date of this Annual Report, Arqit had 25 granted patents and 20 pending patent in the UK. Arqit relies on a combination of patent, service mark, trademark and trade secret laws, as well as confidentiality procedures and contractual restrictions, to establish and protect its proprietary rights, all of which provide only limited protection.

Arqit cannot assure you that any patents will be issued with respect to its currently pending patent applications or that any trademarks will be registered with respect to its currently pending applications in a manner that provides adequate defensive protection or competitive advantages, if at all, or that any patents issued to Arqit or any trademarks registered by it will not be challenged, invalidated or circumvented. Arqit may file for patents and trademarks in the U.S., U.K. and in certain international jurisdictions, but such protections may not be available in all countries in which it operates or in which Arqit seeks to enforce its intellectual property rights, or may be difficult to enforce in practice. For example, the legal environment relating to intellectual property protection in certain emerging market countries where Arqit may operate in the future is relatively weaker, often making it difficult to create and enforce such rights. Its currently-registered intellectual property and any intellectual property that may be issued or registered, as applicable, in the future with respect to pending or future applications may not provide sufficiently broad protection or may not prove to be enforceable in actions against alleged infringers. Arqit cannot be certain that the steps Arqit has taken will prevent unauthorized use of its technology or the reverse engineering of its technology. Moreover, others may independently develop technologies that are competitive to or infringe its intellectual property.

Protecting against the unauthorized use of its intellectual property, products and other proprietary rights is expensive and difficult, particularly internationally. Arqit believes that its intellectual property is foundational in the area of encryption technology and intends to enforce the intellectual property portfolio that Arqit has built. Unauthorized parties may attempt to copy or reverse engineer its technology or certain aspects of its products that it considers proprietary. Litigation may be necessary in the future to enforce or defend its intellectual property rights, to prevent unauthorized parties from copying or reverse engineering its products or technology to determine the validity and scope of the proprietary rights of others or to block the importation of infringing products into the U.S., U.K. or other jurisdictions in which Arqit seeks to protect its intellectual property rights.

Any such litigation, whether initiated by Arqit or a third party, could result in substantial costs and diversion of management resources, either of which could adversely affect its business, operating results and financial condition. Even if Arqit obtains favorable outcomes in litigation, Arqit may not be able to obtain adequate remedies, especially in the context of unauthorized parties copying or reverse engineering its products or technology.

Effective patent, trademark, service mark, copyright and trade secret protection may not be available in every country in which its products are available and competitors based in other countries may sell infringing products in one or more markets. Failure to adequately protect its intellectual property rights could result in its competitors offering similar products, potentially resulting in the loss of some of its competitive advantage, and Arqit's business, financial condition and results of operations could be materially adversely affected.

Third-party claims that Arqit is infringing intellectual property, whether successful or not, could subject it to costly and time-consuming litigation or expensive licenses, and its business could be adversely affected.

Participants in Arqit's industry typically protect their technology, especially embedded software, through copyrights and trade secrets in addition to patents. As a result, there is frequent litigation based on allegations of infringement, misappropriation or other violations of intellectual property rights. Arqit may in the future receive inquiries from other intellectual property holders and may become subject to claims that it infringes their intellectual property rights, particularly as Arqit expands its presence in the market, expands to new use cases and faces increasing competition. In addition, parties may claim that the names and branding of Arqit's products infringe their trademark rights in certain countries or territories. If such a claim were to prevail, Arqit may have to change the names and branding of its products in the affected territories and could incur other costs.

Arqit may in the future need to initiate infringement claims or litigation in order to try to protect its intellectual property rights. In addition to litigation where Arqit is a plaintiff, its defense of intellectual property rights claims brought against it or its customers or suppliers, with or without merit, could be time-consuming, expensive to litigate or settle, could divert management resources and attention and could force Arqit to acquire intellectual property rights and licenses, which may involve substantial royalty or other payments and may not be available on acceptable terms or at all. Further, a party making such a claim, if successful, could secure a judgment that requires Arqit to pay substantial damages or obtain an injunction and Arqit may also lose the opportunity to license its technology to others or to collect royalty payments. An adverse determination could also invalidate or narrow Arqit's intellectual property rights and adversely affect its ability to offer its products to its customers and may require that Arqit procure or develop substitute products that do not infringe, which could require significant effort and expense. If any of these events were to materialize, Arqit's business, financial condition and results of operations could be materially adversely affected.

Certain of Arqit's products contain third-party open source software components, and failure to comply with the terms of the underlying open source software licenses could restrict its ability to sell its products or expose Arqit to other risks.

Arqit's products contain software modules licensed to it by third-party authors under "open source" licenses. From time to time, there have been claims against companies that distribute or use open source software in their products and services, asserting that open source software infringes the claimants' IP rights. Arqit could be subject to suits by parties claiming infringement of IP rights in what Arqit believes to be licensed open source software. Use and distribution of open source software may entail greater risks than use of third-party commercial software, as, for example, open source licensors generally do not provide warranties or other contractual protections regarding infringement claims or the quality of the code. Some open source licenses contain requirements that Arqit makes available source code for modifications or derivative works Arqit creates based upon the type of open source software Arqit uses. If Arqit combines its proprietary software with open source software in a certain manner, Arqit could, under certain open source licenses, be required to release the source code of its proprietary software to the public. This would allow its competitors to create similar products with lower development effort and time and ultimately could result in a loss of product sales for Arqit.

Although Arqit monitors its use of open source software to avoid subjecting its products to conditions Arqit does not intend, the terms of many open source licenses have not been interpreted by U.S. courts, and there is a risk that these licenses could be construed in a way that, for example, could impose unanticipated conditions or restrictions on its ability to commercialize its products. In this event, Arqit could be required to seek licenses from third parties to continue offering its products, to make its proprietary code generally available in source code form, to re-engineer its products or to discontinue the sale of its products if re-engineering could not be accomplished on a timely basis, and Arqit's business, financial condition and results of operations could be materially adversely affected.

Arqit's intellectual property applications, including patent applications, may not be approved or granted or may take longer than expected to be approved, which may have a material adverse effect on its ability to prevent others from commercially exploiting products similar to its.

Arqit cannot be certain that it is the first inventor of the subject matter to which it has filed a particular patent application or if it is the first party to file such a patent application. The process of securing definitive patent protection can take five or more years. If another party has filed a patent application to the same subject matter as Arqit has, Arqit may not be entitled to some or all of the protection sought by the patent application. Arqit also cannot be certain whether the claims included in a patent application will ultimately be allowed in the applicable issued patent or the timing of any approval or grant of a patent application.

Further, the scope of protection of issued patent claims is often difficult to determine. As a result, Arqit cannot be certain that the patent applications that Arqit files will issue, or that its issued patents will afford protection against competitors with similar technology. In addition, if its competitors may design around its registered or issued intellectual property, Arqit's business, financial condition and results of operations could be materially adversely affected.

In addition to patented technology, Arqit relies on unpatented proprietary technology, trade secrets, designs, experiences, work flows, data, processes, software and know-how.

Arqit relies on proprietary information (such as trade secrets, designs, experiences, work flows, data, know-how and confidential information) to protect intellectual property that may not be patentable or subject to copyright, trademark, trade dress or service mark protection, or that Arqit believes is best protected by means that do not require public disclosure. Arqit generally seeks to protect this proprietary information by entering into confidentiality agreements, or consulting, services or employment agreements that contain non-disclosure and non-use provisions with its employees, consultants, customers, contractors and third parties. However, Arqit may fail to enter into the necessary agreements, and even if entered into, such agreements may be breached or may otherwise fail to prevent disclosure, third-party infringement or misappropriation of its proprietary information, may be limited as to their term and may not provide adequate remedies in the event of unauthorized disclosure or use of proprietary information. Arqit has limited control over the protection of trade secrets used by its current or future manufacturing counterparties and suppliers and could lose future trade secret protection if any unauthorized disclosure of such information occurs. In addition, its proprietary information may otherwise become known or be independently developed by its competitors or other third parties. To the extent that Arqit's employees, consultants, customers, contractors, advisors and other third parties use intellectual property owned by others in their work for it, disputes may arise as to the rights in related or resulting know-how and inventions. Costly and time-consuming litigation could be necessary to enforce and determine the scope of its proprietary rights, and failure to obtain or maintain protection for its proprietary information could adversely affect its competitive business position. Furthermore, laws regarding trade secret rights in certain markets where Arqit operate may afford little or no protection to its trade secrets.

Arqit also relies on physical and electronic security measures to protect its proprietary information but cannot provide assurance that these security measures will not be breached or provide adequate protection for its property. There is a risk that third parties may obtain and improperly utilize its proprietary information to its competitive disadvantage. Arqit may not be able to detect or prevent the unauthorized use of such information or take appropriate and timely steps to enforce its intellectual property rights, and Arqit's business, financial condition and results of operations could be materially adversely affected.

The markets in which Arqit competes are characterized by rapid technological change, and competing product innovations could adversely affect market adoption of its products.

While Arqit has invested substantial resources in technological development, and believes that its product is a unique innovation, continuing technological changes in quantum technology and changes in the markets for its products could adversely affect adoption of its products, either generally or for particular applications. Arqit's future success will depend upon its ability to develop and introduce a variety of new capabilities and innovations to its product offerings, as well as to introduce a variety of new product offerings, to address the changing needs of the markets in which Arqit offers its products. Delays in delivering new products that meet customer requirements could damage its relationships with customers and lead them to seek alternative sources of supply. Delays in introducing products and innovations, the failure to choose correctly among technical alternatives or the failure to offer innovative products or configurations at competitive prices may cause existing and potential customers to purchase its competitors' products or turn to alternative technology.

If Arqit is unable to devote adequate resources to develop products or cannot otherwise successfully develop products or system configurations that meet customer requirements on a timely basis or that remain competitive with technological alternatives, its products could lose market share, its revenue could decline, and Arqit's business, financial condition and results of operations could be materially adversely affected.

Arqit's business depends substantially on the efforts of its executive officers and highly skilled personnel. Arqit needs to attract and retain a large number of skilled, specialized and dedicated employees in different jurisdictions in order to grow and manage its business, and if Arqit loses the services of existing key employees or fail to achieve its recruitment goals, its operations may be disrupted.

Competition for highly-skilled personnel is often intense and Arqit may incur significant costs to attract and retain highly-skilled personnel. Arqit may not be successful in attracting, integrating, or retaining qualified personnel to fulfill its current or future needs. As its business grows, Arqit will need to recruit a large number of skilled employees in different jurisdictions in which it operates and expects to expand into in the future. Experienced and highly skilled employees are in high demand, competition for these employees can be intense and Arqit's ability to hire, attract and retain them depends on its ability to provide competitive compensation. Arqit will also need to expend significant time and expense to train the employees that it hires and it may struggle to retain employees, and its competitors may actively seek to hire skilled personnel away from it. If Arqit fails to attract new personnel or to retain and motivate its current personnel, its business and future growth prospects could be adversely affected.

Failure to comply with governmental trade controls, including export and import control laws and regulations, sanctions, and related regimes could subject Arqit to liability or loss of contracting privileges, limit its ability to compete in certain markets or harm its reputation with the governments.

Arqit's products are subject to export controls in the U.S., U.K. and other jurisdictions, and Arqit incorporates encryption technology into its product offerings. Some of the underlying technology in Arqit's products may be exported outside of these countries only with the required export authorizations, which may require a license, a license exception, or other appropriate government authorizations, including the filing of an encryption classification request or self-classification report.

Furthermore, its activities are subject to the economic sanctions, laws and regulations of the U.S. and other jurisdictions. Such controls prohibit the shipment or transfer of certain products and services without the required export authorizations or export to countries, governments, and persons targeted by applicable sanctions. Arqit takes precautions to prevent its offerings from being exported in violation of these laws, including: (i) seeking to proactively classify its platforms and obtain authorizations for the export and/or import of its platforms where appropriate, (ii) implementing certain technical controls and screening practices to reduce the risk of violations, and (iii) requiring compliance with U.S. export control and sanctions obligations in customer and vendor contracts. However, Arqit cannot guarantee the precautions it takes will prevent violations of export control and sanctions laws.

As discussed above, if Arqit misclassifies a product or service, export or provides access to a product or service in violation of applicable restrictions, or otherwise fails to comply with export regulations, Arqit may be denied export privileges or subjected to significant per violation fines or other penalties, and its platforms may be denied entry into other countries. Any decreased use of its platforms or limitation on its ability to export or sell its platforms would likely adversely affect its business, results of operations and financial condition. Violations of sanctions or export control laws can result in fines or penalties, including both civil and criminal penalties.

Arqit also notes that if it or its business partners or counterparties, including licensors and licensees, prime contractors, subcontractors, sublicensors, vendors, customers, or contractors, fail to obtain appropriate import, export, or re-export licenses or permits, notwithstanding regulatory requirements or contractual commitments to do so, or if Arqit fails to secure such contractual commitments where necessary, Arqit may also face reputational harm as well as other negative consequences, including government investigations and penalties.

Negative consequences for violations or apparent violations of trade control requirements may include the absolute loss of the right to sell Arqit's platforms or services to the government of the U.S., or to other public bodies, or a reduction in its ability to compete for such sales opportunities. Further, complying with export control and sanctions regulations for a particular sale may be time-consuming and may result in the delay or loss of sales opportunities.

Other countries in addition to the U.S. and U.K. also regulate the import and export of certain encryption and other technology, including import and export licensing requirements, and have enacted laws that could limit Arqit's ability to distribute its products or could limit its end-customers' ability to implement its products in those countries. Changes in Arqit's products or future changes in export and import regulations may create delays in the introduction of its platform in international markets, prevent its end- customers with international operations from deploying its platform globally or, in some cases, prevent the export or import of its products to certain countries, governments, or persons altogether. From time to time, various governmental agencies have proposed additional regulation of encryption technology. Any change in export or import regulations, economic sanctions or related legislation, increased export and import controls, or change in the countries, governments, persons, or technologies targeted by such regulations, could result in decreased use of Arqit's platform by, or in its decreased ability to export or sell its products to, existing or potential end-customers with international operations. If there is any limitation on its ability to export or sell its products, Arqit's business, financial condition and results of operations could be materially adversely affected.

Failures, or perceived failures, to comply with privacy, data protection, and information security requirements in the jurisdictions in which Arqit operates may adversely impact its business, and such legal requirements are evolving and may require improvements in, or changes to, its policies and operations.

Arqit's current and potential future operations and sales are subject to laws and regulations addressing privacy and the collection, use, storage, disclosure, transfer and protection of a variety of types of data. The primary data privacy laws applicable to Arqit include U.K. General Data Protection Regulation and the U.K. Data Protection Act of 2018. These regimes may, among other things, impose data security requirements, disclosure requirements, and restrictions on data collection, uses, and sharing that may impact its operations and the development of its business. Arqit's products collect, store and process certain information and its products may evolve to collect additional information. Therefore, the full impact of these privacy regimes on its business is rapidly evolving across jurisdictions and remains uncertain at this time.

Arqit may also be affected by cyber-attacks and other means of gaining unauthorized access to its products, systems, and data. For instance, cyber criminals or insiders may target it or third parties with which Arqit has business relationships to obtain data, or in a manner that disrupts its operations or compromises its products or the systems into which its products are integrated.

Arqit continually assesses the evolving privacy and data security regimes and implements measures that Arqit believes are appropriate in response. Since these data security regimes are evolving, uncertain and complex, especially for a global business like Arqit's, it may need to update or enhance its compliance measures as its products, markets and customer demands further develop, and these updates or enhancements may require implementation costs. In addition, Arqit may not be able to monitor and react to all developments in a timely manner and the compliance measures that Arqit adopts may prove ineffective.

Any failure, or perceived failure, to comply with current and future regulatory or customer-driven privacy, data protection, and information security requirements, or to prevent or mitigate security breaches, cyber-attacks, or improper access to, use of, or disclosure of data, or any security issues or cyber-attacks affecting Arqit, could result in significant liability, costs (including the costs of mitigation and recovery), and a material loss of revenue resulting from the adverse impact on Arqit's reputation and brand, loss of proprietary information and data, disruption to its business and relationships, and diminished ability to retain or attract customers and business partners. Such events may result in governmental enforcement actions and prosecutions, private litigation, fines and penalties or adverse publicity, and could cause customers and business partners to lose trust in Arqit, and its business, financial condition and results of operations could be materially adversely affected.

Fluctuations in currency exchange rates may adversely affect Arqit's business and result of operations.

Arqit's functional currency is GBP and its reporting currency is U.S. dollars. Accordingly, fluctuations in the value of GBP relative to the U.S. dollar could affect its results of operations due to translational remeasurements. As its international operations expand, an increasing portion of its revenue and operating expenses will be denominated in non-GBP currencies. Accordingly, Arqit's revenue and operating expenses will become increasingly subject to fluctuations due to changes in foreign currency exchange rates. If Arqit is not able to successfully hedge against the risks associated with currency fluctuations, Arqit's business, financial condition and results of operations could be materially adversely affected.

Arqit's Business Combination Warrants are accounted for as liabilities and the changes in value of the warrants could have a material effect on its financial results.

In accordance with IFRS 9 –*Financial Instruments* and IAS 32 –*Financial Instruments: Presentation*, Arqit has determined that its Business Combination Warrants should be measured at fair value on its statement of financial position, with any changes in fair value to be reported each period in earnings on its statement of comprehensive income. As a result of the recurring fair value measurement, Arqit's financial statements may fluctuate on an interim basis, based on factors which are outside of its control. Due to the recurring fair value measurement, Arqit expects that it will recognize non-cash gains or losses on its Business Combination Warrants each reporting period and that the amount of such gains or losses could be material.

Interruption or failure of Arqit's information technology and communications systems could impact its ability to effectively provide its products and services.

The availability and effectiveness of Arqit's services depend on the continued operation of information technology and communications systems. Its systems will be vulnerable to damage or interruption from, among others, physical theft, fire, terrorist attacks, natural disasters, power loss, war, telecommunications failures, viruses, denial or degradation of service attacks, ransomware, social engineering schemes, insider theft or misuse or other attempts to harm its systems. Arqit utilizes reputable third-party service providers or vendors for all of its IT and communications systems, and these providers could also be vulnerable to harms similar to those that could damage its systems, including sabotage and intentional acts of vandalism causing potential disruptions. Some of its systems will not be fully redundant, and its disaster recovery planning cannot account for all eventualities. Any problems with its third-party cloud hosting providers could result in lengthy interruptions in its business. In addition, Arqit's services and functionality are highly technical and complex technology which may contain errors or vulnerabilities that could result in interruptions in its business or the failure of its systems.

If any of Arqit's third parties' systems, its customers' cloud or on-premises environments, or its internal systems are breached or if unauthorized access to customer or third-party data is otherwise obtained, public perception of its business may be harmed, and Arqit may lose business and incur losses or liabilities.

Arqit's success depends in part on its ability to provide effective data security protection in connection with its platforms and services, and Arqit relies on information technology networks and systems to securely store, transmit, index, and otherwise process electronic information. Because its platforms and services are used by its customers to encrypt large data sets that often contain proprietary, confidential, and/or sensitive information (including in some instances personal or identifying information and personal health information), its software is perceived as an attractive target for attacks by computer hackers or others seeking unauthorized access, and its software faces threats of unintended exposure, exfiltration, alteration, deletion, or loss of data. Additionally, because many of Arqit's customers use its platforms to store, transmit, and otherwise process proprietary, confidential, or sensitive information, and complete mission critical tasks, they have a lower risk tolerance for security vulnerabilities in its platforms and services than for vulnerabilities in other, less critical, software products and services.

Arqit, and the third-party vendors upon which Arqit relies, have experienced, and may in the future experience, cybersecurity threats, including threats or attempts to disrupt its information technology infrastructure and unauthorized attempts to gain access to sensitive or confidential information. Its and its third-party vendors' technology systems may be damaged or compromised by malicious events, such as cyberattacks (including computer viruses, malicious and destructive code, phishing attacks, and denial of service attacks), physical or electronic security breaches, natural disasters, fire, power loss, telecommunications failures, personnel misconduct, and human error. Such attacks or security breaches may be perpetrated by internal bad actors, such as employees or contractors, or by third parties (including traditional computer hackers, persons involved with organized crime, or foreign state or foreign state-supported actors).

Cybersecurity threats can employ a wide variety of methods and techniques, which may include the use of social engineering techniques, are constantly evolving, and have become increasingly complex and sophisticated; all of which increase the difficulty of detecting and successfully defending against them.

Furthermore, because the techniques used to obtain unauthorized access or sabotage systems change frequently and generally are not identified until after they are launched against a target, Arqit and its third-party vendors may be unable to anticipate these techniques or implement adequate preventative measures. Although prior cyberattacks directed at Arqit have not had a material impact on its financial results, and Arqit is continuing to bolster its threat detection and mitigation processes and procedures, Arqit cannot guarantee that future cyberattacks, if successful, will not have a material impact on its business or financial results. While Arqit has security measures in place to protect its information and its customers' information and to prevent data loss and other security breaches, there can be no assurance that Arqit will be able to anticipate or prevent security breaches or unauthorized access of its information technology systems or the information technology systems of the third-party vendors upon which Arqit relies. Despite its implementation of network security measures and internal information security policies, data stored on personnel computer systems is also vulnerable to similar security breaches, unauthorized tampering or human error.

Many governments have enacted laws requiring companies to provide notice of data security incidents involving certain types of data, including personal data. In addition, most of Arqit's customers contractually require Arqit to notify them of data security breaches. If an actual or perceived breach of security measures, unauthorized access to its system or the systems of the third-party vendors that Arqit rely upon, or any other cybersecurity threat occurs, Arqit may face direct or indirect liability, costs, or damages, contract termination, its reputation in the industry and with current and potential customers may be compromised, its ability to attract new customers could be negatively affected, and its business, financial condition, and results of operations could be materially and adversely affected.

Further, unauthorized access to Arqit's or its third-party vendors' information technology systems or data or other security breaches could result in the loss of information; significant remediation costs; litigation, disputes, regulatory action, or investigations that could result in damages, material fines, and penalties; indemnity obligations; interruptions in the operation of its business, including its ability to provide new product features, new platforms, or services to its customers; damage to its operation technology networks and information technology systems; and other liabilities. Moreover, its remediation efforts may not be successful. Any or all of these issues, or the perception that any of them have occurred, could negatively affect Arqit's ability to attract new customers, cause existing customers to terminate or not renew their agreements, hinder Arqit's ability to obtain and maintain required or desirable cybersecurity certifications, and result in reputational damage, any of which could materially adversely affect its results of operations, financial condition, and future prospects. There can be no assurance that any limitations of liability provisions in Arqit's license arrangements with customers or in its agreements with vendors, partners, or others would be enforceable, applicable, or adequate or would otherwise protect it from any such liabilities or damages with respect to any particular claim.

Arqit maintains cybersecurity insurance and other types of insurance, subject to applicable deductibles and policy limits, but its insurance may not be sufficient to cover all costs associated with a potential data security incident. Arqit also cannot be sure that its existing

general liability insurance coverage and coverage for cyber liability or errors or omissions will continue to be available on acceptable terms or will be available in sufficient amounts to cover one or more large claims or that the insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against Arqit that exceed available insurance coverage, or the occurrence of changes in its insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could result in its business, financial condition and results of operations being materially adversely affected.

If Arqit's network and products do not interoperate with its customers' internal networks and infrastructure or with third-party products, websites, or services, its network may become less competitive and its results of operations may be harmed.

Arqit's network and products must interoperate with its customers' existing internal networks and infrastructure. These complex internal systems are developed, delivered, and maintained by the customer and a myriad of vendors and service providers. As a result, the components of its customers' infrastructure have different specifications, rapidly evolve, utilize multiple protocol standards, include multiple versions and generations of products, and may be highly customized. Arqit must be able to interoperate and provide products to customers with highly complex and customized internal networks, which requires careful planning and execution between its customers, its customer support teams and, in some cases, its channel partners.

Further, when new or updated elements of its customers' infrastructure or new industry standards or protocols are introduced, Arqit may have to update or enhance its network to allow it to continue to provide its products to customers.

Arqit may not deliver or maintain interoperability quickly or cost-effectively, or at all. These efforts require capital investment and engineering resources. If Arqit fails to maintain compatibility of its network and products with its customers' internal networks and infrastructures, its customers may not be able to fully utilize its network and products, and Arqit may, among other consequences, lose or fail to increase its market share and number of customers and experience reduced demand for its products, and its business, financial condition and results of operations could be materially adversely affected.

Risks Related to Ownership of Ordinary Shares and Warrants

It may be difficult to enforce judgments obtained against Arqit or its directors and officers in U.S. courts, to effect service of process on it or its directors or officers, and to recover in civil proceedings in the U.K. or elsewhere for U.S. securities law violations.

The majority of Arqit's directors and executive officers reside outside of the U.S., and most of its assets and most of the assets of these persons are located outside of the U.S. Therefore, a judgment obtained against Arqit, or any of these persons, including a judgment based on the civil liability provisions of the U.S. federal securities laws, may not be collectible in the U.S. and may not be enforced by courts in other jurisdictions. It may also be difficult for its shareholders to effect service of process on these persons in the U.S. or to assert U.S. securities law claims in original actions instituted in the U.K. or elsewhere. U.K. courts may refuse to hear a claim based on an alleged violation of U.S. securities laws reasoning that U.K. is not the most appropriate forum in which to bring such a claim. In addition, even if a U.K. court agrees to hear a claim, it may determine that U.K. law, instead of U.S. law, is applicable to the claim. As a result of potential difficulties associated with enforcing a judgment against Arqit, its shareholders may not be able to collect any damages awarded by either a U.S. or foreign court.

Because Arqit is incorporated under the laws of the Cayman Islands, you may face difficulties in protecting your interests, and your ability to protect your rights through the U.S. federal courts may be limited.

Arqit is an exempted company incorporated under the laws of the Cayman Islands. As a result, it may be difficult for shareholders to effect service of process within the United States upon the directors or executive officers of Arqit, or enforce judgments obtained in the United States courts against the directors or officers of Arqit.

The corporate affairs of Arqit are governed by Arqit's amended and restated memorandum and articles of association, the Cayman Companies Act and the common law of the Cayman Islands. The rights of shareholders to take action against the directors, actions by minority shareholders and the fiduciary responsibilities of the directors of Arqit under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, the decisions of whose courts are of persuasive authority, but are not binding on a court in the Cayman Islands. The rights of Arqit shareholders and the fiduciary responsibilities of Arqit directors under Cayman

Islands law are different from what they would be under statutes or judicial precedent in some jurisdictions in the United States. In particular, the Cayman Islands has a less prescriptive body of securities laws as compared to the United States, and certain states, such

as Delaware, may have more fully developed and judicially interpreted bodies of corporate law. In addition, shareholders of Cayman Islands companies may not have standing to initiate a shareholders' derivative action in a federal court of the United States.

Shareholders of Cayman Islands exempted companies like Arqit have no general rights under Cayman Islands law to inspect corporate records or to obtain copies of the register of members of these companies. Arqit directors have discretion under our articles of association to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders but are not obliged to make them available to our shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

The courts of the Cayman Islands are unlikely (i) to recognize or enforce against Arqit judgments of courts of the United States predicated upon the civil liability provisions of the federal securities laws of the United States or any state, and (ii) in original actions brought in the Cayman Islands, to impose liabilities against Arqit predicated upon the civil liability provisions of the federal securities laws of the United States or any state, so far as the liabilities imposed by those provisions are penal in nature. In those circumstances, although there is no statutory enforcement in the Cayman Islands of judgments obtained in the United States, the courts of the Cayman Islands will recognize and enforce a foreign money judgment of a foreign court of competent jurisdiction without retrial on the merits based on the principle that a judgment of a competent foreign court imposes upon the judgment debtor an obligation to pay the sum for which judgment has been given provided certain conditions are met. For a foreign judgment to be enforced in the Cayman Islands, such judgment must be final and conclusive and for a liquidated sum, and must not be in respect of taxes or a fine or penalty, inconsistent with a Cayman Islands judgment in respect of the same matter, impeachable on the grounds of fraud or obtained in a manner, or be of a kind the enforcement of which is, contrary to natural justice or the public policy of the Cayman Islands (awards of punitive or multiple damages may well be held to be contrary to public policy). A Cayman Islands court may stay enforcement proceedings if concurrent proceedings are being brought elsewhere.

As a result of all of the above, shareholders of Arqit may have more difficulty in protecting their interests in the face of actions taken by our management, members of our board or our controlling shareholders than they would as public shareholders of a United States company.

The grant and future exercise of registration rights and exercise of outstanding warrants may adversely affect the market price of Arqit ordinary shares.

Pursuant to the Registration Rights Agreement described elsewhere in this Annual Report, certain shareholders can each demand that Arqit register their registrable securities under certain circumstances and will each have piggyback registration rights for these securities in connection with certain registrations of securities that Arqit undertakes. Arqit will bear the cost of registering these securities.

On October 12, 2021, Arqit's registration statement on Form F-1, which has since been post-effectively amended on Form F-3 (File No. 333-259982 the "Resale Registration Statement") registering the resale by shareholders of 4,717,000 ordinary shares, 6,266,667 Business Combination Warrants and 595,667 shares issuable upon exercise of Business Combination Warrants, became effective. The shareholders who registered shares and warrants for resale under the Resale Registration Statement have registration rights under the Registration Rights Agreement. The registration of these securities permits the public sale of such securities. The registration and availability of such a significant number of securities for trading in the public market may have an adverse effect on the market price of Arqit ordinary shares.

In addition, in registered direct offerings in February 2023 and September 2023, Arqit issued the February 2023 Investor Warrants that are exercisable for 300,000 ordinary shares, the February 2023 Placement Agent Warrants that are exercisable for 22,000 ordinary shares, the September 2023 Investor Warrants that are exercisable for 830,230 ordinary shares and the September 2023 Placement Agent Warrants that are exercisable for 28,207 ordinary shares, all of which are currently exercisable and the shares issuable upon exercise of these warrants have been registered under registration statements. In a registered direct offering in September 2023, Arqit issued a total of 5,440,000 September 2024 Investor Warrants, which are not exercisable until the later of (i) one year from the issuance date, (ii) the date of the approval by the Company's shareholders of an increase in authorized capital sufficient to permit the issuance of the shares issuable upon exercise of the September 2024 Investor Warrants and (iii) the date that the closing trading price of the Ordinary Shares on the Nasdaq Capital Market has exceeded \$5.00 for 60 consecutive trading days. Arqit is obligated to register the shares issuable upon exercise of the September 2024 Investor Warrants under a registration statement. The exercise of a significant number of warrants may have an adverse effect on the market price of Arqit's ordinary shares.

Certain shareholders that own a significant percentage of Arqit may have interests that conflict with Arqit's or yours in the future.

Two shareholders of Arqit beneficially own approximately 50.2% of the outstanding Arqit ordinary shares and currently exercisable warrants. See "*Beneficial Ownership of Securities.*" For so long as these shareholders continue to own a significant percentage of Arqit

ordinary shares and warrants, they will be able to significantly influence or effectively control the composition of the Arqit board of directors and the approval of actions requiring shareholder approval through their voting power. Accordingly, for such period of time, these shareholders will have significant influence with respect to Arqit's management, business plans and policies, including the appointment and removal of Arqit's officers. In particular, for so long as these shareholders continue to own a significant percentage of the outstanding Arqit ordinary shares, they will be able to cause or prevent a change of control of Arqit or a change in the composition of Arqit's board of directors and could preclude any unsolicited acquisition of Arqit. The concentration of ownership could deprive you of an opportunity to receive a premium for your Arqit ordinary shares as part of a sale of Arqit and ultimately might affect the market price of the Arqit ordinary shares.

The price of Arqit's ordinary shares may be volatile.

The price of Arqit's ordinary shares may fluctuate due to a variety of factors, including:

- actual or anticipated fluctuations in its interim and annual results and those of other public companies in industry; mergers and strategic alliances in the industry in which it operates;
- market prices and conditions in the industry in which it operates;
- changes in government regulation;
- potential or actual military conflicts or acts of terrorism;
- the failure of securities analysts to publish research about us, or shortfalls in its operating results compared to levels forecast by securities analysts;
- announcements or negative publicity concerning Arqit, its competitors or companies that have completed business combinations with special purpose acquisition companies; and
- the general state of the securities markets.

These market and industry factors may materially reduce the market price of Arqit's ordinary shares, regardless of its operating performance.

Reports published by analysts, including projections in those reports that differ from Arqit's actual results, could adversely affect the price and trading volume of its ordinary shares.

The trading market for the Ordinary Shares is and will be influenced by the research and reports that securities or industry analysts publish about Arqit or its business. Projections by such securities or industry analysts may vary widely and may not accurately predict the results Arqit actually achieves. Arqit's share price may decline if its actual results do not match the projections of these securities research analysts. Similarly, if one or more of the analysts who write reports on Arqit downgrades its stock or publishes inaccurate or unfavorable research about its business, its share price could decline. If one or more of these analysts ceases coverage of Arqit or fails to publish reports on it regularly, its share price or trading volume could decline. While Arqit's management expects research analyst coverage, if no analysts commence coverage of Arqit, the trading price and volume for its ordinary shares could be adversely affected.

Arqit's ordinary shares may be involuntarily delisted from trading on Nasdaq if it fails to comply with the continued listing requirements. A delisting of Arqit's ordinary shares could reduce the liquidity of the ordinary shares and may inhibit or preclude its ability to raise additional capital.

Nasdaq requires Arqit to meet certain financial, public float, bid price and liquidity standards on an ongoing basis in order to continue the listing of its ordinary shares. On October 19, 2023, Arqit received a notification from Nasdaq notifying the Company that it no longer satisfied Nasdaq Listing Rule 5550(a)(2) because for the 30 consecutive business days preceding the date of the notification, the bid price per share of Arqit's ordinary shares had closed below the \$1.00 per share minimum bid price required for continued listing on Nasdaq (the "Minimum Bid Price Requirement").

On September 25, 2024, Arqit consolidated its ordinary shares and preference shares by way of the Reverse Share Split whereby every twenty-five shares were consolidated into one share, which had the effect of increasing the bid price per share of Arqit's ordinary shares. On October 10, 2024, the Company received notification from Nasdaq that the Company had regained compliance with Listing Rule 5550(a)(2).

However, in the future if Arqit does not maintain compliance with the Minimum Bid Price Requirement and other Nasdaq continued listing requirements, its ordinary shares may be subject to delisting. If Arqit's ordinary shares were to be delisted and it would not be able to list its ordinary shares on another national securities exchange, Arqit's shareholders could face significant material adverse consequences, including limited availability of market quotations for Arqit's ordinary shares and reduced liquidity for the trading of its securities. In addition, Arqit could experience a decreased ability to issue additional securities and obtain additional capital in the future.

Arqit may be a passive foreign investment company, or "PFIC," for U.S. federal income tax purposes. Such classification for any taxable year, could result in adverse U.S. federal income tax consequences for U.S. investors.

If Arqit were a PFIC for any taxable year (or portion thereof) that is included in the holding period of a U.S. Holder (as defined in the section entitled "Certain Material United States Federal Income Tax Considerations") of Arqit's ordinary shares or warrants, the U.S. Holder may be subject to adverse U.S. federal income tax consequences and may be subject to additional reporting requirements. As of the date hereof, Arqit has not made a determination as to its PFIC status for its most recent taxable year or its current taxable year, and it may be possible that Arqit is a PFIC for either such years. Arqit's possible status as a PFIC is determined on an annual basis based on the composition of its assets, income, activities and market capitalization (which, depending on Arqit's stock price, may fluctuate significantly) in the relevant taxable year and therefore may be subject to change. Accordingly, there can be no assurance that Arqit is not a PFIC for any taxable year. If Arqit is a PFIC during such U.S. Holder's holding period for the ordinary shares or warrants, unless the U.S. Holder makes certain elections, Arqit will continue to be treated as a PFIC with respect to such U.S. Holder, even if it ceases to be a PFIC in future taxable years. U.S. Holders are urged to consult their own tax advisors regarding the possible application of the PFIC rules to holders of Arqit securities. For a more detailed explanation of the tax consequences of PFIC classification to U.S. Holders, see "Certain Material United States Federal Income Tax Considerations — Passive Foreign Investment Company Rules."

Risks Related to Being a Public Company

Arqit's management team has limited experience managing and operating a U.S. public company.

Most of the members of Arqit's management team have limited experience managing and operating a U.S. publicly traded company, interacting with U.S. public company investors, and complying with the increasingly complex laws pertaining to U.S. public companies. Its transition to being a U.S. public company subjects Arqit to significant regulatory oversight and reporting obligations under the U.S. federal securities laws and the continuous scrutiny of securities analysts and investors. These new obligations and constituents will require significant attention from its senior management and could divert their attention away from the day-to-day management of its business. Arqit may not have adequate personnel with the appropriate level of knowledge, experience, and training in the accounting policies, practices or internal controls over financial reporting required of U.S. public companies. The development and implementation of the standards and controls necessary for Arqit to achieve the level of accounting standards required of a public company may require costs greater than expected. To support its operations as a U.S. public company, Arqit plans to hire additional employees, which will increase its operating costs in future periods. Should any of these factors materialize, Arqit's business, financial condition and results of operations could be adversely affected.

If Arqit fails to maintain an effective system of disclosure controls and internal control over financial reporting, its ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired.

As a U.S. public company, Arqit is subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), and the rules and regulations of the applicable listing standards of Nasdaq subject to applicable exemptions as long as Arqit qualifies as Foreign Private Issuer and Emerging Growth Company. Arqit's management expects that the requirements of these rules and regulations will continue to increase its legal, accounting and financial compliance costs, make some activities more difficult, time-consuming and costly and place significant strain on its personnel, systems and resources.

The Sarbanes-Oxley Act requires, among other things, that Arqit maintains effective disclosure controls and procedures and internal control over financial reporting. In particular, Section 404 of the Sarbanes-Oxley Act requires Arqit to perform system and process evaluation and testing of its internal control over financial reporting to allow Arqit's management to report on the effectiveness of its internal control over financial reporting and to allow Arqit's independent registered public accounting firm to attest to the effectiveness of such control (once Arqit becomes an accelerated filer). As an emerging growth company, Arqit's management expects to avail itself of the exemption from the requirement that its independent registered public accounting firm attest to the effectiveness of its internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act. See "— As an "emerging growth company," Arqit cannot be certain if the reduced disclosure requirements applicable to "emerging growth companies" will make the Arqit ordinary shares less attractive to investors." However, Arqit may no longer avail itself of this exemption when it ceases to be an emerging growth company. At such time, Arqit's independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which its internal control over financial reporting is documented, designed or operating.

For the fiscal year ended September 30, 2022, Arqit identified certain material weaknesses in its internal controls. While Arqit remediated these internal weaknesses during the fiscal year ended September 30, 2023, it cannot assure you that there will not be additional material weaknesses or significant deficiencies in its internal control over financial reporting in the future. Any additional or sustained failure to maintain internal control over financial reporting could severely inhibit Arqit's ability to accurately report its financial condition or results of operations. If Arqit is unable to remediate the material weaknesses or to conclude in the future that its internal control over financial reporting is effective, it could lose investor confidence in the accuracy and completeness of its financial reports, the market price of Arqit's shares could decline, and it could be subject to sanctions or investigations by Nasdaq, the SEC or other regulatory authorities. Failure to remedy any material weaknesses in its internal control over financial reporting, or to implement or maintain other effective control systems required of public companies, could also restrict Arqit's future access to the capital markets.

Any failure to maintain effective disclosure controls and internal control over financial reporting could have a material and adverse effect on Arqit's business, results of operations and financial condition and could cause a decline in the trading price of the Arqit ordinary shares.

As a foreign private issuer, Arqit is exempt from a number of rules under the U.S. securities laws and is permitted to file less information with the SEC than a U.S. company. This may limit the information available to holders of the Arqit ordinary shares.

Arqit is a foreign private issuer, as such term is defined in Rule 405 under the Securities Act, however, under Rule 405, the determination of foreign private issuer status is made annually on the last business day of an issuer's most recently completed second fiscal quarter and, accordingly, the next determination will be made with respect to Arqit on March 31, 2025.

As a foreign private issuer, Arqit is not subject to all of the disclosure requirements applicable to public companies organized within the United States. For example, Arqit is exempt from certain rules under the Exchange Act, that regulate disclosure obligations and procedural requirements related to the solicitation of proxies, consents or authorizations applicable to a security registered under the Exchange Act, including the U.S. proxy rules under Section 14 of the Exchange Act (including the requirement applicable to emerging growth companies to disclose the compensation of its Chief Executive Officer and the other two most highly compensated executive officers on an individual, rather than an aggregate, basis). In addition, Arqit's officers and directors are exempt from the reporting and "short-swing" profit recovery provisions of Section 16 of the Exchange Act and related rules with respect to their purchases and sales of its securities. Moreover, while Arqit's management expects to submit interim consolidated financial data to the SEC under cover of the SEC's Form 6-K, it will not be required to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. public companies and will not be required to file quarterly reports on Form 10-Q or current reports on Form 8-K under the Exchange Act. Furthermore, Arqit ordinary shares are not listed on any market in the Cayman Islands and Arqit does not currently intend to list its ordinary shares on any market in the Cayman Islands, Arqit's home country. As a result, Arqit is not subject to the reporting and other requirements of companies listed in the Cayman Islands. Accordingly, there may be less publicly available information concerning Arqit's business than there would be if Arqit were a public company organized in the United States.

Arqit may lose its foreign private issuer status in the future, which could result in significant additional cost and expense.

In the future, Arqit would lose its foreign private issuer status if a majority of its shareholders, directors or management are U.S. citizens or residents and it fails to meet additional requirements necessary to avoid loss of foreign private issuer status. Although Arqit's management has elected to comply with certain U.S. regulatory provisions, its loss of foreign private issuer status would make such provisions mandatory. The regulatory and compliance costs to Arqit under U.S. securities laws as a U.S. domestic issuer may be significantly higher. If Arqit is not a foreign private issuer, it will be required to file periodic reports and registration statements on U.S. domestic issuer forms with the SEC, which are more detailed and extensive than the forms available to a foreign private issuer. For example, the annual report on Form 10-K requires domestic issuers to disclose executive compensation information on an individual basis with specific disclosure regarding the domestic compensation philosophy, objectives, annual total compensation (base salary, bonus, and equity compensation) and potential payments in connection with change in control, retirement, death or disability, while the annual report on Form 20-F permits foreign private issuers to disclose compensation information on an aggregate basis. Arqit would also have to mandatorily comply with U.S. federal proxy requirements, and its officers, directors, and principal shareholders will become subject to the short-swing profit disclosure and recovery provisions of Section 16 of the Exchange Act. Arqit may also be required to modify certain of its policies to comply with good governance practices associated with U.S. domestic issuers. Such conversion and modifications will involve additional costs. In addition, Arqit may lose its ability to rely upon exemptions from certain corporate governance requirements on U.S. stock exchanges that are available to foreign private issuers.

Arqit has incurred and expects to continue to incur increased costs and obligations as a result of being a public company.

As a publicly traded company, Arqit has incurred and expects to continue to incur significant legal, accounting and other expenses that it was not required to incur in the recent past, particularly after it is no longer an "emerging growth company" as defined under the JOBS Act. In addition, new and changing laws, regulations and standards relating to corporate governance and public disclosure, including

the Dodd Frank Wall Street Reform and Consumer Protection Act and the rules and regulations promulgated and to be promulgated thereunder, as well as under the Sarbanes-Oxley Act, the JOBS Act, and the rules and regulations of the SEC and national securities exchanges have created uncertainty for public companies and increased the costs and the time that Arqit's board of directors and management must devote to complying with these rules and regulations. Arqit's management expects these rules and regulations to increase its legal and financial compliance costs and lead to a diversion of management time and attention from revenues generating activities.

Furthermore, the need to establish the corporate infrastructure demanded of a public company may divert management's attention from its focus on Arqit's business strategy, which could prevent Arqit from improving its business, results of operations and financial condition. Arqit has made, and will continue to make, changes to its internal controls and procedures for financial reporting and accounting systems to meet its reporting obligations as a publicly traded company. However, the measures it takes may not be sufficient to satisfy Arqit's obligations as a publicly traded company.

For as long as Arqit remains an "emerging growth company" as defined in the JOBS Act, it may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies." Arqit may remain an "emerging growth company" until September 2, 2026 (the fifth anniversary of the closing of the Business Combination) or until such earlier time that it has more than \$1.235 billion in annual revenues, has more than \$700 million in market value of Arqit's ordinary shares held by non-affiliates, or issues more than \$1.00 billion of non-convertible debt over a three-year period. Further, there is no guarantee that the exemptions available to Arqit under the JOBS Act will result in significant savings. To the extent Arqit's management chooses not to use exemptions from various reporting requirements under the JOBS Act, Arqit will incur additional compliance costs, which may impact earnings.

As an "emerging growth company," Arqit cannot be certain if the reduced disclosure requirements applicable to "emerging growth companies" will make the Arqit ordinary shares less attractive to investors.

Arqit is an "emerging growth company," as defined in the JOBS Act, and it may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to obtain an assessment of the effectiveness of its internal controls over financial reporting from its independent registered public accounting firm pursuant to Section 404 of the Sarbanes-Oxley Act. Additionally, to the extent that Arqit ceases to become a foreign private issuer, emerging growth company status would allow it to include reduced disclosure obligations regarding executive compensation in its periodic reports and to be exempt from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. Arqit's management cannot predict if investors will find its Arqit ordinary shares less attractive because it will rely on these exemptions. If some investors find Arqit's ordinary shares less attractive as a result, there may be a less active market for the Arqit ordinary shares and its share price may be more volatile.

If Arqit does not develop and implement all required accounting practices and policies, it may be unable to provide the financial information required of a U.S. publicly traded company in a timely and reliable manner.

If Arqit fails to develop and maintain effective internal controls and procedures and disclosure procedures and controls, it may be unable to provide financial information and required SEC reports that a U.S. publicly traded company is required to provide in a timely and reliable fashion. Any such delays or deficiencies could penalize Arqit, including by limiting its ability to obtain financing, either in the public capital markets or from private sources and hurt its reputation and could thereby impede its ability to implement its growth strategy.

ITEM 4. INFORMATION ON THE COMPANY

4.A. HISTORY AND DEVELOPMENT OF THE COMPANY

The legal name of the Company is Arqit Quantum Inc. The Company is an exempted limited liability company incorporated under the laws of the Cayman Islands on April 26, 2021. The Company's registered office is c/o Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, Cayman Islands, KY1 1104. The address of the principal executive office of the Company is 3 Orchard Place, London, UK and the telephone number of the Company is +44 (0) 203 91 70155.

Arqit Limited was incorporated in England in 2017. In September 2021, the Company completed the Business Combination pursuant to which the Company merged with and into Centricus Acquisition Corp., with the Company surviving the merger, and the security holders of Centricus Acquisition Corp. (other than those who elected to redeem their ordinary shares) became security holders of the Company, and the Company acquired all of the issued and outstanding share capital of Arqit Limited from the shareholders of Arqit

Limited in exchange for ordinary shares of the Company, such that Arqit Limited is a direct wholly owned subsidiary of the Company. Arqit's ordinary shares and Business Combination Warrants trade on Nasdaq under the symbols "ARQQ" and "ARQQW", respectively.

The Company is subject to certain of the informational filing requirements of the Exchange Act. Since the Company is a "foreign private issuer", it is exempt from the rules and regulations under the Exchange Act prescribing the furnishing and content of proxy statements, and the officers, directors and principal shareholders of the Company are exempt from the reporting and "short-swing" profit recovery provisions contained in Section 16 of the Exchange Act with respect to their purchase and sale of equity securities. In addition, the Company is not required to file reports and financial statements with the SEC as frequently or as promptly as U.S. public companies whose securities are registered under the Exchange Act. However, the Company is required to file with the SEC an Annual Report on Form 20-F containing financial statements audited by an independent accounting firm. The SEC also maintains a website at <http://www.sec.gov> that contains reports and other information that the Company files with or furnishes electronically to the SEC.

4.B. BUSINESS OVERVIEW

Overview

Arqit is a cybersecurity company that has pioneered a unique symmetric key agreement technology which makes the communications links of any networked device or data at rest secure against current and future forms of cyber-attack — even an attack from a quantum computer. Arqit delivers its symmetric key agreement technology via its Arqit SKA-Platform™. During 2024, Arqit re-branded its flagship product from QuantumCloud™ to SKA Platform™ to more precisely reflect its offering, which no longer contains any hardware or quantum effects.

Arqit SKA-Platform™ is a software platform as a service that creates unbreakable software encryption keys that are low cost and easy to use within existing information technology standards with no new hardware and no major software upgrades or "rip and replace" required.

The software has potentially universal application to every edge device and cloud machine in the world. The security proofs for the design aspects of the key-establishment protocols used to enable symmetric key agreement over classical IP network infrastructures within Arqit SKA-Platform™ were independently assured in 2022 by the University of Surrey, which is accredited as a Centre of Excellence for Cyber Security by the UK Government's National Cyber Security Centre. Arqit believes that its symmetric key agreement platform is compliant with the NSA Commercial Solutions for Classified Symmetric Key Management Requirements Annex 1.2 which dictates how Government agencies can incorporate quantum-safe symmetric key protections into solutions which use off-the-shelf commercial products to protect classified networks.

Arqit's technology combines world-leading innovation in two areas: the secure distribution of replicated entropy to data centres and a software agent that can be downloaded onto any device and makes the use of symmetric key encryption a scalable business model.

- As part of the background technology that allows Arqit's software agent to operate at end points, identical sets of random numbers ("replicated entropy") must be delivered securely and frequently to data centres. Replicated entropy is an important constituent part of Arqit SKA-Platform™ product. Arqit developed a propriety method for the secure distribution of replicated entropy to data centres using classical digital hardware and software elements.
- A second innovation is a small software agent downloaded from the Arqit SKA-Platform™ onto any form of device or integrated into any piece of software. By exchanging information with the Arqit SKA-Platform™, which moderates a key agreement process with all parties involved in a unique way, this software agent is able to create new symmetric encryption keys in partnership with any other device or cloud machine, or in large groups of devices. Keys are never "delivered", they are created, and so they cannot be intercepted. They are created at the end points in a manner that means they can never be known by a third party, and can be used once if necessary and replaced infinitely. Once created, the keys cannot be broken even by a universal quantum computer in a usable time period, estimated to be in excess of millions of years.

Arqit began commercializing its products in the fiscal year ended September 30, 2021. Arqit sold its product to select early customers on a master distribution agreement basis, an enterprise license basis and as a platform as a service, including BT plc, AUCloud and Nine23. Arqit announced in December 2022 that it will focus on selling its products on a Platform as a Service basis, primarily through channel partners and distributors, which is expected to generate annual recurring revenue (ARR). Arqit signed its first annual recurring revenue license shortly before the end of fiscal year 2024. Arqit platform as a service will be sold as standardized products to specific target markets or a Private Instance to customers to require control of the end-to-end technology. Arqit has announced channel partnerships and distribution agreements with Sparkle, Juniper, Fortinet, AWS, Dell, Exclusive Networks, Sierra Nevada Corporation Mission Systems UK, SecureCloud+, DETASAD, Advanced International Electronic Equipment Company, Carahsoft, and SoftIron through which it will sell directly and indirectly to end customers. Arqit is currently engaged in discussions with additional customers, channel partners and distributors and, in July 2024, it announced that it has become an Independent Software Vendor collaborating with Intel.

Market Opportunity

Arqit believes that there will be significant market opportunities for its innovative products as a result of an expected transformation in the cyber encryption industry over the next decade. The need for improved encryption, resulting from weaknesses in existing encryption architectures and the future threat of quantum computers, is an increased concern. Public key infrastructure or “PKI” is currently the most widely-used encryption technology. However, PKI is becoming less secure as new technologies develop, and is not secure against quantum computers, which are expected to be of sufficient scale to break PKI within the next few years.

For example, the U.S. Department of Commerce’s National Institute of Standards and Technology (the “NIST”), which leads efforts on mitigation of the quantum threat to cyber security, published a report in April 2021, “Getting Ready for Post-Quantum Cryptography: Exploring Challenges Associated with Adopting and Using Post-Quantum Cryptographic Algorithms”, in which it expressed concern that the alternatives currently proposed for making PKI stronger do not offer a sufficiently adequate or timely solution. Regarding the near term threat of quantum computers to cyber security, the NIST noted, “all secret symmetric keys and private asymmetric keys that are now protected using current public-key algorithms, as well as the information protected under those keys, will be subject to exposure,” and that “any information still considered to be private or otherwise sensitive will be vulnerable to exposure and undetected modification.”

Therefore, consumers, businesses and governments across all geographies and industries will likely need to replace the existing cyber encryption technology used in almost all electronic interfaces in order to maintain cyber security. Symmetric encryption keys are secure against quantum computers. However, to date there has been no secure way to create and distribute symmetric keys electronically. In regards to available alternatives, the NIST stated, “There are multiple candidate classes for post-quantum cryptography. Unfortunately, each class has at least one requirement for secure implementation that makes drop-in replacement unsuitable.” Separately, in May 2022, the U.S. National Security Agency stated that symmetric encryption keys are recommend for use by federal agencies which wish to become quantum safe.

NIST’s expressed concerns are amplified by the White House National Security Memorandum 10 dated May 4, 2022. The memorandum sets a crucial deadline for government agencies – ensuring quantum-safe security for National Security Systems by the end of 2023. This mandate reflects the urgent need to safeguard classified information against the computational power of quantum computers. Memorandum 10 has made it clear that adoption of symmetric key protections for NSS is the preferred solution. Arqit’s Symmetric Key Agreement platform delivers encryption in a manner that meets the demands of US National Security Memorandum 10 and National Security Agency Commercial Solutions for Classified Symmetric Key Management Requirements Annex version 2.1.

Unlike solutions utilizing Post-Quantum Cryptographic Algorithms proposed by other parties, Arqit believes it has the only commercially available symmetric key encryption system which is the preferred cryptographic architecture of both NIST and The White House.

Arqit believes that it has developed an almost universal solution to previously identified issues with delivery of symmetric encryption keys, particularly scalability and zero-trust. Arqit’s pioneering technology provides a simple, cost-effective and secure way to create and distribute symmetric keys electronically that can be applied universally across geographies, industries and devices, making it well placed to take advantage of this significant upcoming market opportunity.

Total Addressable Market

According to Gartner (Gartner, Inc., Forecast: Information Security and Risk Management, Worldwide, 2022-2028, 2Q24 Update, Published July 3, 2024), it is estimated that the global addressable market for information security services will be \$294 billion by the end of 2028. Arqit believes that every connected service is vulnerable to current and future attacks on PKI, in particular by quantum computers in the near to mid-term. This vulnerability will affect cyber security on every connected end point, network device and cloud machine globally, and Arqit believes that its product is the only known method to create encryption keys at large scale, high efficiency and low cost through a cloud platform that is secure against quantum computer attack. As a result, Arqit has assumed that the entire information security market represents its total addressable market.

Arqit's Technology

Encryption is the foundation of the communications technology everyone uses. However, the technology we rely on for encryption in most cases was developed over 30 years ago. There are well-known vulnerabilities in this technology today, and near term developments in quantum computing will significantly increase risks.

The origins of encryption are in symmetric encryption keys — long truly random numbers. A universal quantum computer would take on average more than the age of the universe to guess a 256 digit symmetrical key because there are no mathematics involved in creating a random number.

Therefore symmetric encryption keys are computationally secure, but to date there has been no secure way to create and distribute symmetric keys electronically at mass market scale. As a result, “public key infrastructure” or “PKI” was invented, which involves two parties sharing the performance of a calculation which is difficult to emulate in a practical time period. The internet has driven the adoption of PKI, not because it was the most secure, but because it was flexible enough to be reverse engineered into something that was already created. PKI is a flexible tool, but it is vulnerable to attack, especially given the development of the Internet of Things, cloud-based interfaces and other transformational technologies.

The problem will imminently become more profound because, unlike symmetric encryption keys, PKI will be vulnerable to quantum computer attack. Although quantum computers are currently operating at relatively modest scale, quantum computers of sufficient scale to break PKI may be available within a few years.

The universal and long-term answer to this threat is not to make the mathematics used in PKI more difficult given it is not sustainable or practical to try to defeat an infinitely capable computing machine with math. The answer lies in finding a secure way to create and distribute symmetric encryption keys, which is what Arqit has invented.

Arqit has discovered a way to create symmetric encryption keys at end points when they are needed, at scale, securely, at any kind of end point device and in groups of any size. With Arqit's technology, symmetric encryption keys are never “delivered”, they are created at endpoints, and so their creation cannot be intercepted.

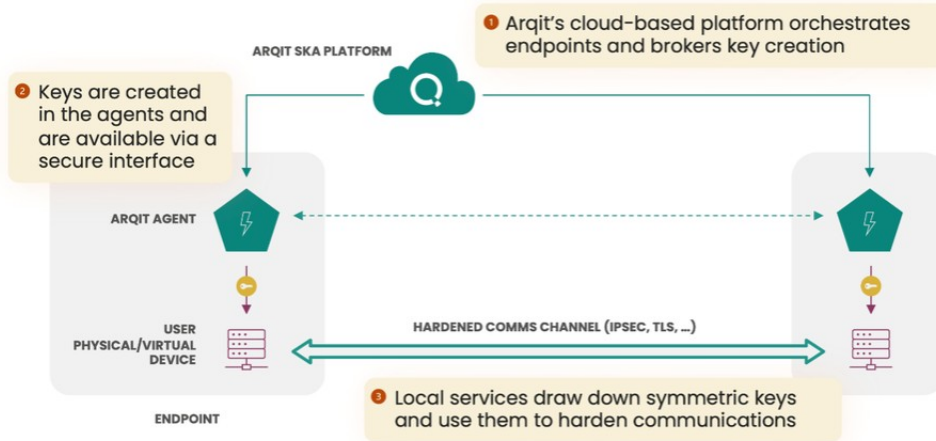
An important element in the creation of Arqit's symmetric encryption keys is replicated entropy distributed at multiple data centres. The replicated entropy is utilized via a software agent on the end point device in the key creation process. Through its proprietary method of distribution, Arqit is able to securely deliver replicated entropy to data centres globally using a set of classical digital hardware and software elements. Distributed replicated entropy is fundamental to the creation at end points of symmetric encryption within Arqit's Arqit SKA-Platform™.

Arqit delivers replicated entropy to data centres that host the Arqit SKA-Platform™ system. End point devices that download Arqit's software agent are able to securely authenticate into Arqit SKA-Platform™ at different data centres which then moderate a key agreement process by sharing cryptographic information with the end points. From the combination of elements of shared secrets that can be shared by the parties, the end points are then able to create a new shared symmetric encryption key. The end point keys are zero trust, never known by a third party – including Arqit - and they are computationally secure even against a quantum attack. The created symmetric encryption keys can be used inside an AES256 algorithm which is already incorporated in all standard networking software systems, or any other symmetric algorithm, and therefore Arqit's product is very simple to implement. The U.S. National Security Agency has declared that symmetric encryption is the most safe and easiest method to immediately become quantum safe.



Arqit's platform for quantum-safe networking

Protect critical communication channels with hardened symmetric keys



The Arqit technology includes three areas of innovation:

- **SKA-Platform™ Software.** Arqit SKA-Platform™ Arqit SKA-Platform™ creates a secure global mesh between different cloud providers and on-premises data centres around the globe.
- **End Point Security.** Arqit invented a novel form of end point security called “distributed secure communications cryptography” or “DSCC” whereby end points can create initial symmetric key- protected channels and limitless group or session keys. The end points rely on the QuantumCloud™ platform to deliver replicated entropy but create keys themselves, such that the keys are always unknowable by any third party. Arqit’s DSCC invention allows quantum-safe cryptography to be commercialized for the mass market.

SKA-Platform™

Arqit’s SKA-Platform™ is a platform as a service that creates a secure global mesh between different cloud providers and on-premises data centres around the globe. SKA-Platform™ supplies the platform that enables end points to share data securely for the creation of new keys. It also allows Arqit to provide highly secure services for customers to store, communicate and sign their data. This platform as a service architecture means that Arqit’s customers can easily integrate quantum safe cryptographic services into new or existing platforms.

Arqit can extend this secure platform to give customers access to their keys, in a quantum safe manner anywhere in the globe. The SKA-Platform™ uses different quantum keys at every layer of infrastructure and with each piece of data. The system ensures that data centres only communicate across quantum safe channels. Within these channels, a form of technology divides data into separate pieces for storage across different data centres, and orders and records encrypted addresses at which the different pieces are stored. Transactions are signed with quantum keys and layered into this technology. Quantum keys are moved inside the SKA-Platform™ using a novel symmetric key algorithm called “ARQ20”, which Arqit has patent pending for use exclusively within the SKA-Platform™. Finally, data is sent out to the secure end points inside the quantum encrypted channel achieved by the use of keys created using the DSCC process.

As a result, Arqit can store and transact data securely in the cloud and to include any form of end point device within this security boundary. There are many applications of this, and Arqit expects to be able to make fundamental contributions to innovation in many industries. For example, blockchain software can be made quantum safe by the use of Arqit’s new signing technology and digital wallets at the end point and their transactions can be secured. The connected car market cannot safely operate in the long term unless the

encryption of its communications channels are secure. The expanded attack surface of 5G mobile networks and IoT deployments demand urgent improvement, and no data stored in and transferred from the cloud can be relied upon for the long term without quantum safe security.

The ability to create new symmetric keys at the end points as moderated by the SKA-Platform™ is an extremely important innovation, and is a step forward for organizations who already use a legacy method of infrequently refreshing symmetric encryption keys. Many organizations in defense, financial services and critical national infrastructure have never trusted PKI and so used symmetric encryption keys by physically transporting them. However, even symmetrical encryption keys that are physically transported must be refreshed to provide secrecy. The more times a key is used, the more likely an attacker might learn about it over time, and the more opportunities there may be for it to be stolen. Therefore, the SKA-Platform™ provides some very significant advantages to such organizations.

Competitive Strengths

Arqit's unique cybersecurity technology provides it with a number of competitive strengths.

Symmetric keys are secure

Arqit's platform creates symmetric encryption keys, which is a cyber-security technology that is secure against all forms of attack including by quantum computers. PKI is currently the most widely-used encryption technology, but it is failing to prevent escalating cyber-attacks like ransomware and is entirely vulnerable to attack by quantum computers, which are expected to become available within the next few years. A symmetric encryption key, once created, is computationally secure.

This means that it is regarded as impossible, even for a quantum computer, to guess a symmetric encryption key in less than millions of years. Arqit's technology is built around this secure encryption tool.

Groundbreaking and proprietary distribution technology

The importance of Arqit's platform lies in its ability to "distribute" symmetric keys securely at scale by creating them at end points. Although symmetric encryption keys are secure, to date there has been no secure way to create and distribute symmetric keys electronically. Arqit's groundbreaking technology has solved these known issues. Its innovations create symmetric encryption keys at end points when they are needed, at scale, securely, at any kind of end point device and in groups of any size. With Arqit's technology, symmetric encryption keys are never "delivered", they are created at endpoints, and so they cannot be intercepted. This is a completely new way to create and distribute unbreakable symmetric keys that represents a groundbreaking, novel technology. The keys are created with what is known as a "zero trust model" which means that no third party computer ever has the key, or sufficient information to recreate or guess the key. The key is never transmitted in creation across any network. It is therefore not possible for any third party to know or guess the key during creation.

Simple to implement

Symmetric encryption keys are built into almost every major software system, so their use, along with a symmetric algorithm such as AES256, is very simple to deploy with no major change to existing customer infrastructure. Symmetric encryption keys impose relatively low computational burdens on end point devices, and Arqit's lightweight agent is light enough to work on even the smallest of Internet of Things sensors.

Easily scalable

Arqit's software, fulfilled from the cloud, automatically creates keys in infinite volumes at minimal cost, resulting in low capital expenditure once deployed. From an operating cost perspective, there is no human analysis or information processing required by Arqit's product, so personnel costs are limited to maintaining core infrastructure, marketing and customer support. These factors make Arqit's products easily scalable for both Arqit and its customers.

Arqit's Products

SKA Platform™

Arqit's core product is its Symmetric Key Agreement Platform (SKA Platform™), which is a platform as a service that, in conjunction with its software agent, creates keys in the cloud and at end points. These keys can be used variously to encrypt channels, encrypt data at rest and sign transactions.

These products are delivered in the cloud, requiring no extra infrastructure or hardware on the part of the customer, and with the use of simple lightweight agents at end points like servers, firewalls, mobile phones, cars or Internet of Things sensors.

As a platform as a service SKA Platform™ is broadly applicable across all geographies and sectors, delivering the same key creation functionality to all applications and use cases. This provides Arqit with the flexibility to identify and develop Software as a Service products in areas such as identity, distributed ledger and financial payments which would have sufficient benefit and differentiation from the stronger, simpler encryption that Arqit provides to potentially give it a route to leadership in certain vertical markets, rather than selling to all legacy market participants.

Service Variants

- **Multi-Tenanted:** This is Arqit's standard service where customers use a shared service hosted in the cloud by Arqit on servers owned by Arqit and operated on a multi-tenanted basis. Pricing for this option will typically be a one-time fee per end point installation, as well as a fee per keys created. Pricing will vary depending on the number of end points and keys consumed.
- **Private Instance:** The SKA Platform™ can also be sold as a private instance, typically for government or large enterprise customers who want total control over all infrastructure.
- **Standardized Products:** Arqit has developed standardized products to address specific customer use cases. Marketing standardized products is the key focus of its sales efforts.

Standardized Products

Arqit is developing a set of standardized products which address specific customer use cases. By standardizing a product Arqit can quickly meet an end market need with little or no customization for individual customers to begin utilizing its technology. Currently Arqit has one standardized product that it is actively marketing - NetworkSecure™. NetworkSecure™ is a standardized interface for network devices, like firewalls, to agree quantum-safe symmetric keys and upgrade the security of VPN connections over Internet Security Protocol ("IPsec") – a secure network protocol suite that authenticates and encrypts packets of data to provide secure encrypted communication between two computers over a network. Arqit has integrated NetworkSecure™ into the firewall products of Juniper and Fortinet and is available for purchase through their respective distribution channels. In April of 2024, it was announced that Arqit has collaborated with Intel and demonstrated world's First Quantum-Safe, 1.89 Tb IPsec products running on Intel Xeon Scalable processors. Arqit is in discussions with additional firewall and network device manufacturers regarding integrating NetworkSecure™. Integrating into firewall and network devices makes the purchasing decision for the end customer simpler as upgrading to Arqit's symmetric key cryptography becomes an up-sell rather than a discrete purchasing decision and implementation.

During the fiscal year Arqit discontinued its TradeSecure™ and WalletSecure™ standardized products in order to focus resource on our core SKA product. Arqit expects to introduce additional standardized product in the future which have at their core Arqit's SKA Platform™ symmetric key technology.

Go-to-Market Strategy

Arqit is focused on the following key end markets:

- Telecommunications
- Financial services
- Large enterprises
- Government
- Defense

Arqit has entered into contracts for SKA-Platform™ service in several geographies and sectors, including DETASAD in the Kingdom of Saudi Arabia, AUcloud in Australia and BT and Nine23 in the UK.

Arqit's initial go-to-market had been focused on developing an enterprise license sales model directly to customers. The May 2022 publication of the independent review and assurance of the security proofs for the design aspects of the key-establishment protocols used to enable symmetric key agreement over classical IP network infrastructures within the SKA-Platform™ by the University of Surrey, a GCHQ UK National Cyber Security Centre Accredited Centre of Excellence for Cyber Security, increased interest in Arqit's

symmetric key agreement software by leading technology companies. During 2022, Arqit shifted its focus to the establishment of channel partner relationships. Arqit has established relationships with Sparkle, Juniper Networks, Fortinet, AWS, Dell, Sierra Nevada Corporation Mission Systems UK (SNC), SecureCloud+, Exclusive Networks, DETASAD, AIEE Carahsoft and SoftIron. Pursuant to these relationships, channel partners will offer the SKA-Platform™ and/or Arqit’s standardized products directly or indirectly to customers as part of their integrated product offering. Arqit primarily focuses on maximizing sales opportunities through these and other potential major technology partners. The following are Arqit’s current channel and distribution partner relationships:

Service or Product:	Channel and Distribution Partners:
Arqit SKA-Platform™	BT, AUCloud, Nine23, DETASAD, AIEE, SoftIron
Arqit NetworkSecure™	Sparkle, Juniper, Fortinet, Dell, BT, Exclusive Networks

End Market Focus:	Channel and Distribution Partners:
Enterprise	Sparkle, BT, Exclusive Networks, AUCloud, Nine23, AIEE, DETASAD
Government (including defence)	VTC, LLC dba Total Site Solutions, SNC, BT, DETASAD, AIEE, SecureCloud+, AUCloud, Nine23, Exclusive Networks, SoftIron, Dell
Geographic Focus:	Channel and Distribution Partners:
Global	Sparkle, BT
U.S.	VTC, LLC dba Total Site Solutions, Exclusive Networks
Europe	Nine23, SecureCloud+
MEA	DETASAD, AIEE
Asia	AUCloud

Arqit expects to continue to use a direct enterprise sales model for certain customers, including government customers for specified programs.

Other Technologies

Arqit may create other novel technologies which can be developed using its specific expertise in quantum physics, engineering and software. Where early customers can be identified to share risks in the development of such technologies, Arqit is likely to partner with such customers to develop technologies.

Competition

Arqit’s competitors are suppliers of QKD, quantum encryption and legacy encryption services. There have been a significant number of entrants into these markets in the last five years, mostly in the areas of QKD and post-quantum cryptography. While potential competitors, Arqit believes there may be opportunities for collaboration with entities which are pursuing competing solutions.

- **QKD Systems:** These are predominantly fiber optic-based QKD systems that are limited by both distance as well as their point to point nature. Although they all have products in market, they are at early stages with a number of pilots requiring significant support from the QKD vendors. The majority of these providers are targeting data center architectures with a product that has a limit of around 100 kilometers, meaning that it is only suitable in a metro area. With the cost, complexity and point to point nature of the technology, it is always going to be limited.
- **Post-Quantum Cryptography:** There are number of companies that are creating services based on “post-quantum algorithms” which are cryptographic algorithms that are designed to extend the principles of PKI to be more secure against attack by a quantum computer. Such algorithms can never be “provably secure” against quantum attack because they are mathematical in their construction, and therefore only secure until a quantum computer can be programmed to break them. According to the NIST, none of these algorithms represent a suitable “drop-in replacement” for legacy encryption. These weaknesses, compared with the fact that Arqit’s keys are used inside algorithms like AES256 that are already globally standardized gives Arqit strong differentiation.

- **Legacy Encryption Competitors:** The legacy encryption key management market spans a number of different product categories from hardware security modules to key management software, and along with most product categories has seen existing and new entrants into the market offering “as a service” versions of these products. The goal of these vendors is to reduce the management burden and costs of PKI and to reduce the downtime risk by automating processes. They are therefore not direct competitors of Arqit as they are not addressing the near-term threat of quantum computers or other fundamental issues of PKI.
- *Traditional Key Management:* There are a number of traditional incumbents in the key management space. Most of these vendors started as hardware security modules and have added additional key management software and other features. They are already being distributed by start-ups in this sector as they have difficulty delivering functionality as a service to agile environments.
- *Machine Identity Management:* New entrants into the key management market are aligning around “machine identity management” rather than the pure traditional key management. However, the fundamental goal of these technologies are to mitigate the risks and shortcomings of PKI in the modern internet.
- *DevOps/Cloud Key Management:* Where developers have been struggling to integrate PKI into their development pipelines, a number of the cloud providers and development automation frameworks have included key management into their platforms. Cloud providers are rarely seen providing encryption services outside of their own platforms.
- *Manual Key Distribution:* Finally there are companies who provide on premises appliances and human courier services for the current methodology of using symmetric key encryption. The UK Government provides its own service through a department of the National Cyber Security Centre called the UK Key Production Agency, which is the master source of trust in the product of symmetric keys which are delivered through these physical courier methods to a variety of government and commercial customers.

Satellite Infrastructure

Arqit’s technology stack previously contemplated the use of satellite technology for the distribution of replicated entropy. Through innovation Arqit was able to replace satellite distribution with terrestrial distribution, which also had the benefit of eliminating future capital and operating expenditures associated with use of satellites as part of its core product offering. Arqit announced in December 2022 that it expected that these changes to its technology strategy may result in a portion of capitalized satellite costs recouped as a result of a sale of the satellite currently under construction, joint venture development and operation of the satellite, and/or the licensing of its ARQ19 intellectual property. In May 2023 Arqit retained an adviser to assist in the process of pursuing the sale of its satellite division amongst other potential transactions. Arqit discontinued its pursuit of such potential transactions in mid-2024 and novated its satellite construction contracts with the European Space Agency and QinetiQ Space NV to Com Dev Europe Limited (t/a Honeywell) in September 2024.

Intellectual Property

The ability to protect its material intellectual property is paramount to Arqit’s business. Arqit relies upon a combination of protections afforded to owners of patents, designs, copyrights, trade secrets, and trademarks, along with employee and third-party non-disclosure agreements and other contractual restrictions to establish and protect its intellectual property rights. In particular, unpatented trade secrets in the fields of research, development and engineering are an important aspect of Arqit’s business by ensuring that its technology and strategic business assets remain confidential. Arqit pursues patent protection when it believes it has developed a patentable invention and the benefits of obtaining a patent outweigh the risks of making the invention public through patent filings.

As of the date of this Annual Report, Arqit has approximately 25 granted patents and 20 pending patents in the UK. Arqit pursues global registration of its domain names and products and services trademarks and as of the date of this Annual Report, Arqit had 28 registered trademarks.

Based on the filing dates of Arqit’s existing patent applications, and assuming the patents are granted and renewed throughout their lifetimes, Arqit currently expects each patent right to provide protection for up to 20 years from the relevant filing dates which, as of the date of this Annual Report, range from June 4, 2018 to June 28, 2024.

Arqit regularly reviews its development efforts to assess the existence and patentability of new inventions and is prepared to file additional patent applications when it determines it would benefit its business to do so.

Group Structure

Arqit Limited, a company limited by shares incorporated in England, is a wholly-owned subsidiary of the Company and is the Company's primary operating subsidiary. Arqit Limited has four wholly-owned subsidiaries: Arqit Inc., a Delaware corporation, Arqit LLC, a Delaware limited liability company, Arqit Italia S.R.L., an entity organized in Italy and Arqit Quantum (Singapore) Pte. Ltd, a limited liability Singapore company. None of Arqit Limited's subsidiaries currently has any material operations. Arqit Italia S.R.L. and Arqit Quantum (Singapore) Pte. Ltd are in the process of being liquidated.

Government Regulation

International Traffic in Arms Regulations and Export Controls

Arqit is subject to U.S. and U.K. import and export control laws, including the International Traffic in Arms Regulations ("ITAR") and Export Administration Regulations ("EAR") of the Bureau of Industry and Security of the U.S. Department of Commerce and the U.K. Export Control Act 2002 (as amended and extended by the Export Control Order 2008) and their respective implementing rules and regulations. The ITAR generally restricts the export of hardware, software, technical data, and services that have defense or strategic applications. The EAR similarly regulates the export of hardware, software, and technology that has commercial or "dual-use" applications (i.e., for both military and commercial applications) or that have less sensitive military or space-related applications that are not subject to the ITAR. The regulations exist to advance the national security and foreign policy interests of the U.S.

The U.S. government agencies responsible for administering the ITAR and the EAR have significant discretion in the interpretation and enforcement of these regulations. The agencies also have significant discretion in approving, denying, or conditioning authorizations to engage in controlled activities. Such decisions are influenced by the U.S. government's commitments to multilateral export control regimes, particularly the Missile Technology Control Regime concerning the spaceflight business.

Many different types of internal controls and measures are required to ensure compliance with such export control rules. The inability to secure and maintain other necessary export authorizations could negatively impact Arqit's ability to compete successfully. Failure to comply with export control laws and regulations could expose Arqit to civil or criminal penalties, fines, investigations, more onerous compliance requirements, loss of export privileges, debarment from government contracts, or limitations on its ability to enter into contracts with the U.S. or U.K. government. In addition, any changes in export control regulations or U.S. or U.K. government licensing policy, such as that necessary to implement U.S. and U.K. government commitments to multilateral control regimes, may restrict its operations. See "*Risk Factors — Risks Relating to Arqit's Business and Operations — Failure to comply with governmental trade controls, including export and import control laws and regulations, sanctions, and related regimes could subject Arqit to liability or loss of contracting privileges, limit its ability to compete in certain markets or harm its reputation with the governments.*"

Anti-Bribery, Anti-Corruption and Sanctions Laws and Regulations

Arqit's operations are subject to anti-bribery and anti-corruption laws and regulations, including the Foreign Corrupt Practices Act and the UK Bribery Act, and economic and trade sanctions, including those administered by the Office of Foreign Assets Control of the U.S. Treasury, the U.S. Department of State and the European Union. These statutes generally prohibit providing anything of value to foreign officials for the purposes of obtaining or retaining business or securing any improper business advantage. Arqit may deal with both governments and state-owned business enterprises, the employees of which are considered foreign officials for purposes of these laws.

Data Protection Laws and Regulations

Arqit's operations and sales are subject to laws and regulations addressing privacy and the collection, use, storage, disclosure, transfer and protection of a variety of types of data, including the UK Data Protection Act 2018, the UK General Data Protection Regulation, European Directive 2002/58/EC (the ePrivacy Directive) and implementing national legislation and any data laws and regulations enacted in the United Kingdom post-Brexit. These regimes may, among other things, impose data security requirements, disclosure requirements, and restrictions on data collection, uses, and sharing that may impact Arqit's operations and the development of its business. Arqit's products collect, store and process certain information and its products may evolve to collect additional information. Compliance with these and any other applicable privacy and data security laws and regulations is a rigorous and time-intensive process, and Arqit may be required to put in place additional mechanisms to ensure compliance with new data protection rules. For further information, see "*Item 3.D. Risk Factors — Risks Relating to Arqit's Business — Failures, or perceived failures, to comply with privacy, data protection, and information security requirements in the jurisdictions in which Arqit operates may adversely impact its business, and such legal requirements are evolving and may require improvements in, or changes to, its policies and operations.*"

Other Regulations

In addition, Arqit is subject to laws and regulations relating to antitrust, competition, intellectual property and other matters. Arqit has implemented internal controls designed to minimize and detect potential violations of laws and regulations in a timely manner, but can provide no assurance that such policies and procedures will be followed at all times or will effectively detect and prevent violations of the applicable laws by one or more of its employees, consultants, agents, or partners.

4.C. ORGANIZATIONAL STRUCTURE

Organizational Structure

The legal name of the company is Arqit Quantum Inc. which is an exempted limited liability company incorporated under the laws of the Cayman Islands.

Significant Subsidiaries

The subsidiaries of the Company are listed below.

Name	Country of Incorporation and Place of Business	Proportion of Ordinary Shares Held by the Company
Arqit Limited	United Kingdom	100 %
Arqit Inc.	Delaware	100 %
Arqit LLC	Delaware	100 %
Arqit Italia S.R.L.	Italy	100 %
Arqit Quantum (Singapore) Pte. Ltd	Singapore	100 %

Arqit Italia S.R.L. and Arqit Quantum (Singapore) Pte. Ltd are in the process of being liquidated. None of the subsidiaries of the Company other than Arqit Limited has any material operations.

4.D. PROPERTY, PLANTS AND EQUIPMENT

Arqit operates from serviced offices for its headquarters at 3 Orchard Place, London SW1H 0BF, United Kingdom.

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not Applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

5. OPERATING RESULTS

This operating and financial review should be read together with the section captioned “Item 4, Information on the Company-4.B. Business Overview” and the audited consolidated financial statements of the Company and the related notes to those statements included elsewhere in this Annual Report. Among other things, the audited consolidated financial statements include more detailed information regarding the basis of preparation for the following information. The audited consolidated financial statements of the Company have been prepared in accordance with IFRS. This discussion contains forward-looking statements that involve risks and uncertainties. As a result of many factors, such as those set forth under “Risk Factors” and elsewhere in this Form 20-F, our actual results may differ materially from those anticipated in these forward-looking statements. Please see “Cautionary Note About Forward-Looking Statements” in this Annual Report.

Overview

Arqit is a cybersecurity company that has pioneered a unique symmetric key agreement technology which makes the communications links of any networked device or data at rest secure against current and future forms of cyber-attack — even an attack from a quantum computer. Arqit delivers its symmetric key agreement technology via its SKA-Platform™.

The SKA-Platform™ is a software platform as a service that creates unbreakable software encryption keys that are low cost and easy to use within existing information technology standards with no new hardware and no major software upgrades or “rip and replace” required.

The software has potentially universal application to every edge device and cloud machine in the world. The security proofs for the design aspects of the key-establishment protocols used to enable symmetric key agreement over classical IP network infrastructures within SKA-Platform™ were independently assured in 2022 by the University of Surrey, which is accredited as a Centre of Excellence for Cyber Security by the UK Government's National Cyber Security Centre. Arqit believes that its symmetric key agreement platform is compliant with the NSA Commercial Solutions for Classified Symmetric Key Management Requirements Annex 1.2 which dictates how Government agencies can incorporate quantum-safe symmetric key protections into solutions which use off-the-shelf commercial products to protect classified networks.

Arqit's technology combines world-leading innovation in two areas: the secure distribution of replicated entropy to data centres and a software agent that can be downloaded onto any device and makes the use of symmetric key encryption a scalable business model.

- As part of the background technology that allows Arqit's software agent to operate at end points, identical sets of random numbers ("replicated entropy") must be delivered securely and frequently to data centres. Replicated entropy is an important constituent part of Arqit's SKA-Platform™ product. Arqit developed a propriety method for the secure distribution of replicated entropy to data centres using classical digital hardware and software elements.
- A second innovation is a small software agent downloaded from the SKA-Platform™ onto any form of device or integrated into any piece of software. By exchanging information with the SKA-Platform™, which moderates a key agreement process with all parties involved in a unique way, this software agent is able to create new symmetric encryption keys in partnership with any other device or cloud machine, or in large groups of devices. Keys are never "delivered", they are created, and so they cannot be intercepted. They are created at the end points in a manner that means they can never be known by a third party and can be used once if necessary and replaced infinitely. Once created, the keys cannot be broken even by a universal quantum computer in a usable time period, estimated to be in excess of millions of years.

Arqit began commercializing its products in the fiscal year ended September 30, 2021. Arqit has already signed contracts for its services with large companies and government institutions. Arqit sold its product to select early customers on a master distribution agreement basis, an enterprise license basis and as a platform as a service, including BT plc, AUCloud and Nine23. Arqit announced in December 2022 that it will focus on selling its products on a Platform as a Service basis, primarily through channel partners and distributors, which is expected to generate annual recurring revenue. Arqit platform as a service will be sold as standardized products to specific target markets or a Private Instance to customers to require control of the end-to-end technology Arqit has established relationships with Sparkle, Juniper Networks, Fortinet, AWS, Dell, Sierra Nevada Corporation Mission Systems UK (SNC), SecureCloud+, Exclusive Networks, DETASAD, AIEE Carahsoft and SoftIron. Pursuant to these relationships, channel partners will offer the SKA-Platform™ and/or Arqit's standardized products directly or indirectly to customers as part of their integrated product offering. Going forward Arqit intends to primarily focus on maximizing sales opportunities through these and other potential major technology partners. Arqit is currently engaged in discussions with additional customers, channel partners and distributors.

The Business Combination

Arqit Limited was incorporated in England in 2017. In September 2021, the Company completed the Business Combination pursuant to which the Company merged with and into Centricus Acquisition Corp., with the Company surviving the merger, and the security holders of Centricus Acquisition Corp. (other than those who elected to redeem their ordinary shares) became security holders of the Company, and the Company acquired all of the issued and outstanding share capital of Arqit Limited from the shareholders of Arqit Limited in exchange for ordinary shares of the Company, such that Arqit Limited is a direct wholly owned subsidiary of the Company.

The acquisition of Arqit Limited's shares by the Company has been accounted for as a "reverse acquisition" in accordance with IFRS. Under this method of accounting, the Company will be treated as the "acquired" company for financial reporting purposes. This determination was primarily based on the fact that Arqit Limited's shareholders hold a majority of the voting power of the combined company, Arqit Limited's operations substantially comprise the ongoing operations of the combined company, Arqit Limited's designees comprise a majority of the governing body of the combined company, and Arqit Limited's senior management comprises the senior management of the combined company. Accordingly, for accounting purposes, the acquisition of Arqit Limited's shares by the Company has been treated as the equivalent of Arqit Limited issuing shares for the net assets of the Company, accompanied by a recapitalization. It has been determined that the Company is not a business under IFRS, hence the transaction is accounted for within the scope of IFRS 2 (*Share-based Payments*). In accordance with IFRS 2, the difference in the fair value of the Arqit Limited equity instruments deemed issued to the Company's shareholders over the fair value of identifiable net assets of the Company represents a service for listing, and is accounted for as a share-based payment which is expensed as incurred. The net assets will be stated at historical cost, with no goodwill or other intangible assets recorded. Operations prior to the acquisition of the Arqit Limited shares by the Company have been deemed to be those of Arqit Limited. Upon closing of the Business Combination, the Company became the successor SEC registrant, and Arqit Limited's financial statements for previous periods have been included as part of the Company's audited

consolidated financial statements included in this Annual Report, and to be disclosed in its future periodic reports filed with the SEC. The Company is a foreign private issuer as defined under Rule 405 under the Securities Act and prepares its financial statements denominated in U.S. dollars and in accordance with IFRS.

Key Factors Affecting Operating Results

Arqit has not yet begun to generate material revenues through the commercialization of its products and believes that its performance and future success depend on several factors that present significant opportunities for it but also pose risks and challenges, including those discussed below and in the section of this Annual Report entitled “Item 3.D, Risk Factors — Risks Related to Arqit’s Business and Operations”.

Accounting for Business Combination

The acquisition of Arqit Limited’s shares by Arqit in connection with the Business Combination was accounted for as a “reverse acquisition” in accordance with IFRS. Under this method of accounting, Arqit was treated as the “acquired” company for financial reporting purposes.

This determination was primarily based on the fact that Arqit Limited’s shareholders hold a majority of the voting power of the combined company, Arqit Limited’s operations substantially comprise the ongoing operations of the combined company, Arqit Limited’s designees are comprised a majority of the governing body of the combined company, and Arqit Limited’s senior management is the senior management of the combined company.

Accordingly, for accounting purposes, the acquisition of Arqit Limited’s shares by Arqit is treated as the equivalent of Arqit Limited issuing shares for the net assets of Arqit, accompanied by a recapitalization. It has been determined that Arqit is not a business under IFRS, hence the transaction is accounted for within the scope of IFRS 2 (*Share-based Payments*).

In accordance with IFRS 2, the difference in the fair value of the Arqit Limited equity instruments deemed issued to Arqit shareholders over the fair value of identifiable net assets of Arqit represents a service for listing, and is accounted for as a share-based payment which is expensed as incurred, and is reflected on Arqit’s consolidated statement of comprehensive income as “reverse acquisition expense.” Operations prior to the acquisition of the Arqit Limited shares by Arqit will be deemed to be those of Arqit Limited.

Valuation of Warrants

Pursuant to the guidance in IFRS 9 (*Financial Instruments*), Arqit has determined that its Business Combination Warrants should be classified as derivative liabilities measured at fair value on its statement of financial position, with any changes in fair value to be reported each period in earnings on its statement of comprehensive income. As a result of the recurring fair value measurement, Arqit’s financial statements may fluctuate quarterly, based on factors which are outside of its control. Due to the recurring fair value measurement, Arqit expects that it will recognize non-cash gains or losses on its Business Combination Warrants each reporting period and that the amount of such gains or losses could be material.

Technologically Advanced Product Portfolio

Arqit has invented a unique symmetric key agreement technology which makes the communications links of any networked device secure against current and future forms of cyber-attack — even an attack from a quantum computer. Arqit’s product, called SKA-Platform™, creates unbreakable software encryption keys that are low cost and easy to use. Arqit’s software is fulfilled from the cloud requiring no extra infrastructure or hardware on the part of the customer. Its products have broad application across industries, including 5G networks, connected autonomous vehicles, national security and financial services network security. Arqit’s future success will be dependent on its ability to continue to execute against its product roadmap.

Commencement of Commercialization and Partnerships

Arqit is early in the process to generate material revenues through the commercialization of its products, and in December 2022 began transitioning its distribution model from an enterprise license model to distribution through channel partners. Although enterprise licenses attract higher upfront revenues, operational licenses sold through channel partners are expected to result in growing annual recurring revenue as consumption of Arqit’s symmetric key agreement software increases. Arqit ultimately achieving profitability is dependent upon the successful development, commercial introduction and acceptance of its products, the continued interest of potential customers in its products and the successful negotiation of contracts with those customers. Should Arqit’s assumptions about the commercialization of its encryption technology prove overly optimistic or if Arqit is unable to develop, obtain or progress its partnerships, Arqit may fail to generate operating cash flow and may incur delays in its ability to achieve profitability. This may also

lead Arqit to make changes to its commercialization plans, which could result in cost overruns or unanticipated delays, which could in turn adversely impact margins and cash flows.

Market Trends

Arqit believes there will be a transformation in the cyber encryption industry over the next decade as PKI, the most widely-used encryption technology, is becoming less secure as new technologies develop, and is not secure against quantum computers, which are expected to become available within the next few years. Arqit anticipates that there will be robust demand for its products as consumers, businesses and governments across all geographies and industries will need to replace the existing cyber encryption technology used in almost all electronic interfaces in order to maintain cyber security and that, as a result, there is significant market opportunity for Arqit's more secure cyber encryption products. Gartner estimates that the global addressable market for information security services will be \$294 billion by the end of 2028.

There will continue to be demand for more secure encryption products and Arqit is not currently aware of any competitors that offer or are developing encryption technology that addresses the threat of quantum computers. Arqit's competitors are suppliers of QKD, quantum encryption and legacy encryption, each of which has inherent limitations. Therefore, Arqit believes that it is well positioned to take advantage of this market opportunity. Arqit's future growth and financial performance is highly dependent on the continued demand for its products and on its ability to successfully compete with any current or new competitors.

Margin Improvements

Arqit believes that it has the opportunity to establish high margin unit economics when operating at scale as its software, fulfilled from the cloud, automatically creates keys in infinite volumes at minimal cost, resulting in low capital expenditure once deployed. Its business model is positioned for scalability due to the low costs of software distribution, ability to leverage the same product platform across its partner base and limited personnel costs. From an operating cost perspective, there is no human analysis or information processing required by Arqit's product, so personnel costs are limited to maintaining core infrastructure, marketing and customer support. Arqit's future performance will depend on its ability to deliver on these economies of scale with lower product costs to enable widespread adoption. Achievement of cash flow generation is dependent on order volume, which will dictate pricing and margin. Achieving this scale is further dependent on successful adoption of Arqit's products and expansion of its contracts with existing customers. While Arqit believes its unique technology provides a compelling value proposition for favorable margins and expects to achieve and maintain high margins on its products, emergence of competition in the cyber encryption industry may negatively impact its pricing, margins and market share.

Satellite Infrastructure

In December 2022 Arqit updated its technology strategy to eliminate quantum satellites and the associated ground infrastructure from its core product offering. See "*Item 4.B. Business Overview - Satellite Infrastructure.*"

In connection with this update, Arqit was planning to sell or otherwise monetize its quantum satellite currently under construction. During the fiscal year ended September 30, 2023, Arqit reclassified its satellite assets from "intangible assets" to "assets classified as held for sale", in connection with which it recognised an impairment loss of \$17.6 million. During the fiscal year ended September 30, 2024, Arqit determined that its satellite assets were no longer considered to be "held for sale" given it was unsuccessful in its efforts to identify a buyer for the satellite division and/or related IP. As a result, the satellite assets were fully impaired, and an impairment loss was recognized as part of "(loss)/profit from discontinued operations, net of tax" for the fiscal year ended September 30, 2024. Arqit remains open to discussions regarding disposal of the satellite assets in order to potentially recover some proceeds in a future period. Income and expenses from Arqit's satellite construction contracts with the European Space Agency and QinetiQ Space NV during the years ended September 30, 2022, 2023 and 2024 were recognised by Arqit as part of "(loss)/profit from discontinued operations, net of tax" in its statement of comprehensive income. In September 2024, Arqit novated its satellite construction contracts to a third party, and therefore those contracts will not result in generation of income or expenses in future periods.

Key Components of Statement of Comprehensive Income

Basis of Presentation

Currently, Arqit conducts business through one operating segment, which is the provision of cybersecurity services. Prior to July 2021, Arqit was a pre-revenue company and as of the date of this Annual Report, it still has only limited commercial operations relating to its core product — SKA-Platform™. Its activities to date have been conducted in the United Kingdom and the United States of America. Arqit's historical results are reported in IFRS.

Revenue

Arqit commenced commercialization and began generating revenue in the fiscal year ended September 30, 2021 through SKA-Platform™ — its core product. The majority of revenue is expected to be derived from the sale of SKA-Platform™ and other related services through channel partners.

Other income

Other income relates to income from the sale of property, plant and equipment and IFRS 16 gain as a result of Arqit's termination of its UK office lease.

Administrative Expenses

Administrative expenses primarily consist of the costs associated with employment of Arqit's non-satellite construction staff, legal, insurance, accounting and consulting expenses, travel and marketing expenses such as public relations activities, rent and general office expenses.

Administrative expenses also include depreciation charges. Depreciation charges mainly relate to the depreciation of computer equipment calculated under the straight-line depreciation method over the equipment's estimated useful life. The rate used is between three and five years. Computer equipment is written off over three years.

Arqit operates an equity-settled share-based incentive scheme and its share-based charges are included as part of administrative expenses. In addition, changes in the valuation of accounts denominated in currencies other than British pounds sterling are reflected in administrative expenses.

Arqit expects its administrative expenses to increase as its overall activity levels increase due to the commencement and expansion of commercial operations, and costs associated with being a public company.

Impairment Loss on Intangible Assets

Intangible assets with a definite useful life within continuing operations are tested for impairment when an indication for impairment is identified, and any impairment is recognised as "impairment loss on intangible assets". During the year ended September 30, 2024, Arqit impaired development costs related to its digital bills of exchange intangibles in connection with the discontinuation of the TradeSecure product resulting in impairment losses of \$2.032 million for the year ended September 30, 2024. Arqit discontinued the satellite division during the year and as a result reclassified \$17.6 million of impairment loss related to its satellite assets for the year ended September 30, 2023 from "impairment loss on intangible assets" to "(loss)/profit from discontinued operations, net of tax" during the year ended September 30, 2024. The company has no intangible assets with an indefinite useful life.

Impairment Loss on Trade Receivables and Contract Assets

Impairment loss on trade receivables and contract assets relates to trade debtors assessed as unrecoverable and written off as bad debt. Arqit discontinued the satellite division during the year and as a result reclassified \$12.3 million of impairment loss related to a provision for amounts owed to Arqit by Virgin Orbit Inc, which filed for bankruptcy in the U.S., for the year ended September 30, 2023, from "impairment loss on trade receivables and contract assets" to "(loss)/profit from discontinued operations, net of tax" during the year ended September 30, 2024.

Change in Fair Value of Warrants

Arqit's Business Combination Warrants are classified as financial liabilities at fair value, and the change in the fair value of the warrants is reflected in Arqit's consolidated statement of comprehensive income. A valuation of the warrants was performed as of each period end, and the difference between the two valuations is non-cash profit or loss that is reflected in Arqit's consolidated statement of comprehensive income.

Finance Costs

Finance costs relate to interest costs on agreements subject to accounting recognition and measurement in accordance with IFRS 16 (Leases).

Finance costs for the year ended September 30, 2021 also related to the accounting recognition and measurement of Arqit's £3,500,000 convertible loan notes issued June 21, 2019 and November 6, 2019 (the "Series B convertible loan notes") in line with the requirements of IFRS, which were converted to equity in connection with the completion of the Business Combination and are no longer outstanding.

The Series B convertible loan notes had a 0% interest rate and were redeemable at the principal amount plus an amount equal to 20% of such principal amount at any time on or after the maturity date. As the Series B convertible loan notes were redeemable at the request of the holder and convertible into a variable number of equity instruments, they were treated as a financial liability in accordance with IFRS International Accounting Standards ("IAS") 32. At initial recognition on day one, the Series B convertible loan notes were measured at fair value, calculated by applying the prevailing market interest rate at the time of issue, for similar non-convertible debt. As the discount unwound over the period from subscription date to maturity date, it was reflected as finance costs in Arqit's statement of comprehensive income.

Finance Income

Finance income is related to bank interest income from Arqit's deposits of cash and cash equivalents.

(Loss)/Profit from Discontinued Operations, Net of Tax

(Loss)/profit from discontinued operations, net of tax is the profit and loss from impaired and discontinued assets.

During the fiscal year ended September 30, 2023, Arqit reclassified its satellite assets from "intangible assets" to "assets classified as held for sale", and in connection with this reclassification, Arqit recognized an impairment loss on its satellite assets. During the fiscal year ended September 30, 2024, Arqit determined that its satellite assets were no longer considered as "held for sale" given it was unsuccessful in its efforts to identify a buyer for the satellite division and/or related IP. As a result, the satellite assets have been fully impaired, an impairment loss was recognized as part of "loss from discontinued operations, net of tax" for the fiscal year ended September 30, 2024 and impairment loss related to the satellite assets that was recognized as "impairment loss on intangible assets" for the fiscal year ended September 30, 2023 was reclassified as "loss from discontinued operations, net of tax".

In periods prior to the fiscal year ended September 30, 2023, Arqit reported income from its agreement with the European Space Agency ("ESA") for the partial funding of the construction of its satellites as "other operating income" as a component of "operating profit/(loss)". During the fiscal year ended September 30, 2023, however, Arqit reclassified its satellite assets from "intangible assets" to "assets classified as held for sale", and therefore income from the ESA agreement for the fiscal year ended September 30, 2023 and prior periods was reclassified by Arqit as a component of "(loss)/profit on discontinued operations, net of tax" in its statement of comprehensive income.

During the year ended September 30, 2023, Arqit incurred impairment loss on trade receivables and contract assets as a result of impairment recognized in connection with a provision for amounts owed to Arqit by Virgin Orbit Inc, which has filed for bankruptcy in the U.S. These amounts have been reclassified from "impairment loss on trade receivables and contract assets" to "(loss)/profit from discontinued operations, net of tax" following the discontinuation of the satellite division during the year ended September 30, 2024. The resolution of accounts associated with the bankruptcy remain ongoing. Recovery of amounts claimed or owed, if any, is not likely to occur until calendar year 2025.

Impairment loss on trade receivables and contract assets and intangible assets in fiscal year ended September 30, 2023 related to the satellite division have been reclassified from continuing operations to "loss from discontinued operations, net of tax".

Results of Operations

Comparison of the Years Ended September 30, 2024 and 2023

The following table presents Arqit's historic operating results:

	Year ended	Year ended	Variance	
	September 30, 2024	September 30, 2023	\$'000	%
Revenue	293	640	(347)	(54)%
Other income	392	53	339	—%
Administrative expenses	(23,177)	(55,201)	32,024	(58)%
Impairment loss on intangible assets	(2,032)	—	(2,032)	100%
Impairment loss on trade receivables and contract assets	(166)	—	(166)	—%
Operating (loss)/profit	(24,690)	(54,508)	29,819	(55)%
Change in fair value of warrants	6	10,638	(10,632)	(100)%
Finance costs	(223)	(284)	61	(21)%
Finance income	930	41	889	—%
(Loss)/profit before tax	(23,977)	(44,113)	20,137	(46)%
Income tax	—	141	(141)	—%
(Loss)/profit from continuing operations	(23,977)	(43,972)	19,995	(45)%
(Loss)/profit from discontinued operations	(30,604)	(26,421)	(4,183)	15%
(Loss)/profit for the financial year	(54,581)	(70,393)	15,812	(22)%

Revenue

Revenue decreased by \$0.347 million from \$0.640 million for the year ended September 30, 2023 to \$0.293 million for the year ended September 30, 2024. The decrease was due to no significant perpetual enterprise licenses sold in the year ended September 30, 2024, compared with the sale of two perpetual enterprise licenses with high upfront revenue sold in the year ended September 30, 2023, which represented a significant portion of revenue during that period.

Other income

Other income increased by \$0.339 million for the year ended September 30, 2024 from \$0.053 million for the year ended September 30, 2023. Other income relates to the sale of property, plant and equipment and IFRS 16 gain as a result of Arqit's termination of its UK office lease.

Administrative Expenses

The following table summarizes Arqit's administrative expenses for the periods presented:

	Year ended	Year ended	Variance	
	September 30, 2024	September 30, 2023	\$'000	%
Staff costs	19,775	24,187	(4,412)	(18)%
Capitalisation of staff costs	(511)	(1,956)	1,445	(74)%
Professional fees	5,935	12,415	(6,480)	(52)%
Property costs	1,884	2,289	(405)	(18)%
Share based compensation	(1,636)	14,118	(15,754)	(112)%
Depreciation	3,188	2,543	645	25%
Amortisation of intangible assets	375	91	284	—%
Foreign exchange	(12,248)	(8,764)	(3,484)	40%
Other administrative costs	6,415	10,278	(3,863)	(37)%
	23,177	55,201	(32,024)	(58)%

Total administrative expenses have decreased by \$32.024 million from \$55.201 million for the year ended September 30, 2023 to \$23.177 million for the year ended September 30, 2024. The decrease was primarily the result of lower staff expenses and reductions in operating expenses as part of Arqit's previously announced cost reduction measures and lower professional fees. Administrative expense for the fiscal year ended September 30, 2024 also included a \$1.636 million non-cash credit for share based compensation compared with a \$14.118 million charge for the fiscal year ended months ended September 30, 2024.

Impairment loss on intangible assets

Impairment loss on intangible assets of \$2.032 million for the year ended September 30, 2024 related to the impairment of development costs for Arqit's digital bills of exchange intangibles, which was discontinued during the year in connection with the discontinuation of the TradeSecure product. No impairment loss on intangible assets was recognized for the year ended September 30, 2023 with respect to continuing operations.

Impairment Loss on Trade Receivables and Contract Assets

Arqit incurred impairment loss on trade receivables and contract assets of \$0.166 million for the year ended September 30, 2024 as a result of impairment recognised in connection with an unrecoverable customer balance. No impairment loss on trade receivables and contract assets was recognized for the year ended September 30, 2023 with respect to continuing operations.

Change in Fair Value of Warrants

The change in fair value of Business Combination Warrants represents the difference in valuation of Arqit's warrants as of September 30, 2024, compared with the valuation as of September 30, 2023, which was non-cash profit of \$0.006 million for the year ended September 30, 2023, compared with a non-cash profit of \$10.638 million for the year ended September 30, 2023.

Finance Costs

Finance costs decreased by \$0.061 million from \$0.284 million for the year ended September 30, 2023 to \$0.223 million for the year ended September 30, 2024. The decrease was due to a termination of the lease for the U.K. office in the year resulting in lower finance costs.

Finance Income

Finance income increased to \$0.930 million for the year ended September 30, 2024 from \$0.041 million for the year ended September 30, 2023. Finance income for the year ended September 30, 2023 related to bank interest income from Arqit's deposits of cash and cash equivalents.

(Loss)/Profit from Discontinued Operations, Net of Tax

Loss from discontinued operations increased by \$7.607 million from \$26.421 million for the year ended September 30, 2023 to \$30.604 million for the year ended September 30, 2024. During the fiscal year ended September 30, 2024, Arqit determined that its satellite assets were no longer considered as "held for sale". As a result, the satellite assets have been fully impaired, and an impairment loss was recognized as part of "loss from discontinued operations, net of tax" for the fiscal year ended September 30, 2024.

Impairment loss on trade receivables and contract assets and intangible assets in fiscal year ended September 30, 2023 related to the satellite division have been reclassified from continuing operations to "loss from discontinued operations, net of tax".

Comparison of the Years Ended September 30, 2023 and 2022

The following table presents Arqit's historic operating results:

	Year ended	Year ended	Variance	
	September 30, 2023	September 30, 2022	\$'000	%
	\$'000	\$'000	\$'000	%
Revenue	640	7,212	(6,572)	(91)%
Other income	53	—	53	100
Administrative expenses	(55,201)	(70,977)	15,776	(22)%
Operating (loss)/profit	(54,508)	(63,765)	9,257	(15)%
Change in fair value of warrants	10,638	117,394	(106,756)	(91)%
Finance costs	(284)	(221)	(63)	29%
Finance income	41	—	41	100%
Profit/(loss) before tax	(44,113)	53,408	(97,521)	(183)%
Income tax	141	—	141	—%
Profit/(loss) from continuing operations	(43,972)	53,408	(97,380)	(182)
Profit from discontinued operations	(26,421)	11,667	(38,088)	(326)%
Profit/(loss) for the financial year	(70,393)	65,075	(135,468)	(208)%

Revenue

Revenue decreased by \$6.572 million from \$7.212 million for the year ended September 30, 2022 to \$0.640 million for the year ended September 30, 2023. The decrease was due to the time required to establish revenue generation through channel partnerships following Arqit's change in sales model from primarily enterprise sales to sales through channel partners during the year ended September 30, 2023

Other income

Other income increased by \$0.53 million for the year ended September 30, 2023 from \$nil for the year ended September 30, 2022. Other income related to the sale of property, plant and equipment.

Administrative Expenses

The following table summarizes Arqit's administrative expenses for the periods presented:

	Year ended	Year ended	Variance	
	September 30, 2023	September 30, 2022	\$'000	%
Staff costs	24,187	21,148	3,039	14 %
Capitalisation of staff costs	(1,956)	(4,920)	2,964	(60) %
Professional fees	12,415	6,355	6,061	95 %
Property costs	2,289	754	1,534	203 %
Share based compensation	14,118	21,742	(7,624)	(35) %
Depreciation	2,543	1,292	1,251	2,338 %
Amortisation of intangible assets	91	—	91	100 %
Foreign exchange	(8,764)	13,535	(22,299)	(165) %
Other administrative costs	10,278	11,071	(793)	(8) %
	55,201	70,977	(15,776)	(22) %

Total administrative expenses have decreased by \$15.776 million from \$70.977 million for the year ended September 30, 2022 to \$55.201 million for the year ended September 30, 2023. The decrease was primarily the result of decreases in foreign exchange due to the difference in year end rates as at September 30, 2023 and September 30, 2022, and decreases in share based compensation as a result of the switch to the RSU scheme in the year ended September 30, 2022. These decreases were partially offset in part by increases in professional fees and staff costs.

Change in Fair Value of Warrants

The change in fair value of Business Combination Warrants represents the difference in valuation of Arqit's warrants as of September 30, 2023, compared with the valuation as of September 30, 2022, which was non-cash profit of \$10.638 million for the year ended September 30, 2023, compared with a non-cash profit of \$117.394 million for the year ended September 30, 2022.

Finance Costs

Finance costs increased by \$0.063 million from \$0.221 million for the year ended September 30, 2022 to \$0.284 million for the year ended September 30, 2023. The increase was due to a new lease being signed for the U.S. office in the year resulting in higher finance costs.

Finance Income

Finance income increased to \$0.041 million for the year ended September 30, 2023 from \$nil for the year ended September 30, 2022. Finance income for the year ended September 30, 2023 related to bank interest income from Arqit's deposits of cash and cash equivalents.

(Loss)/Profit from Discontinued Operations, Net of Tax

(Loss)/profit from discontinued operations, net of tax decreased by \$38.088 million from \$11.667 million profit for the year ended September 30, 2022 to \$26.421 million loss for the year ended September 30, 2023. During the year ended September 30, 2023, Arqit reached fewer revenue recognition milestones under the ESA contract, compared with the number of milestones during the year ended September 30, 2022.

Arqit incurred impairment loss on trade receivables and contract assets of \$12.335 million for the year ended September 30, 2023 as a result of impairment recognised in connection with a provision for amounts owed to Arqit by Virgin Orbit Inc., which filed for bankruptcy in the U.S. No impairment loss on trade receivables and contract assets was recognized for the year ended September 30, 2022.

Arqit also incurred impairment losses on intangible assets of \$17.601 million for the year ended September 30, 2023 as a result of impairment recognised in connection with the reclassification of its satellite assets from “intangible assets” to “assets classified as held for sale”. No impairment losses on intangible assets were recognized for the year ended September 30, 2022.

Quantitative and Qualitative Disclosures about Market Risk

Arqit is exposed to market risk in the ordinary course of business. Market risk represents the risk of loss that may impact Arqit’s financial position due to adverse changes in financial market prices and rates. It is, and has been throughout the period under review, Arqit’s policy not to use or trade in derivative financial instruments. Arqit’s financial instruments comprise its cash and cash equivalents and various items such as trade creditors that arise directly from its operations. The main purpose of Arqit’s financial assets and liabilities is to provide finance for its operations in the near term.

Interest Rate Risk Management

Arqit would be exposed to interest rate risk if it borrows funds, when required, at variable interest rates. There is currently no exposure to interest rate risk.

Credit Risk

Credit risk is the risk of financial loss where counterparties are not able to meet their obligations. Arqit’s policy is that surplus cash, when not used to pay liabilities, is placed on deposit with its main relationship banks and with other banks or money market funds based on a minimum credit rating of A3/A- and maximum exposure. There is no significant concentration of risk to any single counterparty. Arqit considers that the credit quality of the various receivables is good in respect of the amounts outstanding and therefore credit risk is considered to be low. There is no significant concentration of risk. The carrying amount of financial assets, represents Arqit’s maximum exposure to credit risk at the reporting date assuming that any security held has no value.

Foreign Exchange Risk

Arqit operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to British pounds sterling and Euro. Arqit holds British pounds sterling, U.S. dollar and Euro bank accounts in order to limit its exposure. Arqit is also exposed to foreign exchange risk to the extent that its ultimate parent entity has a U.S. dollar functional currency.

Liquidity Risk

Liquidity risk is the risk that Arqit does not have sufficient financial resources available to meet its obligations as they fall due. Arqit manages liquidity risk by continuously monitoring forecast and actual cash flows, matching the expected cash flow timings of financial assets and liabilities with the use of cash and cash equivalents, borrowings, overdrafts and committed revolving credit facilities with a minimum of 12 months to maturity. Future borrowing requirements are forecast on a monthly basis and funding headroom is maintained above forecast peak requirements to meet unforeseen events.

JOBS Act

On April 5, 2012, the JOBS Act was signed into law. The JOBS Act contains provisions that, among other things, relax certain reporting requirements for qualifying public companies. Arqit qualifies as an “emerging growth company” under the JOBS Act.

Arqit is in the process of evaluating the benefits of relying on the reduced reporting requirements provided by the JOBS Act. Subject to certain conditions set forth in the JOBS Act, if, as an “emerging growth company,” Arqit chooses to rely on such exemptions it may not be required to, among other things, (i) provide an auditor’s attestation report on its system of internal controls over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act, (ii) comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and the financial statements (auditor discussion and analysis), (iii) provide all of the compensation disclosure that may be required of non-emerging growth public companies under the Dodd-Frank Wall Street Reform and Consumer Protection Act (applicable only if Arqit ceased to be a foreign private issuer), and (iv) disclose certain executive compensation related items such as the correlation between executive compensation and performance and comparisons of the CEO’s compensation to median employee compensation (applicable only if Arqit ceased to be a foreign private issuer). These exemptions will apply until September 3, 2026 (five

years following the closing of the Business Combination) or until Arqit is no longer an “emerging growth company,” whichever is earlier. Although emerging growth companies are permitted under the JOBS Act to comply with new or revised accounting pronouncements based on the effective date for private (not publicly traded) companies, Arqit does not intend to take advantage of the option to delay compliance.

5.B. LIQUIDITY AND CAPITAL RESOURCES

Liquidity and Capital Resources

Arqit began to generate revenue from its principal business operations — the provision of cybersecurity services — in the fiscal year ended September 30, 2021. The net losses Arqit has incurred since inception are consistent with its strategy and budget. Arqit will continue to incur net losses in accordance with its operating plan as it begins commercialization of its products.

In the period under review, Arqit has funded its operations, capital expenditure and working capital requirements through public offerings of its securities including proceeds from (1) sales of ordinary shares under its ATM Program (as defined below) and (2) sales of ordinary shares in a registered direct offerings in February 2023, September 2023 and September 2024. Historically, Arqit also funded its operations from the completion of its Business Combination in September 2021, capital contributions, loans and borrowings from certain venture investors and grants from the UK government’s Future Fund, including convertible loan notes that were converted into ordinary shares in connection with the Business Combination. Arqit’s primary uses of liquidity in the period under review have been working capital requirements as it continues to increase commercialization of its products.

In December 2022, Arqit filed a registration statement on Form F-3 in order to establish an at-the-market equity offering program (the “ATM Program”) pursuant to which it may issue and sell ordinary shares with an aggregate offering price of up to \$30.0 million. Arqit has no obligation to sell any such shares under its ATM Program. Actual sales will depend on a variety of factors to be determined by the Group from time to time, including, among others, whether additional capital is required, market conditions, the trading price of Arqit’s ordinary shares, determination of the appropriate sources of funding for the Group, and potential uses of available funding. Arqit intends to use the net proceeds from the offering of such shares, if any, for general corporate purposes. In the year ended September 30, 2024, Arqit issued 48,803 shares under the ATM Program, generating proceeds to the Company before fees and expenses of approximately \$0.467 million. In the previous year ended September 30, 2023, Arqit issued 312,579 shares under the ATM Program, generating proceeds to the Company before fees and expenses of approximately \$11.5 million.

In February 2023, Arqit completed a registered direct offering in which it sold 400,000 ordinary shares, together with warrants to purchase 300,000 ordinary shares (the “February 2023 Investor Warrants”) at a combined purchase price of \$2.00 per share and accompanying warrant, generating proceeds to the Company before fees and expenses of approximately \$20.0 million. The February 2023 Investor Warrants have an exercise price of \$2.00 per share, are currently exercisable and will expire on February 22, 2028. In addition, in connection with the February 2023 registered direct offering Arqit issued warrants to purchase 22,000 ordinary shares (the “February 2023 Placement Agent Warrants”) to H.C. Wainwright & Co., LLC or its designees. The February 2023 Placement Agent Warrants have an exercise price of \$2.50 per share, are currently exercisable and will expire on February 22, 2028.

In September 2023, Arqit completed a registered direct offering in which it sold 830,227 ordinary shares, together with warrants to purchase 830,227 ordinary shares (the “September 2023 Investor Warrants”) at a combined purchase price of \$0.78 per share and accompanying warrant, generating proceeds to the Company before fees and expenses of approximately \$16.2 million. The September 2023 Investor Warrants have an exercise price of \$0.78 per share, are currently exercisable and will expire on September 12, 2028. In addition, in connection with the September 2023 registered direct offering Arqit issued warrants to purchase 28,205 ordinary shares (the “September 2023 Placement Agent Warrants”) to H.C. Wainwright & Co., LLC or its designees. The September 2023 Placement Agent Warrants have an exercise price of \$0.975 per share, are currently exercisable and will expire on September 8, 2028. The September 2023 registered direct offering included the sale of 317,407 ordinary shares, together with September 2023 Investor Warrants to purchase 317,407 ordinary shares at a combined offering price of \$0.78 per ordinary share and accompanying warrant to existing shareholders Heritage Assets SCSP, Ropemaker Nominees Limited and Carlo Calabria. Arqit director Manfredi Lefebvre d’Ovidio has sole investment and voting power over the shares held by Heritage Assets SCSP, and Arqit director Stephen Chandler is on the investment committee of Notion Capital Managers LLP, which is the beneficial owner of the Company shares held by Ropemaker Nominees Limited, and Carlo Calabria is an Arqit director. See “*Item 7.B. Related Party Transactions.*”

In September 2024, Arqit entered into a registered direct offering in which it sold 5,440,000 ordinary shares at an offering price of \$2.50 per share. In a concurrent private placement, Arqit issued unregistered warrants to purchase up to 5,440,000 shares (the "September 2024 Investor Warrants") at an exercise price of \$2.50 per share, exercisable only upon the later of (i) one year from the issuance date, (ii) the date of the approval by the Company's shareholders of an increase in authorized capital sufficient to permit the issuance of the shares issuable upon exercise of the September 2024 Investor Warrants and (iii) the date that the closing trading price of the Ordinary Shares on the Nasdaq Capital Market has exceeded \$5.00 for 60 consecutive trading days. The warrants will be exercisable for a period of one year following the Exercise Date. The Warrants will terminate on the earlier of (x) 5:00 p.m. (New York City time) on the last day of the exercise period or (y) 5:00 p.m. (New York City time) on the date falling five years after the date of issuance. The investors in the September 2024 offering were existing shareholders Heritage Assets SCSP, Ropemaker Nominees Limited, Carlo Calabria and Garth Ritchie. Arqit director Manfredi Lefebvre d'Ovidio has shared investment and voting power over the shares held by Heritage Assets SCSP, Arqit director Stephen Chandler is on the investment committee of Notion Capital Managers LLP, which is the beneficial owner of the Arqit shares held by Ropemaker Nominees Limited, and Carlo Calabria and Garth Ritchie are both Arqit directors. See "Item 7.B. Related Party Transactions."

Cash Flows Summary

The following table shows a summary of Arqit's cash flows for the years ended September 30, 2024 and 2023 and 2022.

	Year ended September 30, 2024	Year ended September 30, 2023	Year ended September 30, 2022
Net cash generated from/(used in):	\$'000	\$'000	\$'000
Operating activities	(34,126)	(32,825)	(26,719)
Investing activities	(2,398)	(16,082)	(24,432)
Financing activities	11,188	44,853	22,176
Net (decrease)/increase in cash and cash equivalents	(25,336)	(4,054)	(28,975)

Cash Flows Used in Operating Activities

Cash flows used in operating activities to date have primarily resulted from personnel related costs, fluctuations in trade payables and other current assets and liabilities. As Arqit expects to continue to increase hiring in connection with further expansion of its commercial operations, it expects its cash used in operating activities to increase significantly before it starts to generate material cash flows from commercialization of its products.

During the year ended September 30, 2024 cash used in operating activities was \$34.126 million. The primary factors affecting operating cash flows during the period were a net loss of \$23.977 million and adjustments for non-cash items of \$35.446 million.

During the year ended September 30, 2023 cash used in operating activities was \$32.825 million. The primary factors affecting operating cash flows during the period were a net loss of \$44.113 million and adjustments for non-cash items of \$37.708 million.

During the year ended September 30, 2022 cash used in operating activities was \$26.720 million. The primary factors affecting operating cash flows during the period were a net profit of \$53.408 million and adjustments for non-cash items of \$91.796 million.

Arqit's non-cash items primarily consist of fair value movement on warrant valuation, share-based charges and depreciation, while movements in working capital are primarily driven by changes in trade and other payables.

Cash Flows Used in Investing Activities

Net cash used in investing activities was \$2.398 million for the year ended September 30, 2024, compared with \$16.082 million for the year ended September 30, 2023 and \$24.432 million for the year ended September 30, 2022. The decrease in cash used in investing activities between 2022, 2023 and 2024 was as a result of lower costs incurred in the development of intangible fixed assets.

Cash Flows Generated from Financing Activities

Net cash generated from financing activities was \$11.188 million for the year ended September 30, 2024, compared with \$44.853 million for the year ended September 30, 2023 and \$22.176 million for the year ended September 30, 2022. Net cash provided by financing activities for the year ended September 30, 2024 was primarily related to proceeds from the Company's issuance of shares under its ATM Program and a registered direct offering in September 2024. Net cash provided by financing activities for the year ended September 30, 2023 was primarily related to proceeds from the Company's issuance of shares under its ATM Program and in registered direct

offerings in February 2023 and September 2023. Net cash provided by financing activities for the year ended September 30, 2022, was limited to proceeds from shares issued upon the exercise of Business Combination Warrants.

5.C. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.

Arqit's policy regarding research and development expenses is consistent with the requirements of IAS 38. Research costs are expensed as incurred through the income statement, while development costs are capitalized after technical and commercial feasibility of the asset for sale or use have been established. Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use.

For the periods ended September 30, 2024, 2023 and 2022, there were no research costs reflected in the statement of comprehensive income. This is primarily due to the research phase being deemed as complete in 2018. For all periods presented, eligible costs have been treated as development costs and capitalized. As described in the "Risk Factors" section and elsewhere in this Annual Reports, government regulations and policies can make developing or marketing our technologies expensive or uncertain due to various restrictions. See "Item 3. *Key Information*—3.D. *Risk Factors*" and "Item 4. *Information on the Company*—4.B. *Business Overview—Government Regulation*." For further information on our research and development policies and additional product information, see "Item 4. *Information on the Company*—4.B. *Business Overview*."

5.D. TREND INFORMATION

Other than as described in Item 3.D. "*Risk Factors*" and in Item 5.A. "*Operating Results—Key Factors Affecting Operating Results—Market Trends*" of this Annual Report, which are incorporated by reference herein, we are not aware of any trends, uncertainties, demands, commitments or events since the beginning of our year ended September 30, 2024 that are reasonably likely to have a material effect on our net revenues, income from operations, profitability, liquidity or capital resources, or that would cause the disclosed financial information to be not necessarily indicative of future operating results or financial condition.

5.E. CRITICAL ACCOUNTING ESTIMATES

Arqit's financial statements are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. While significant accounting policies are described in more detail elsewhere in this Annual Report, management believes that the following accounting policies are those most critical to the judgments and estimates used in the preparation of its financial statements.

Warrants valuation

Estimating the fair value of warrants requires a determination of the most appropriate valuation model, which depends on the terms and conditions of the warrant. This estimate also requires determination of the most appropriate inputs to the valuation model including equity value, exercise price, volatility, dividend yield, risk free rate and exercise period and making assumptions about them. For the measurement of the fair value of warrants at both the acquisition and the reporting date, Arqit uses a Binomial Option Pricing Model. The assumptions and models used for this estimation are disclosed in the notes to Arqit's audited consolidated financial statements.

Capitalization of Development Costs

Arqit capitalizes costs for product development projects. Initial capitalization of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model, and all other recognition criteria within IAS 38 can be demonstrated. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. At September 30, 2024, the carrying amount of capitalized development costs were \$1.939 million, compared with \$3.414 million at September 30, 2023 and \$40,291 million at September 30, 2022.

Share-Based Compensation

Estimating fair value for share-option payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them. For the measurement of the fair value of equity settled transactions with employees at the grant date, Arqit uses a Black Scholes valuation. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in the notes to Arqit's audited consolidated financial statements.

Compensation expense for RSUs is determined based upon the market price of the shares underlying the awards on the date of the grant and expensed over the vesting period, which is generally a one to five year service period. The compensation expense is adjusted based on actual forfeitures.

Deferred Tax Asset

Judgement is required to determine whether deferred tax assets are recognised in the statement of financial position. Deferred tax assets, arising from unutilised tax losses, require Arqit to assess the likelihood it will generate sufficient taxable earnings in future periods, in order to utilise recognised deferred tax assets. To the extent that future cash flows and taxable income differ significantly from estimates, Arqit's ability to realise the net deferred tax assets recorded at the reporting date could be impacted.

Discontinued Operations and Assets Held for Sale

The decision to discontinue the business activities of the satellite division to an increased level of judgment and estimation uncertainties with regard to provisions recognised in this context.

For assets held for sale, judgement is required when estimating expected fair value until any sale is contractually concluded. Changes in the economic environment or other facts and circumstances may cause revisions to these assumptions and could result in a material change to the realizable value of the Group's assets held for sale within the next financial year.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

6.A. DIRECTORS AND SENIOR MANAGEMENT

The following persons serve as Arqit's directors and executive officers. For biographical information concerning the directors and executive officers, see below.

Name	Age	Position
Andrew Leaver	57	Chief Executive Officer
Nick Pointon	54	Chief Financial Officer and Executive Director
Manfredi Lefebvre d'Ovidio	71	Senior Independent Director
Carlo Calabria	64	Director
Stephen Chandler	55	Director
Garth Ritchie	56	Director
Nicola Barbiero	38	Director
Paul Feenan	51	Chief Revenue Officer
Dr. Daniel Shiu	55	Chief Cryptographer
Patrick Willcocks	56	General Counsel and Corporate Secretary

Andrew Leaver is the Chief Executive Officer of Arqit. Prior to becoming the Chief Executive Officer in September 2024, Mr. Leaver was the acting Chief Operating Officer of Arqit from July 2024 to September 2024. Mr. Leaver has been employed by Notion Capital, a venture capital firm focused on Cloud Computing and Software-as-a-Service, since February 2020 as an Operating Partner. From July 2016 to December 2019, Mr. Leaver was a Partner at Crane Venture Partners. Mr. Leaver began his career at GE, where he managed their eCommerce activities, followed by executive international and global leadership positions with consecutive IPO's at Ariba (2000-2007), SuccessFactors (2007-2009), Bazaarvoice (2009-2011), Workday (2011-2014) and Hortonworks (2014-2017). Mr. Leaver received bachelor's and master's degrees in microelectronic systems engineering from the University of Manchester.

Nick Pointon is the Chief Financial Officer and a member of the board of directors of Arqit. Prior to joining Arqit, from 2017 to 2021 Mr. Pointon was the Group CFO of Privitar, a venture capital-funded data privacy company, and from 2011 to 2016 was the Vice President of Finance at King Digital Entertainment plc, which listed on the NYSE prior to being bought by Activision Blizzard, Inc. Mr. Pointon has experience acting as Financial Controller in a number of private and public telecoms and technology businesses. Mr. Pointon holds an LLB in Law from Kings College London and trained as a Chartered Accountant with Moore Stephens before moving to KPMG for two years' post-qualification experience.

Manfredi Lefebvre d'Ovidio is Vice Chairman and senior independent director of Arqit. Mr. Lefebvre d'Ovidio is Chairman of Heritage Group, a diversified conglomerate with interests in the cruise industry, property and financial investments. Mr. Lefebvre d'Ovidio assumed the role of Executive Chairman of Silversea Cruises from 2001 until 2020. During this period, Mr. Lefebvre d'Ovidio transformed Silversea Cruises from a cruise line with five vessels to a market leader covering over 900 destinations worldwide. Further,

he expanded the product range of Silversea Cruises by adding an expedition fleet, which quickly became a leader in luxury expedition cruising as well. In 2018, Heritage Group sold two-thirds equity stake of Silversea Cruises to Royal Caribbean Cruises Ltd. for approximately \$1 billion. In 2019, Heritage Group acquired a majority stake in the high-end tour operator Abercrombie & Kent. Manfredi Lefebvre d'Ovidio serves as Executive Chairman of A&K Travel Group Ltd, and has led the expansion of the group both internally and externally, notably with the acquisition of Cox & Kings and more recently (in June 2022) with the acquisition of the cruise ships Crystal Serenity and Crystal Symphony in addition to the Crystal Cruises brand. Mr. Lefebvre d'Ovidio serves as the Vice Chairman of the Monaco Chamber of Shipping, Vice Chairman of the World Travel and Tourism Council, and has held a number of key roles in Cruise Lines International Association, including European Chairman, Member of the Global Executive Committee, and Chairman from 2007 to 2013. Mr. Lefebvre d'Ovidio was honored by being awarded the rank of Knight of the Order of Saint Charles and Grimaldi by H.S.H. Prince Albert II of Monaco, and has been Honorary Consul of Ecuador in Monaco since April 2019.

Carlo Calabria is a member of the board of directors of Arqit. Mr. Calabria has close to four decades of experience in the financial services sector and has held multiple senior leadership positions at some of the world's largest financial institutions. In 2012, he founded CMC Capital Limited, an investment banking boutique specializing in mergers and acquisitions and debt restructuring, which he led until 2016, and then returned in 2021. Mr. Calabria is a mergers and acquisitions expert with vast experience across different sectors and regions. In 2016, he joined Barclays as Chairman of M&A and then served as Head of Banking for Barclays Europe from 2016 to 2020 and was responsible for investment banking activities in Continental Europe and Central and Eastern Europe, Middle East and Africa. Prior to joining Barclays, he served as Head of International M&A, first at Credit Suisse and then at Merrill Lynch from 2006 to 2011. Prior to this, Mr. Calabria worked at Credit Suisse from 1990 to 2006 and began his investment banking career at Morgan Grenfell & Co. Ltd in 1983. Mr. Calabria holds a Master of Arts (Honors) in Economics from Rome University, La Sapienza.

Stephen Chandler is a member of the board of directors of Arqit. Mr. Chandler is an entrepreneur, investor and company builder, with 20 years of experience in forming, funding, running, advising and investing in technology businesses. Mr. Chandler is a co-founder of several businesses with involvement in many more. Since 2009 he has been the Co-founder and Managing Partner at Notion Capital, a venture capital firm focused on Cloud Computing and Software-as-a-Service. Following an early career at Deloitte and then UBS, he was the Chief Financial Officer at MessageLabs, a cyber security company, through to its acquisition by Symantec in 2008. He is a current or former board director of several growing tech companies, including GoCardless, Griffin, Paddle, Pana seer, Novatiq and Virtual Stock. Mr. Chandler is a qualified Chartered Accountant and holds a Bachelor of Arts (Honors) in Accounting & Economics from the University of Exeter.

Garth Ritchie is a member of the board of directors of Arqit. Mr. Ritchie has over 25 years of experience in banking and finance where he has held a number of senior leadership positions. In 1996, Mr. Ritchie joined Deutsche Bank in the Johannesburg office and went on to become a member of the Global Markets Executive Committee in 2009 as Head of Equities. In January 2016, Mr. Ritchie was appointed to Deutsche Bank's Management Board with responsibility for Deutsche Bank's markets division. In 2017, he became Co-Head of the newly created Corporate & Investment Bank. In 2018, he became its sole Head and was appointed as President. In June 2020, Mr. Ritchie joined Centricus, a London-based global investment firm, where he leads the firm's capital markets and advisory business. Mr. Ritchie earned his B.Com. in Finance and Economics from the University of Port Elizabeth.

Nicola Barbiero is a member of the board of directors of Arqit. Mr. Barbiero has nearly two decades of experience in investment management and financial operations. He has been Investment Director of the Heritage Group since 2020. From 2013 to 2020, he held the positions of CFO and CIO at Solidarietà Veneto, one of Italy's largest pension schemes. Mr. Barbiero holds a Master's degree in Economics and Finance from Ca' Foscari University of Venice.

Paul Feenan has served as the Chief Revenue Officer of Arqit since April 2021. Prior to this, Mr. Feenan was the Managing Director for Global Institutional Sales at Arqit since April 2020. Mr. Feenan was previously the Director for Strategic Partnerships at JUMO, a Cape Town headquartered, global financial technology company, from 2016 to 2020. Mr. Feenan was the Director for Government Services at Avanti Communications Group plc from 2012 to 2016. Prior to this, Mr. Feenan was a commissioned British Army Officer where he served for over 16 years in a variety of Command and Operational roles including as the lead for Domestic Counterterrorism in the run-up to the 2012 London Olympic Games. He has a Master of Arts (Honors) Degree in Geography from the University of Cambridge.

Dr. Daniel Shiu has served as the Chief Cryptographer of Arqit since 2021. Prior to joining Arqit, Dr. Shiu worked for the UK's intelligence, cyber and security agency GCHQ for 19 years. He was the UK's first National Technical Authority for Cryptographic Design and Quantum Information Processing and was part of the National Technical Authority function, assumed by the new National Cyber Security Centre (NCSC). He was responsible for briefing the Government's Chief Scientific Adviser in Crypto mathematical matters. Dr. Shiu also served as Head of the Heilbronn Institute for Mathematical Research (HIMR) and represented GCHQ in co-directing the National Quantum Technologies Program. In 2023, Daniel Shiu was elected to the National Security Committee of the techUK trade body for which he undertakes duties for the sovereign skills subgroup. Throughout his career, Dr. Shiu's has received multiple prizes, including an international, annual award for best crypto-mathematician and on three separate occasions an international

award for the best cryptanalytic achievement of the year. He has a BSc (Honors) and ARCS in Mathematics from Imperial College London, and a DPhil in Mathematics from the University of Oxford (Pembroke College).

Patrick Willcocks is General Counsel and Corporate Secretary of Arqit. Prior to joining Arqit, Mr. Willcocks ran a legal consultancy. From 2009 to 2018, Mr. Willcocks was General Counsel and Company Secretary of Avanti Communications Group plc. Prior to this, Patrick was a senior attorney at HP/EDS, a banking and financing solicitor at Eversheds Sutherland, and an investment banker at a number of international banks. Patrick has an LLB (Honors) Degree in Law from Trinity College Dublin, a Barrister-at-Law degree from the Honorable Society of King's Inns in Dublin, and a Masters in Business Studies (Strategic Planning) and a Diploma in Business Studies from UCD Business School.

Family Relationships

There are no family relationships between any of the executive officers and directors.

6.B. COMPENSATION

Historical Executive Officer and Director Compensation

The aggregate cash compensation paid by Arqit and its subsidiaries to its executive officers and directors for the year ended September 30, 2024 was \$2.789 million. This amount includes \$0.108 million, set aside or accrued to provide pension, severance, retirement or similar benefits or expenses.

As of September 30, 2024, 57,115 share options to purchase ordinary shares and 138,632 RSUs had been granted to Arqit's executive officers and directors. During the year ended September 30, 2024, 27,320 shares were issued to Arqit's executive officers and directors in connection with the vesting of RSUs, and 14,213 options granted to Arqit's executive officers and directors vested.

Executive Officer and Director Compensation

Arqit's policies with respect to the compensation of its executive officers and directors are administered by its board of directors in consultation with the compensation committee. The compensation decisions regarding Arqit's executives is based on the need to attract individuals with the skills necessary for the company to achieve its business plan, to reward those individuals fairly over time, and to retain those individuals who continue to perform at or above the company's expectations.

Arqit has an executive compensation program that is competitive with other similarly-situated companies in its industry. This includes a base salary, cash annual bonus and long-term equity compensation awards that are, in each case, consistent with market practices and designed to incentivize, motivate and retain key employees. Each of Arqit's executive officers and employees is party to an employment agreement with Arqit, all of which are in substantially the same form. Under their respective agreements, each executive officer and employee is compensated with an annual base salary and most are also eligible for an annual discretionary bonus. In addition, each executive officer and employee is subject to a perpetual confidentiality covenant, and non-competition and non-solicitation restrictive covenants during the term of employment and for a period of three to twelve months after the termination of employment. Each of the agreements also includes agreement by the executive officer or employee to assign all intellectual property rights created during the course of employment to Arqit. The agreements include a notice period of one week to one month if either Arqit or the executive officer or employee wishes to terminate the agreement, other than for cause, in which case termination is effective immediately. Arqit may provide payment in lieu of such notice or may require the executive officer or employee to be placed on garden leave.

Arqit has a compensation plan for its directors. Arqit, working with the compensation committee, has set director compensation at a level comparable with those directors with similar positions at comparable companies. Each non-executive director receives an annual cash retainer of \$60,000. Each director who serves as the chairman of a committee receives an additional \$20,000 per year and each other member of a committee receives an additional \$10,000 per year per committee. Directors have the option to elect to receive their cash compensation in the form of either cash or RSUs. In addition, directors will benefit from an annual grant of 3,000 RSUs which will be awarded in accordance with Arqit's incentive award plan.

Equity Compensation — Incentive Award Plan

Arqit's board of directors adopted an incentive award plan (the "Incentive Award Plan") in order to facilitate the grant of cash and equity incentives to its directors, employees (including executive officers) and consultants and its affiliates and to enable it and certain of its affiliates to obtain and retain services of these individuals, which is essential to Arqit's long-term success.

The purpose of the Incentive Award Plan is to enhance Arqit's ability to attract, retain and motivate persons who make (or are expected to make) important contributions by providing these individuals with equity ownership opportunities and/or equity-linked compensatory

opportunities. Equity awards and equity-linked compensatory opportunities are intended to motivate high levels of performance and align the interests of directors, employees and consultants with those of stockholders by giving directors, employees and consultants the perspective of an owner with an equity or equity-linked stake in the company and providing a means of recognizing their contributions to our success. Arqit's board of directors believes that equity awards are necessary to remain competitive in its industry and are essential to recruiting and retaining the highly qualified employees who help us meet our goals.

The aggregate number of ordinary shares available for issuance under the Incentive Award Plan, excluding awards granted, is equal to 2.1% of the sum of the total number of issued and outstanding ordinary shares as of December 3, 2024, which equals an aggregate pool of one million ordinary shares. Prior to the completion of the Business Combination, Arqit Limited granted options over Arqit Limited ordinary shares to its employees, consultants and advisors. The holders of each of these options agreed to exchange these options for equivalent options to acquire ordinary shares, 125,035 of which remain outstanding as of September 30, 2024, which were issued under amended option agreements with terms consistent with the Incentive Award Plan. In addition, 180,106 restricted shares units (net of forfeitures) were granted during the year ended September 30, 2024, leaving 263,947 ordinary shares available for issuance in respect of future grants of awards under the Incentive Award Plan. The compensation committee may make grants of awards under the Incentive Award Plan to key employees, in forms and amounts to be determined by the compensation committee based on the recommendations of an independent compensation consultant.

6.C. BOARD PRACTICES

Board Composition

Director Independence

The Nasdaq corporate governance rules require that a majority of the board of directors be independent. An "independent director" is defined generally as a person who has no material relationship with the listed company (either directly or as a partner, stockholder, or officer of an organization that has a relationship with the listed company). Arqit has six directors, four of whom – directors Calabria, Chandler, d'Ovidio, and Ritchie – the board has determined qualify as independent directors as defined in the Nasdaq corporate governance rules.

Classes of Directors

The board of directors is divided into three staggered classes of directors. At each annual meeting of its shareholders, a class of directors will be elected for a three-year term to succeed the same class whose term is then expiring, as follows:

- the Class I directors include Stephen Chandler and Nicola Barbiero;
- the Class II directors include Nick Pointon and Carlo Calabria;
and
- the Class III directors include Manfredi Lefebvre d'Ovidio and Garth Ritchie.

Risk Oversight

The board of directors oversees the risk management activities designed and implemented by its management. The board of directors executes its oversight responsibility both directly and through its committees. The board of directors also considers specific risk topics, including risks associated with its strategic initiatives, business plans and capital structure. Arqit's management, including its executive officers, are primarily responsible for managing the risks associated with the operation and business of the company and provides appropriate updates to the board of directors and the audit committee. The board of directors delegates to the audit committee oversight of its risk management process, and its other committees also consider risk as they perform their respective committee responsibilities. All committees report to the board of directors as appropriate, including when a matter rises to the level of material or enterprise risk.

Committees of the Board of Directors

Arqit has established a separately standing audit committee, nominations and corporate governance committee and compensation committee.

Audit Committee

Listing Requirements

As permitted by Nasdaq Listing Rules, we have elected as a “foreign private issuer” to follow home country corporate governance practices with respect to our audit committee composition in lieu of the otherwise applicable Nasdaq corporate governance requirements. Under Nasdaq corporate governance rules, we are still required to maintain an audit committee consisting of independent directors.

The audit committee is comprised of Stephen Chandler and Garth Ritchie. Stephen Chandler serves as the chairperson of the audit committee. All members of the audit committee meet the requirements for financial literacy under the applicable rules and regulations of the SEC and the Nasdaq corporate governance rules. The board of directors has determined that Stephen Chandler is an audit committee financial expert as defined by the SEC rules and is financially literate as defined by Nasdaq corporate governance rules.

The board of directors has determined that each member of the audit committee is independent, as such term is defined in Rule 10A3(b)(1) under the Exchange Act, which is different from the general test for independence of board and committee members.

Audit Committee Role

The board of directors adopted an audit committee charter setting forth the responsibilities of the audit committee, which are consistent with the SEC rules and Nasdaq corporate governance rules. These responsibilities include:

- retaining and terminating our independent auditors, subject to ratification by the board of directors, and in the case of retention, subject to ratification by the shareholders;
- pre-approving audit and non-audit services to be provided by the independent auditors and related fees and terms;
- overseeing the accounting and financial reporting processes of Arqit;
- managing audits of Arqit’s financial statements;
- preparing all reports as may be required of an audit committee under the rules and regulations promulgated under the Exchange Act;
- reviewing with management and Arqit’s independent auditor its annual and interim financial statements prior to publication, filing, or submission to the SEC;
- recommending to the board of directors the retention and termination of the internal auditor, and the internal auditor’s engagement fees and terms, as well as approving the yearly or periodic work plan proposed by the internal auditor;
- reviewing with Arqit’s general counsel and/or external counsel, as deemed necessary, legal and regulatory matters that may have a material impact on the financial statements;
- identifying irregularities in Arqit’s business administration, inter alia, by consulting with the internal auditor or with the independent auditor, and suggesting corrective measures to the board of directors;
- reviewing policies and procedures with respect to transactions (other than transactions related to compensation or terms of services) between Arqit and its officers and directors, affiliates of officers or directors, or transactions that are not in the ordinary course of business and deciding whether to approve such acts and transactions; and
- establishing procedures for handling employee complaints relating to the management of Arqit’s business and the protection to be provided to such employees.

Nominations and Corporate Governance Committee

Arqit’s nominations and corporate governance committee is comprised of Manfredi Lefebvre d’Ovidio and Carlo Calabria. Manfredi Lefebvre d’Ovidio serves as the chairperson of the nominations and corporate governance committee. The board of directors adopted a nominations and corporate governance committee charter setting forth the responsibilities of the committee, which include:

- overseeing and assisting the board of directors in reviewing and recommending nominees for election of directors;

- assessing the performance of the members of the board of directors; and
- establishing and maintaining effective corporate governance policies and practices, including, but not limited to, developing and recommending to the board of directors a set of corporate governance guidelines applicable to Arqit's business.

Compensation Committee

Arqit's compensation committee is comprised of Garth Ritchie and Carlo Calabria, all of whom are independent directors. Carlo Calabria serves as the chairperson of the compensation committee. The board of directors adopted a compensation committee charter setting forth the responsibilities of the committee.

The purpose of the compensation committee is to review and approve compensation paid to our officers and directors and to administer our incentive compensation plans, including authority to make and modify awards under such plans.

Code of Ethics

Arqit has a Code of Ethics that applies to all of its employees, officers, and directors. This includes Arqit's principal executive officer, principal financial officer, and principal accounting officer or controller, or persons performing similar functions. Arqit will disclose on its website any future amendments of the Code of Ethics or waivers that exempt any principal executive officer, principal financial officer, principal accounting officer or controller, persons performing similar functions, or directors from provisions in the Code of Ethics.

Compensation Recovery Policy

In 2023, we adopted a compensation recovery policy to provide for the recovery of erroneously-awarded incentive compensation, as required by the Dodd-Frank Wall Street Reform and Consumer Protection Act, final SEC rules and applicable listing standards.

Limitation on Liability and Indemnification of Officers and Directors

Cayman Islands law does not limit the extent to which a company's memorandum and articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against willful default, fraud or the consequences of committing a crime. The amended and restated memorandum and articles of association provide for indemnification of Arqit's officers and directors to the maximum extent permitted by law, including for any liability incurred in their capacities as such, except through their own actual fraud, willful default or willful neglect. In addition, Arqit entered into indemnification agreements with each of its executive officers and directors. The indemnification agreements provide the indemnitees with contractual rights to indemnification, and expense advancement and reimbursement, to the fullest extent permitted under Cayman Islands law, subject to certain exceptions contained in those agreements. Arqit has a policy of directors' and officers' liability insurance that insures Arqit's officers and directors against the cost of defense, settlement or payment of a judgment in some circumstances and insures Arqit against its obligations to indemnify its officers and directors.

These indemnification obligations may discourage shareholders from bringing a lawsuit against Arqit's officers or directors for breach of their fiduciary duty. These provisions also may have the effect of reducing the likelihood of derivative litigation against Arqit's officers and directors, even though such an action, if successful, might otherwise benefit Arqit and its shareholders. Furthermore, a shareholder's investment may be adversely affected to the extent Arqit pays the costs of settlement and damage awards against its officers and directors pursuant to these indemnification provisions.

Arqit believes that these provisions, the insurance and the indemnity agreements are necessary to attract and retain talented and experienced officers and directors.

6.D. EMPLOYEES

As of September 30, 2024, Arqit had 74 full-time employees based in the UK and 8 full-time employees based in the US, a majority of which are engaged in research and development and related functions. Arqit is highly dependent on human capital and a strong leadership team. It aims to attract, retain and develop staff with the skills, experience and potential necessary to implement its growth strategy.

6.E. SHARE OWNERSHIP

For information regarding the share ownership of directors and officers, see Item 7.A. “Major Shareholders and Related Party Transactions—Major Shareholders.” For information as to our equity incentive plans, see Item 6.B. “Director, Senior Management and Employees—Executive Officer and Director Compensation—Equity Compensation—Incentive Award Plan.”

6.F. DISCLOSURE OF A REGISTRANT’S ACTION TO RECOVER ERRONEOUSLY AWARDED COMPENSATION

Not applicable.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

7.A. MAJOR SHAREHOLDERS

The following table sets forth information regarding the beneficial ownership of the Company as of December 3, 2024, by:

- each beneficial owner of more than 5% of the outstanding the Company’s Ordinary Shares;
- each executive officer or a director of the Company; and
- all of the Company’s executive officers and directors as a group.

Beneficial ownership is determined according to the rules of the SEC, which generally provide that a person has beneficial ownership of a security if he, she or it possesses sole or shared voting or investment power over that security, including options and warrants that are currently exercisable or exercisable within 60 days.

Each Company ordinary share will entitle the holder to one vote.

Beneficial ownership percentages are based on a total of 14,294,054 ordinary shares, which includes (i) 12,504,009 ordinary shares issued and outstanding as of December 3, 2024, (ii) 1,701,988 ordinary shares underlying our currently exercisable outstanding warrants, and (iii) 88,057 shares underlying outstanding equity incentives that are exercisable or that will become exercisable within 60 days of December 3, 2024.

	Number of Ordinary Shares	Approximate Percentage of Outstanding Ordinary Shares
Five Percent Holders:		
D2BW Limited ⁽¹⁾	871,824	6.1 %
David Williams ⁽¹⁾	1,192,256	8.3 %
David Bestwick ⁽¹⁾	1,114,860	7.8 %
Ropemaker Nominees Limited ⁽²⁾	1,400,462	9.8 %
Heritage Assets SCSp. ⁽³⁾	5,778,327	40.4 %
Directors and Executive Officers⁽⁴⁾		
Andrew Leaver	*	*
Nick Pointon	*	*
Carlo Calabria ⁽⁵⁾	244,619	1.7 %
Stephen Chandler	23	*
Manfredi Lefebvre d’Ovidio ⁽³⁾	5,789,647	40.5 %
Garth Ritchie	131,691	0.9 %
Nicola Barbiero	*	*
Paul Feenan	*	*
Dr. Daniel Shiu	*	*
Patrick Willcocks	*	*
<i>All directors and executive officers of the Company as a group.</i>	6,220,562	43.5 %

* Less than 1.0%.

(1) The business address for each of D2BW Limited, David Williams and David Bestwick is 3 Orchard Place, London SW1H 0BF, United Kingdom. David Williams and David Bestwick are the beneficial owners of D2BW Limited, and have shared investment

and voting power over the shares held by D2BW Limited. David Williams also has shared voting power over 317,335 shares owned by Sarah Williams pursuant to a voting agreement. Information with respect to shares held by D2BW Limited, David Williams, David Bestwick and Sarah Williams is based upon information provided by those parties in Schedule 13D filings filed with the SEC.

- (2) The business address for Ropemaker Nominees Limited is 1st Floor, Royal Chambers, St Julian's Avenue, St Peter Port, Guernsey GY1 3JX. Notion Capital Managers LLP has sole investment and voting power over Ropemaker Nominees Limited's shares. The investment decisions of Notion Capital Managers LLP are made by the majority vote of an investment committee comprised of five members, including Stephen Chandler. Under the so-called "rule of three," if voting and dispositive decisions regarding an entity's securities are made by three or more individuals, and a voting or dispositive decision requires the approval of at least a majority of those individuals, then none of the individuals is deemed a beneficial owner of the entity's securities. Based upon the foregoing analysis, no individual member of the investment committee of Notion Capital Managers LLP exercises voting or dispositive control over any of the securities over which it holds sole investment and voting power. Accordingly, Mr. Chandler is not deemed to have or share beneficial ownership of such shares. Includes 76,382 shares underlying September 2023 Investor Warrants that are currently exercisable.
- (3) The business address for Heritage Assets SCSP is c/o Heritage Services SAM Attn: Cristina Levis, 7 Rue Du Gabian, 98000, Monaco. Includes (1) 250,667 shares underlying Business Combination Warrants and 230,769 shares underlying September 2023 Investor Warrants that are currently exercisable and held by Heritage Assets SCSP, over which Mr. Lefebvre d'Ovidio has sole investment and voting power.
- (4) The business address for each of the directors and executive officers of the Company is 3 Orchard Place, London SW1H 0BF, United Kingdom.
- (5) Includes 10,256 shares underlying September 2023 Investor Warrants that are currently exercisable.

Registered Holders

Based on a review of the information provided to us by our transfer agent, as of December 3, 2024, we had approximately 37 shareholders of record of our ordinary shares. We estimate that as of December 3, 2024, approximately 36.9% of our outstanding ordinary shares are held by two U.S. record holders. The actual number of shareholders is greater than this number of record holders and includes shareholders who are beneficial owners but whose shares are held in street name by brokers and other nominees. This number of holders of record also does not include shareholders whose shares may be held in trust or by other entities.

7.B. RELATED PARTY TRANSACTIONS

Registration Rights Agreement

On September 3, 2021, Arqit, Centricus Heritage LLC, Adam M. Aron, Nicholas Taylor, the shareholders of Arqit Limited prior to the completion of the Business Combination and Heritage Assets SCSP entered into the Registration Rights Agreement. Pursuant to the Registration Rights Agreement, among other things, subject to certain requirements and customary conditions, including with regard to the number of demand rights that may be exercised, the Holders (as defined therein) may demand at any time or from time to time, that Arqit file a registration statement with the SEC to register the securities of Arqit held by such Holders. The Registration Rights Agreement also (i) provides the Holders with "piggy-back" registration rights, subject to certain requirements and customary conditions, and (ii) terminated the registration and shareholder rights agreement, dated as of February 3, 2021, among Centricus Acquisition Corp., Centricus Heritage LLC and the other "Holders" named therein.

September 2023 Registered Direct Offering

On September 12, 2023 the Company completed a registered direct offering of its ordinary shares and warrants to purchase ordinary shares, in which Heritage Assets SCSP, Ropemaker Nominees Limited and Carlo Calabria purchased (on a pre-Reverse Share Split basis) 7,935,164 ordinary shares, together with warrants to purchase up to (on a pre-Reverse Share Split basis) 7,935,164 ordinary shares at a combined offering price of \$0.78 per ordinary share and accompanying warrant. Company director Manfredi Lefebvre d'Ovidio has sole investment and voting power over the shares held by Heritage Assets SCSP, and Arqit director Stephen Chandler is on the investment committee of Notion Capital Managers LLP, which is the beneficial owner of the Company shares held by Ropemaker Nominees Limited, and Carlo Calabria is a director of the Company. The September 2023 Investor Warrants are currently exercisable at an exercise price of \$0.78 per share.

September 2024 Registered Direct Offering

On September 27, 2024, the Company entered into a registered direct offering in which it sold 5,440,000 ordinary shares at an offering price of \$2.50 per share. In a concurrent private placement, Arqit issued unregistered warrants to purchase up to 5,440,000 shares at an exercise price of \$2.50 per share, exercisable only upon the later of (i) one year from the issuance date, (ii) the date of the approval by the Company's shareholders of an increase in authorized capital sufficient to permit the issuance of the shares issuable upon exercise of the September 2024 Investor Warrants and (iii) the date that the closing trading price of the Ordinary Shares on the Nasdaq Capital Market has exceeded \$5.00 for 60 consecutive trading days. The warrants will be exercisable for a period of one year following the Exercise Date. The Warrants will terminate on the earlier of (x) 5:00 p.m. (New York City time) on the last day of the exercise period or (y) 5:00 p.m. (New York City time) on the date falling five years after the date of issuance. The investors in the September 2024 offering were existing shareholders Heritage Assets SCSP, Ropemaker Nominees Limited, Carlo Calabria and Garth Ritchie. Arqit director Manfredi Lefebvre d'Ovidio has shared investment and voting power over the shares held by Heritage Assets SCSP, Arqit director Stephen Chandler is on the investment committee of Notion Capital Managers LLP, which is the beneficial owner of the Arqit shares held by Ropemaker Nominees Limited, and Carlo Calabria and Garth Ritchie are both Arqit directors.

Secondment Agreement

Arqit CEO Andrew Leaver is an Operating Partner at Notion Capital Managers LLP ("Notion"), which is the beneficial owner of the Arqit shares held by Ropemaker Nominees Limited. Mr. Leaver is currently engaged as a secondee to Arqit from Notion through an agreement between Arqit and Notion Platform Ltd., an affiliate of Notion, pursuant to which Notion invoices a day rate for Mr. Leaver's cash compensation. Mr. Leaver has also been granted Arqit restricted share units and options. He acts at the direction of Arqit's board of directors, independently from Notion.

7.C. INTERESTS OF EXPERTS AND COUNSEL

Not Applicable.

ITEM 8. FINANCIAL INFORMATION

8.A. COMBINED STATEMENTS AND OTHER FINANCIAL INFORMATION

Combined Financial Statements

See Item 18. "Financial Statements".

Legal Proceedings

From time to time, Arqit may become involved in legal proceedings or be subject to claims arising in the ordinary course of its business. Arqit is not currently a party to any legal proceedings, the outcome of which, if determined adversely to it, would individually or in the aggregate have a material adverse effect on its business or financial condition.

On or around May 6, 2022, a putative class action lawsuit was filed against Arqit and certain of Arqit’s directors in the United States District Court for the Eastern District of New York (Case No. 1:22-cv-02604), asserting violations of federal securities laws under Sections 10(b), 14(a) and 20(a) of the Exchange Act (the “Federal Complaint”). The Federal Complaint generally alleges that Arqit and individual defendants made materially false and misleading statements relating to Arqit’s business prospects and projections. On September 8, 2023, the lead plaintiffs filed an amended version of the complaint (the “Federal Complaint”), which alleges the same general theory as the original complaint and asserts claims under Sections 10(b), 14(a), and 20(a) and Sections 11, 12(a)(2), and 15 of the Securities Act of 1933 (the “Securities Act”). On November 15, 2023, the court set a briefing schedule which required the defendants to file their motion to dismiss on January 12, 2024. The lead plaintiffs responded to the motion to dismiss on March 12, 2024, and defendants replied on April 26, 2024. The federal court will now consider the motion, with a ruling expected in early 2025.

Similarly, on April 18, 2023, a putative class action was filed against Arqit and certain of its directors in the Supreme Court of the State of New York (Index No. 153555/2023) (the “State Court Action”). The State Court Action is based on nearly identical allegations as the Federal Complaint, and asserts claims under Sections 11, 12(a)(2), and 15 of the Securities Act. On October 2, 2023, the plaintiff filed an amended complaint, asserting the same causes of action as in the original state court complaint. On November 1, 2023, Defendants filed a motion to stay the State Court Action pending resolution of the federal action. The plaintiffs responded to the motion to stay on December 1, 2023. On January 9, 2024, the Supreme Court of the State of New York granted the motion to stay.

Arqit believes it has strong defenses and intends to vigorously defend against the nearly identical claims in both the Federal Complaint and the State Court Action. The proceedings are subject to uncertainties inherent in the litigation process. Arqit cannot predict the outcome of this matter or estimate the possible loss or range of possible loss, if any.

Arqit continues to cooperate with and respond to queries from the SEC in connection with their ongoing investigation, including through voluntary document productions and interviews. Arqit can offer no assurances as to the outcome of this investigation or its potential effect, if any, on the company or its results.

Dividend Policy

We have not paid any cash dividends on our ordinary shares to date. Our board of directors will consider whether or not to institute a dividend policy. It is presently intended that we will retain our earnings for use in business operations and, accordingly, it is not anticipated that our board of directors will declare dividends in the foreseeable future.

8.B. SIGNIFICANT CHANGES

We have not experienced any significant changes since the date of our audited annual consolidated financial statements included in this Annual Report.

ITEM 9. THE OFFER AND LISTING

9.A. OFFER AND LISTING DETAILS

Our ordinary shares and Business Combination Warrants are listed on The Nasdaq Capital Market under the symbols “ARQQ” and “ARQQW”, respectively.

9.B. PLAN OF DISTRIBUTION

Not Applicable.

9.C. MARKETS

Our ordinary shares and Business Combination Warrants are listed on The Nasdaq Capital Market under the symbols “ARQQ” and “ARQQW”, respectively.

9.D. SELLING SHAREHOLDERS

Not Applicable.

9.E. DILUTION

Not Applicable.

9.F. EXPENSES OF THE ISSUE

Not Applicable.

ITEM 10. ADDITIONAL INFORMATION

10.A. SHARE CAPITAL

Not Applicable.

10.B. MEMORANDUM AND ARTICLES OF ASSOCIATION

The following description of the material terms of the securities of the Company includes a summary of specified provisions of the Articles. This description is qualified by reference to the Articles, which are attached as Exhibit 1.1 to this Annual Report.

The Company is a Cayman Islands exempted company (company number 374857) and its affairs are governed by the Articles, the Cayman Companies Act and the common law of the Cayman Islands. The Company is authorized to issue 18,760,000 ordinary shares, \$0.0025 par value each and 1,240,000 preference shares, \$0.0025 par value each. The Company currently has only one class of issued ordinary shares, which have identical rights in all respects and rank equally with one another.

New Ordinary Shares

Holders of ordinary shares are entitled to one vote for each share held of record on all matters to be voted on by shareholders.

There is no cumulative voting with respect to the election of directors, with the result that the holders of more than 50% of the shares voted for the election of directors can elect all of the directors.

Holders of ordinary shares do not have any conversion, preemptive or other subscription rights and there is no sinking fund or redemption provisions applicable to the ordinary shares.

Dividends

Subject to the foregoing, the payment of cash dividends in the future, if any, will be at the discretion of the board of directors and will depend upon such factors as earnings levels, capital requirements, contractual restrictions, the Company's overall financial condition, available distributable reserves and any other factors deemed relevant by the board of directors.

Liquidation

On a winding-up or other return of capital, subject to any special rights attaching to any other class of shares, holders of ordinary shares will be entitled to participate in any surplus assets in proportion to their shareholdings.

Differences in Company Law

Cayman Islands companies are governed by the Cayman Companies Act. The Cayman Companies Act is modelled on English Law but does not follow recent English Law statutory enactments and differs from laws applicable to United States corporations and their shareholders. Set forth below is a summary of the material differences between the provisions of the Cayman Companies Act applicable to the Company and the laws applicable to companies incorporated in the United States and their shareholders.

Mergers and Similar Arrangements

In certain circumstances, the Cayman Companies Act allows for mergers or consolidations between two Cayman Islands companies, or between a Cayman Islands exempted company and a company incorporated in another jurisdiction (*provided* that is facilitated by the laws of that other jurisdiction).

Where the merger or consolidation is between two Cayman Islands companies, the directors of each company must approve a written plan of merger or consolidation containing certain prescribed information. That plan or merger or consolidation must then be authorized by either (a) a special resolution (usually a majority of two thirds of the voting shares voted at a general meeting) of the shareholders of each company; and (b) such other authorization, if any, as may be specified in such constituent company's articles of association. No shareholder resolution is required for a merger between a parent company (i.e., a company that owns at least 90% of the issued shares of each class in a subsidiary company) and its subsidiary company.

The consent of each holder of a fixed or floating security interest of a constituent company must be obtained, unless the court waives such requirement. If the Registrar of Companies of the Cayman Islands is satisfied that the requirements of the Cayman Companies Act (which includes certain other formalities) have been complied with, the Registrar of Companies of the Cayman Islands will register the plan of merger or consolidation.

Where the merger or consolidation involves a foreign company, the procedure is similar, save that with respect to the foreign company, the directors of the Cayman Islands exempted company are required to make a declaration to the effect that, having made due enquiry, they are of the opinion that the requirements set out below have been met: (i) that the merger or consolidation is permitted or not prohibited by the constitutional documents of the foreign company and by the laws of the jurisdiction in which the foreign company is incorporated, and that those laws and any requirements of those constitutional documents have been or will be complied with; (ii) that no petition or other similar proceeding has been filed and remains outstanding or order made or resolution adopted to wind up or liquidate the foreign company in any jurisdictions; (iii) that no receiver, trustee, administrator or other similar person has been appointed in any jurisdiction and is acting in respect of the foreign company, its affairs or its property or any part thereof; and (iv) that no scheme, order, compromise or other similar arrangement has been entered into or made in any jurisdiction whereby the rights of creditors of the foreign company are and continue to be suspended or restricted.

Where the surviving company is the Cayman Islands exempted company, the directors of the Cayman Islands exempted company are further required to make a declaration to the effect that, having made due enquiry, they are of the opinion that the requirements set out below have been met: (i) that the foreign company is able to pay its debts as they fall due and that the merger or consolidation is bona fide and not intended to defraud unsecured creditors of the foreign company; (ii) that in respect of the transfer of any security interest granted by the foreign company to the surviving or consolidated company (a) consent or approval to the transfer has been obtained, released or waived; (b) the transfer is permitted by and has been approved in accordance with the constitutional documents of the foreign company; and (c) the laws of the jurisdiction of the foreign company with respect to the transfer have been or will be complied with; (iii) that the foreign company will, upon the merger or consolidation becoming effective, cease to be incorporated, registered or exist under the laws of the relevant foreign jurisdiction; and (iv) that there is no other reason why it would be against the public interest to permit the merger or consolidation.

Where the above procedures are adopted, the Cayman Companies Act provides for a right of dissenting shareholders to be paid a payment of the fair value of their shares upon their dissenting to the merger or consolidation if they follow a prescribed procedure. In essence, that procedure is as follows: (a) the shareholder must give his written objection to the merger or consolidation to the constituent company before the vote on the merger or consolidation, including a statement that the shareholder proposes to demand payment for his shares if the merger or consolidation is authorized by the vote; (b) within 20 days following the date on which the merger or consolidation is approved by the shareholders, the constituent company must give written notice to each shareholder who made a written objection; (c) a shareholder must within 20 days following receipt of such notice from the constituent company, give the constituent company a written notice of his intention to dissent including, among other details, a demand for payment of the fair value of his shares; (d) within seven days following the date of the expiration of the period set out in paragraph (b) above or seven days following the date on which the plan of merger or consolidation is filed, whichever is later, the constituent company, the surviving company or the consolidated company must make a written offer to each dissenting shareholder to purchase his shares at a price that the company determines is the fair value and if the company and the shareholder agree the price within 30 days following the date on which the offer was made, the company must pay the shareholder such amount; and (e) if the company and the shareholder fail to agree a price within such 30 day period, within 20 days following the date on which such 30 day period expires, the company (and any dissenting shareholder) must file a petition with the Cayman Islands courts to determine the fair value and such petition must be accompanied by a list of the names and addresses of the dissenting shareholders with whom agreements as to the fair value of their shares have not been reached by the company. At the hearing of that petition, the court has the power to determine the fair value of the shares together with a fair rate of interest, if any, to be paid by the company upon the amount determined to be the fair value. Any dissenting shareholder whose name appears on the list filed by the company may participate fully in all proceedings until the determination of fair value is reached. These rights of a dissenting shareholder are not available in certain circumstances, for example, to dissenters holding shares of any class in respect of which an open market exists on a recognized stock exchange or recognized interdealer quotation system at the relevant date or where the consideration for such shares to be contributed are shares of any company listed on a national securities exchange or shares of the surviving or consolidated company.

Moreover, Cayman Islands law has separate statutory provisions that facilitate the reconstruction or amalgamation of companies in certain circumstances, schemes of arrangement will generally be more suited for complex mergers or other transactions involving widely held companies, commonly referred to in the Cayman Islands as a “scheme of arrangement” which may be tantamount to a merger. In the event that a merger was sought pursuant to a scheme of arrangement (the procedures for which are more rigorous and take longer to complete than the procedures typically required to consummate a merger in the United States), the arrangement in question must be approved by a majority in number of each class of shareholders and creditors with whom the arrangement is to be made and who must in addition represent three-fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by proxy at an annual general meeting, or extraordinary general meeting summoned for that purpose. The convening of the meetings and subsequently the terms of the arrangement must be sanctioned by the Cayman Islands courts. While a dissenting shareholder would have the right to express to the court the view that the transaction should not be approved, the court can be expected to approve the arrangement if it satisfies itself that:

- we are not proposing to act illegally or beyond the scope of our corporate authority and the statutory provisions as to majority vote have been complied with;
- the shareholders have been fairly represented at the meeting in question;
- the arrangement is such as a businessman would reasonably approve; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Cayman Companies Act or that would amount to a “fraud on the minority.”

If a scheme of arrangement or takeover offer (as described below) is approved, any dissenting shareholder would have no rights comparable to appraisal rights (providing rights to receive payment in cash for the judicially determined value of the shares), which would otherwise ordinarily be available to dissenting shareholders of United States corporations.

Squeeze-out Provisions

When a takeover offer is made and accepted by holders of 90% of the shares to whom the offer relates within four months, the offeror may, within a two-month period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection can be made to the Cayman Islands courts, but this is unlikely to succeed unless there is evidence of fraud, bad faith, collusion or inequitable treatment of the shareholders.

Further, transactions similar to a merger, reconstruction and/or an amalgamation may in some circumstances be achieved through means other than these statutory provisions, such as a share capital exchange, asset acquisition or control, or through contractual arrangements of an operating business.

Shareholders’ Suits

Maples and Calder (Cayman) LLP, our Cayman Islands legal counsel, is not aware of any reported class action having been brought in a Cayman Islands court. Derivative actions have been brought in the Cayman Islands courts, and the Cayman Islands courts have confirmed the availability for such actions. In most cases, we will be the proper plaintiff in any claim based on a breach of duty owed to us, and a claim against (for example) our officers or directors usually may not be brought by a shareholder. However, based both on Cayman Islands authorities and on English authorities, which would in all likelihood be of persuasive authority and be applied by a court in the Cayman Islands, exceptions to the foregoing principle apply in circumstances in which:

- a company is acting, or proposing to act, illegally or beyond the scope of its authority;
- the act complained of, although not beyond the scope of the authority, could be effected if duly authorized by more than the number of votes which have actually been obtained; or
- those who control the company are perpetrating a “fraud on the minority.”

A shareholder may have a direct right of action against us where the individual rights of that shareholder have been infringed or are about to be infringed.

Enforcement of Civil Liabilities

The Cayman Islands has a different body of securities laws as compared to the United States and provides less protection to investors. Additionally, Cayman Islands companies may not have standing to sue before the Federal courts of the United States.

We have been advised by Maples and Calder (Cayman) LLP, our Cayman Islands legal counsel, that the courts of the Cayman Islands are unlikely (i) to recognize or enforce against us judgments of courts of the United States predicated upon the civil liability provisions of the federal securities laws of the United States or any state; and (ii) in original actions brought in the Cayman Islands, to impose liabilities against us predicated upon the civil liability provisions of the federal securities laws of the United States or any state, so far as the liabilities imposed by those provisions are penal in nature. In those circumstances, although there is no statutory enforcement in the Cayman Islands of judgments obtained in the United States, the courts of the Cayman Islands will recognize and enforce a foreign money judgment of a foreign court of competent jurisdiction without retrial on the merits based on the principle that a judgment of a competent foreign court imposes upon the judgment debtor an obligation to pay the sum for which judgment has been given provided certain conditions are met. For a foreign judgment to be enforced in the Cayman Islands, such judgment must be final and conclusive and for a liquidated sum, and must not be in respect of taxes or a fine or penalty, inconsistent with a Cayman Islands judgment in respect of the same matter, impeachable on the grounds of fraud or obtained in a manner, or be of a kind the enforcement of which is, contrary to natural justice or the public policy of the Cayman Islands (awards of punitive or multiple damages may well be held to be contrary to public policy). A Cayman Islands court may stay enforcement proceedings if concurrent proceedings are being brought elsewhere.

Special Considerations for Exempted Companies

We are an exempted company with limited liability under the Cayman Companies Act. The Cayman Companies Act distinguishes between ordinary resident companies and exempted companies. Any company that is registered in the Cayman Islands but conducts business mainly outside of the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary company except for the exemptions and privileges listed below:

- an exempted company does not have to file an annual return of its shareholders with the Registrar of Companies of the Cayman Islands;
- an exempted company's register of members is not open to inspection;
- an exempted company does not have to hold an annual general meeting;
- an exempted company may issue shares with no par value;
- an exempted company may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 200 years in the first instance);
- an exempted company may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
- an exempted company may register as a limited duration company; and
- an exempted company may register as a segregated portfolio company.

“*Limited liability*” means that the liability of each shareholder is limited to the amount unpaid by the shareholder on the shares of the company (except in exceptional circumstances, such as involving fraud, the establishment of an agency relationship or an illegal or improper purpose or other circumstances in which a court may be prepared to pierce or lift the corporate veil).

Indemnification of Directors and Executive Officers and Limitation of Liability

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against willful default, willful neglect, civil fraud or the consequences of committing a crime. The Articles permit indemnification of officers and directors for any liability, action, proceeding, claim, demand, costs damages or expenses, including legal expenses, incurred in their capacities as such unless such liability (if any) arises from actual fraud, willful neglect or willful default which may attach to such directors or officers. This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation. In addition, we have entered into indemnification agreements with our directors and senior executive officers that provide such persons with additional indemnification beyond that provided in the Articles.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling us under the foregoing provisions, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Anti-Takeover Provisions in the Articles

Some provisions of the Articles may discourage, delay or prevent a change of control of our company or management that shareholders may consider favorable, including a provision that authorizes our board of directors to issue preference shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preference shares without any further vote or action by our shareholders.

Such shares could be issued quickly with terms calculated to delay or prevent a change in control of our company or make removal of management more difficult. If our board of directors decides to issue these preference shares, the price of our ordinary shares may fall and the voting and other rights of the holders of our ordinary shares may be materially adversely affected.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under the Articles for a proper purpose and for what they believe in good faith to be in the best interests of our company.

Directors' Fiduciary Duties

Under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself or herself of, and disclose to shareholders, all material information reasonably available regarding a significant transaction.

The duty of loyalty requires that a director act in a manner he or she reasonably believes to be in the best interests of the corporation. A director must not use his or her corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interest of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, a director must prove the procedural fairness of the transaction, and that the transaction was of fair value to the corporation.

Under Cayman Islands law, directors and officers owe the following fiduciary duties:

- duty to act in good faith in what the director or officer believes to be in the best interests of the company as a whole;
- duty to exercise powers for the purposes for which those powers were conferred and not for a collateral purpose;
- directors should not improperly fetter the exercise of future discretion;
- duty to exercise powers fairly as between different sections of shareholders;
- duty not to put themselves in a position in which there is a conflict between their duty to the company and their personal interests; and
- duty to exercise independent judgment.

In addition to the above, directors also owe a duty of care which is not fiduciary in nature. This duty has been defined as a requirement to act as a reasonably diligent person having both the general knowledge, skill and experience that may reasonably be expected of a person carrying out the same functions as are carried out by that director in relation to the company and the general knowledge skill and experience of that director.

As set out above, directors have a duty not to put themselves in a position of conflict and this includes a duty not to engage in self-dealing, or to otherwise benefit as a result of their position. However, in some instances what would otherwise be a breach of this duty can be forgiven and/or authorized in advance by the shareholders provided that there is full disclosure by the directors. This can be done by way of permission granted in the amended and restated memorandum and articles of association or alternatively by shareholder approval at general meetings.

Shareholder Action by Written Consent

Under the Delaware General Corporation Law, a corporation may eliminate the right of shareholders to act by written consent by amendment to its certificate of incorporation. The Articles provide that shareholders may approve corporate matters by way of a unanimous written resolution signed by or on behalf of each shareholder who would have been entitled to vote on such matter at a general meeting without a meeting being held.

Shareholder Proposals

Under the Delaware General Corporation Law, a shareholder has the right to put any proposal before the annual meeting of shareholders, provided it complies with the notice provisions in the governing documents. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

The Cayman Companies Act provides shareholders with only limited rights to requisition a general meeting and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. The Articles do not permit our shareholders to requisition either an annual general meeting or an extraordinary general meeting, or to put forth a proposal at a general meeting. As a Cayman Islands exempted company, we are not obliged by law to call annual general meetings.

Cumulative Voting

Under the Delaware General Corporation Law, cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholder's voting power with respect to electing such director. As permitted under Cayman Islands law, the Articles do not provide for cumulative voting. As a result, our shareholders are not afforded any less protections or rights on this issue than shareholders of a Delaware corporation.

Removal of Directors

Under the Delaware General Corporation Law, a director of a corporation with a classified board may be removed only for cause with the approval of a majority of the issued and outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under the Articles, directors may be removed only for cause by a special resolution (usually a majority of two thirds of the voting shares voted at a general meeting) of our shareholders. A director will also cease to be a director if he or she (i) becomes bankrupt or makes any arrangement or composition with his creditors; (ii) dies or is found to be or becomes of unsound mind; (iii) resigns his office by notice in writing; (iv) the director absents himself or herself (for the avoidance of doubt, without being represented by proxy) from three consecutive meetings of the board of directors without special leave of absence from the directors, and the directors pass a resolution that he or she has by reason of such absence vacated office; or (v) all of the other directors (being not less than two in number) determine that he or she should be removed as a director for "Cause" (i.e., a conviction for a criminal offence involving dishonesty or engaging in conduct which brings a director or the Company into disrepute or which results in a material financial detriment to the Company) (and not otherwise), either by a resolution passed by all of the other directors at a meeting of the directors duly convened and held in accordance with the Articles or by a resolution in writing signed by all of the other directors.

Transactions with Interested Shareholders

The Delaware General Corporation Law contains a business combination statute applicable to Delaware corporations whereby, unless the corporation has specifically elected not to be governed by such statute under its certificate of incorporation, it is prohibited from engaging in certain business combinations with an "interested shareholder" for three years following the date that such person becomes an interested shareholder. An interested shareholder generally is a person or a group who or which owns or owned 15% or more of the target's outstanding voting stock within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which such shareholder becomes an interested shareholder, the board of directors approves the transaction which resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware corporation to negotiate the terms of any acquisition transaction with the target's board of directors.

Cayman Islands law has no comparable statute. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although Cayman Islands law does not regulate transactions between a company and its significant shareholders, it does provide that such transactions must be entered into bona fide in the best interests of the company and for a proper corporate purpose and not with the effect of constituting a fraud on the minority shareholders.

Dissolution; Winding Up

Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation's outstanding shares. Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board.

Under Cayman Islands law, a company may be wound up by either an order of the courts of the Cayman Islands or by a special resolution of its members or, if the company is unable to pay its debts as they fall due, by an ordinary resolution of its members. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so.

Under the Articles, if the Company is wound up, the liquidator of our company may distribute the assets with the sanction of an ordinary resolution of the shareholders and any other sanction required by law.

Variation of Rights of Shares

Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise.

Under the Articles, if our share capital is divided into more than one class of shares, the rights attached to any such class may, whether or not the Company is being wound up, be varied without the consent of the holders of the issued shares of that class where such variation is considered by the directors not to have a material adverse effect upon such rights; otherwise, any such variation shall be made only with the consent in writing of the holders of not less than two thirds of the issued shares of that class or with the approval of a resolution passed by a majority of not less than two thirds of the votes cast at a separate meeting of the holders of the shares of that class.

Amendment of Governing Documents

Under the Delaware General Corporation Law, a corporation's governing documents may be amended with the approval of a majority of the outstanding shares entitled to vote on the matter, unless the certificate of incorporation provides otherwise. As permitted by Cayman Islands law, the Articles may only be amended by a special resolution of the shareholders.

Rights of Non-Resident or Foreign Shareholders

There are no limitations imposed by the Articles on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares. In addition, there are no provisions in the Articles governing the ownership threshold above which shareholder ownership must be disclosed.

Directors' Power to Issue Shares

Subject to applicable law, our board of directors is empowered to issue or allot shares or grant options and warrants with or without preferred, deferred, or other rights or restrictions.

Inspection of Books

Under the Delaware General Corporation Law, any shareholder of a corporation may for any proper purpose inspect or make copies of the corporation's stock ledger, list of shareholders and other books and records.

Holders of our shares have no general right under Cayman Islands law to inspect or obtain copies of our register of members or our corporate records.

Directors

Appointment and Removal

The Directors are divided into three classes designated as Class I, Class II and Class III, respectively. Directors were assigned to each class in accordance with a resolution or resolutions adopted by the board of Directors. At the 2024 annual general meeting of the Company, the term of office of the Class III Directors shall expire and Class III Directors shall be elected for a full term of three years. At the 2025 annual general meeting of the Company, the term of office of the Class I Directors shall expire and Class I Directors shall be elected for a full term of three years. At the 2026 annual general meeting of the Company, the term of office of the Class II Directors shall be elected for a full term of three years. At each succeeding annual general meeting of the Company, Directors shall be elected for a full term of three years to succeed the Directors of the class whose terms expire at such annual general meeting.

Notwithstanding the foregoing provisions of this Article, each Director shall hold office until the expiration of his term, until his successor shall have been duly elected and qualified or until his or her earlier death, resignation or removal.

There is no cumulative voting with respect to the appointment of directors.

An ordinary resolution under Cayman Islands law, which requires the affirmative vote of a majority of the shareholders who attend and vote at a general meeting of the company, is required to elect a director.

The office of a Director shall be vacated if all of the other Directors (being not less than two in number) determine that he or she should be removed as a Director for Cause (and not otherwise) (as such term is defined in our amended and restated memorandum and articles of association), either by a resolution passed by all of the other Directors at a meeting of the Directors duly convened and held in accordance with the Articles or by a resolution in writing signed by all of the other Directors.

Enforceability of Civil Liability under Cayman Islands Law

The Company has been advised by Maples and Calder (Cayman) LLP, its Cayman Islands legal counsel, that the courts of the Cayman Islands are unlikely (i) to recognize, or enforce against the Company, judgments of courts of the United States predicated upon the civil liability provisions of the securities laws of the United States or any State; and (ii) in original actions brought in the Cayman Islands, to impose liabilities against the Company predicated upon the civil liability provisions of the securities laws of the United States or any State, so far as the liabilities imposed by those provisions are penal in nature. In those circumstances, although there is no statutory enforcement in the Cayman Islands of judgments obtained in the United States, the courts of the Cayman Islands will recognize and enforce a foreign money judgment of a foreign court of competent jurisdiction without retrial on the merits based on the principle that a judgment of a competent foreign court imposes upon the judgment debtor an obligation to pay the sum for which judgment has been given provided certain conditions are met. For a foreign judgment to be enforced in the Cayman Islands, such judgment must be final and conclusive and for a liquidated sum, and must not be in respect of taxes or a fine or penalty, inconsistent with a Cayman Islands judgment in respect of the same matter, impeachable on the grounds of fraud or obtained in a manner, or be of a kind the enforcement of which is, contrary to natural justice or the public policy of the Cayman Islands (awards of punitive or multiple damages may well be held to be contrary to public policy). A Cayman Islands court may stay enforcement proceedings if concurrent proceedings are being brought elsewhere. There is recent Privy Council authority (which is binding on the Cayman Islands court) in the context of a reorganization plan approved by the New York Bankruptcy Court which suggests that due to the universal nature of bankruptcy/insolvency proceedings, foreign money judgments obtained in foreign bankruptcy/insolvency proceedings may be enforced without applying the principles outlined above. However, a more recent English Supreme Court authority (which is highly persuasive but not binding on the Cayman Islands court), has expressly rejected that approach in the context of a default judgment obtained in an adversary proceeding brought in the New York Bankruptcy Court by the receivers of the bankruptcy debtor against a third party, and which would not have been enforceable upon the application of the traditional common law principles summarized above and held that foreign money judgments obtained in bankruptcy/insolvency proceedings should be enforced by applying the principles set out above, and not by the simple exercise of the Courts' discretion. Those cases have now been considered by the Cayman Islands court. The Cayman Islands court was not asked to consider the specific question of whether a judgment of a bankruptcy court in an adversary proceeding would be enforceable in the Cayman Islands, but it did endorse the need for active assistance of overseas bankruptcy proceedings. We understand that the Cayman Islands court's decision in that case has been appealed and it remains the case that the law regarding the enforcement of bankruptcy/insolvency related judgments is still in a state of uncertainty.

Anti-Money Laundering — Cayman Islands

If any person in the Cayman Islands knows or suspects or has reasonable grounds for knowing or suspecting that another person is engaged in criminal conduct or money laundering or is involved with terrorism or terrorist financing and property and the information for that knowledge or suspicion came to their attention in the course of business in the regulated sector, or other trade, profession, business or employment, the person will be required to report such knowledge or suspicion to (i) the Financial Reporting Authority of the Cayman Islands, pursuant to the Proceeds of Crime Act (As Revised) of the Cayman Islands if the disclosure relates to criminal conduct or money laundering, or (ii) a police officer of the rank of constable or higher, or the Financial Reporting Authority, pursuant to the Terrorism Act (As Revised) of the Cayman Islands, if the disclosure relates to involvement with terrorism or terrorist financing and property. Such a report shall not be treated as a breach of confidence or of any restriction upon the disclosure of information imposed by any enactment or otherwise. If the Company was determined by the Cayman Islands authorities to be in violation of the Proceeds of Crime Act (As Revised), the Terrorism Act (As Revised) or the Cayman Anti-Money Laundering Regulations, the Company could be subject to substantial criminal penalties and/or administrative fines.

Data Protection — Cayman Islands

We have certain duties under the Data Protection Act (As Revised) of the Cayman Islands (the “DPL”) based on internationally accepted principles of data privacy.

Privacy Notice

Introduction

This privacy notice puts our shareholders on notice that through your investment in the Company you will provide us with certain personal information which constitutes personal data within the meaning of the DPL (“personal data”). In the following discussion, the “company” refers to us and our affiliates and/or delegates, except where the context requires otherwise.

Investor Data

We will collect, use, disclose, retain and secure personal data to the extent reasonably required only and within the parameters that could be reasonably expected during the normal course of business. We will only process, disclose, transfer or retain personal data to the extent legitimately required to conduct our activities of on an ongoing basis or to comply with legal and regulatory obligations to which we are subject. We will only transfer personal data in accordance with the requirements of the DPL, and will apply appropriate technical and organizational information security measures designed to protect against unauthorized or unlawful processing of the personal data and against the accidental loss, destruction or damage to the personal data.

In our use of this personal data, we will be characterized as a “data controller” for the purposes of the DPL, while our affiliates and service providers who may receive this personal data from us in the conduct of our activities may either act as our “data processors” for the purposes of the DPL or may process personal information for their own lawful purposes in connection with services provided to us.

We may also obtain personal data from other public sources. Personal data includes, without limitation, the following information relating to a shareholder and/or any individuals connected with a shareholder as an investor: name, residential address, email address, contact details, corporate contact information, signature, nationality, place of birth, date of birth, tax identification, credit history, correspondence records, passport number, bank account details, source of funds details and details relating to the shareholder’s investment activity.

Who this Affects

If you are a natural person, this will affect you directly. If you are a corporate investor (including, for these purposes, legal arrangements such as trusts or exempted limited partnerships) that provides us with personal data on individuals connected to you for any reason in relation your investment in the company, this will be relevant for those individuals and you should transmit the content of this Privacy Notice to such individuals or otherwise advise them of its content.

How the Company May Use a Shareholder’s Personal Data

The company, as the data controller, may collect, store and use personal data for lawful purposes, including, in particular:

- where this is necessary for the performance of our rights and obligations under any purchase agreements;

- where this is necessary for compliance with a legal and regulatory obligation to which we are subject (such as compliance with anti-money laundering and FATCA/CRS requirements); and/or
- where this is necessary for the purposes of our legitimate interests and such interests are not overridden by your interests, fundamental rights or freedoms.

Should we wish to use personal data for other specific purposes (including, if applicable, any purpose that requires your consent), we will contact you.

Why We May Transfer Your Personal Data

In certain circumstances we may be legally obliged to share personal data and other information with respect to your shareholding with the relevant regulatory authorities such as the Cayman Islands Monetary Authority or the Tax Information Authority. They, in turn, may exchange this information with foreign authorities, including tax authorities.

We anticipate disclosing personal data to persons who provide services to us and their respective affiliates (which may include certain entities located outside the United States, the Cayman Islands or the European Economic Area), who will process your personal data on our behalf.

The Data Protection Measures We Take

Any transfer of personal data by us or our duly authorized affiliates and/or delegates outside of the Cayman Islands shall be in accordance with the requirements of the DPL.

We and our duly authorized affiliates and/or delegates shall apply appropriate technical and organizational information security measures designed to protect against unauthorized or unlawful processing of personal data, and against accidental loss or destruction of, or damage to, personal data.

We shall notify you of any personal data breach that is reasonably likely to result in a risk to your interests, fundamental rights or freedoms or those data subjects to whom the relevant personal data relates.

10.C. MATERIAL CONTRACTS

In December 2022, Arqit entered into an At-the-Market Offering Agreement pursuant to which H.C. Wainwright & Co., LLC agreed to act as sales agent in connection with Arqit's ATM Program. Arqit has no obligation to sell any shares under its ATM Program. Actual sales will depend on a variety of factors to be determined by the Group from time to time, including, among others, whether additional capital is required, market conditions, the trading price of Arqit's ordinary shares, determination of the appropriate sources of funding for the Group, and potential uses of available funding.

In February 2023, Arqit entered into a securities purchase agreement with investors pursuant to which it sold 10,000,000 ordinary shares, together with warrants to purchase 7,500,000 ordinary shares at a combined purchase price of \$2.00 per share and accompanying warrant. The February 2023 Investor Warrants have an exercise price of \$2.00 per share, are currently exercisable and will expire on February 22, 2028. In addition, in connection with the February 2023 registered direct offering Arqit issued warrants to purchase 550,000 ordinary shares to H.C. Wainwright & Co., LLC or its designees. The February 2023 Placement Agent Warrants have an exercise price of \$2.50 per share, are currently exercisable and will expire on February 22, 2028.

In September 2023, Arqit entered into securities purchase agreements with investors pursuant to which it sold 20,755,677 ordinary shares, together with warrants to purchase 20,755,677 ordinary shares at a combined purchase price of \$0.78 per share and accompanying warrant. The September 2023 Investor Warrants have an exercise price of \$0.78 per share, are currently exercisable and will expire on September 12, 2028. In addition, in connection with the September 2023 registered direct offering Arqit issued warrants to purchase 705,128 ordinary shares to H.C. Wainwright & Co., LLC or its designees. The September 2023 Placement Agent Warrants have an exercise price of \$0.975 per share, are currently exercisable and will expire on September 8, 2028. The September 2023 registered direct offering included the sale of 7,935,164 ordinary shares, together with 7,935,164 September 2023 Investor Warrants at a combined offering price of \$0.78 per ordinary share and accompanying warrant to existing shareholders Heritage Assets SCSP, Ropemaker Nominees Limited and Carlo Calabria. Arqit director Manfredi Lefebvre d'Ovidio has sole investment and voting power over the shares held by Heritage Assets SCSP, and Arqit director Stephen Chandler is on the investment committee of Notion Capital Managers LLP, which is the beneficial owner of the Company shares held by Ropemaker Nominees Limited, and Carlo Calabria is an Arqit director. See "*Item 7.B. Related Party Transactions.*"

In September 2024, Arqit entered into a securities purchase agreement pursuant to which it sold 5,440,000 ordinary shares at an offering price of \$2.50 per share. In a concurrent private placement, Arqit issued unregistered warrants to purchase up to 5,440,000 shares at an exercise price of \$2.50 per share, exercisable only upon the later of (i) one year from the issuance date, (ii) the date of the approval by the Arqit's shareholders of an increase in authorized capital sufficient to permit the issuance of the shares issuable upon exercise of the September 2024 Investor Warrants and (iii) the date that the closing trading price of the Ordinary Shares on the Nasdaq Capital Market has exceeded \$5.00 for 60 consecutive trading days. The warrants will be exercisable for a period of one year following the Exercise Date. The Warrants will terminate on the earlier of (x) 5:00 p.m. (New York City time) on the last day of the exercise period or (y) 5:00 p.m. (New York City time) on the date falling five years after the date of issuance. The investors in the September 2024 offering were existing shareholders Heritage Assets SCSP, Ropemaker Nominees Limited, Carlo Calabria and Garth Ritchie. Arqit director Manfredi Lefebvre d'Ovidio has shared investment and voting power over the shares held by Heritage Assets SCSP, Arqit director Stephen Chandler is on the investment committee of Notion Capital Managers LLP, which is the beneficial owner of the Arqit shares held by Ropemaker Nominees Limited, and Carlo Calabria and Garth Ritchie are both Arqit directors. See "*Item 7.B. Related Party Transactions.*"

10.D. EXCHANGE CONTROLS

There is no exchange control legislation or regulation in the Cayman Islands, except by way of such as freezing of funds of, and/or prohibition of new investments in, certain jurisdictions subject to international sanction.

10.E. TAXATION

Certain Material U.S. Federal Income Tax Considerations

General

The following discussion summarizes certain United States federal income tax considerations generally applicable to the ownership and disposition of the Company's ordinary shares and Business Combination Warrants (collectively referred to herein as the "Company Securities") by U.S. Holders (as defined below). This discussion is limited to certain United States federal income tax considerations to beneficial owners of the Company Securities that hold such Company Securities as "capital assets" within the meaning of Section 1221 of the U.S. Internal Revenue Code of 1986, as amended (the "Code") (generally, property held for investment). This discussion assumes that any distributions made (or deemed made) by the Company on the Company Securities and any consideration received (or deemed

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received) by a holder in consideration for the sale or other disposition of the Company Securities will be in U.S. dollars. This discussion does not address the U.S. federal income tax consequences to holders of any warrants other than the Business Combination Warrants.

This discussion is a summary only and does not describe all of the tax consequences that may be relevant to the ownership and disposition of the Company Securities by an investor in light of its particular circumstances, including but not limited to, the alternative minimum tax, the Medicare tax on net investment income and the different consequences that may apply to investors that are subject to special rules under U.S. federal income tax laws, including but not limited to:

- banks, financial institutions or financial services entities;
- broker-dealers;
- taxpayers that are subject to the mark-to-market tax accounting rules;
- tax-exempt entities;
- governments or agencies or instrumentalities thereof;
- insurance companies;
- regulated investment companies;
- real estate investment trusts;
- expatriates or former long-term residents of the United States;
- persons that actually or constructively own five percent or more (by vote or value) of the Company's shares;
- persons that acquired the Company Securities pursuant to an exercise of employee share options, in connection with employee share incentive plans or otherwise as compensation;
- persons that hold the Company Securities as part of a straddle, constructive sale, hedge, wash sale, conversion or other integrated or similar transaction;
- U.S. Holders (as defined below) whose functional currency is not the U.S. dollar;
- controlled foreign corporations;
- passive foreign investment companies; and
- partnerships (or entities or arrangements classified as partnerships or other pass-through entities for U.S. federal income tax purposes) and any beneficial owners of such partnerships or other pass-through entities.

If a partnership (or other entity or arrangement classified as a partnership or other pass-through entity for United States federal income tax purposes) is the beneficial owner of the Company Securities, the United States federal income tax treatment of a partner, member or other beneficial owner in such partnership or other pass-through entity generally will depend on the status of the partner, member or other beneficial owner and the activities of the partnership or other pass-through entity. Partnerships and other pass-through entities holding the Company Securities, as well as partners, members or other beneficial owners of such partnerships or other pass-through entities, are urged to consult their own tax advisors regarding the tax consequences to them of the ownership and disposition of the Company Securities.

Moreover, the discussion below is based upon the provisions of the Code, the Treasury regulations promulgated thereunder and administrative and judicial interpretations thereof, all as of the date hereof, and such provisions may be repealed, revoked, modified or subject to differing interpretations, possibly on a retroactive basis, which may result in United States federal income tax consequences different from those discussed below. Furthermore, this discussion does not address any aspect of United States federal non-income tax laws, such as gift or estate tax laws, or state, local or non-United States tax laws.

The Company has not sought, and does not expect to seek, a ruling from the United States Internal Revenue Service ("IRS") as to any United States federal income tax consequence described herein. The IRS may disagree with the discussion herein, and its determination

may be upheld by a court. Moreover, there can be no assurance that future legislation, regulations, administrative rulings or court decisions will not adversely affect the accuracy of the statements in this discussion.

THIS DISCUSSION IS ONLY A SUMMARY OF CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS ASSOCIATED WITH THE OWNERSHIP AND DISPOSITION OF THE COMPANY'S ORDINARY SHARES AND BUSINESS COMBINATION WARRANTS. EACH INVESTOR IN THE ORDINARY SHARES OR WARRANTS IS URGED TO CONSULT ITS OWN TAX ADVISOR WITH RESPECT TO THE PARTICULAR TAX CONSEQUENCES TO SUCH INVESTOR OF THE OWNERSHIP AND DISPOSITION OF THE ORDINARY SHARES OR WARRANTS, INCLUDING THE APPLICABILITY AND EFFECT OF ANY UNITED STATES FEDERAL, STATE AND LOCAL, AND NON-UNITED STATES TAX LAWS.

For purposes of this summary, a "U.S. Holder" is a beneficial owner of ordinary shares or Business Combination Warrants who or that is, for United States federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity taxable as a corporation) organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate whose income is subject to United States federal income tax regardless of its source;
or
- a trust, if (i) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have authority to control all substantial decisions of the trust or (ii) it has a valid election in effect under Treasury regulations to be treated as a United States person (as defined in the Code).

Taxation of Distributions

Subject to the passive foreign investment company ("PFIC") rules discussed below, a U.S. Holder generally will be required to include in gross income as dividends in the year actually or constructively received by the U.S. Holder the amount of any distribution of cash or other property (other than certain distributions of the Company's shares or rights to acquire the Company's shares) paid on the Company's ordinary shares to the extent the distribution is paid out of the Company's current or accumulated earnings and profits (as determined under United States federal income tax principles). Distributions in excess of such earnings and profits generally will be applied against and reduce the U.S. Holder's basis in its ordinary shares (but not below zero) and, to the extent in excess of such basis, will be treated as gain from the sale or exchange of such ordinary shares (the treatment of which is described under "— Gain or Loss on Sale or Other Taxable Disposition of Ordinary Shares and Business Combination Warrants" below).

Dividends paid by the Company will be taxable to a corporate U.S. Holder at regular rates and will not be eligible for the dividends-received deduction generally allowed to domestic corporations in respect of dividends received from other domestic corporations. With respect to non-corporate U.S. Holders, dividends generally will be taxed as "qualified dividend income" at the lower applicable long-term capital gains rate (see "— Gain or Loss on Sale or Other Taxable Disposition of Ordinary Shares and Business Combination Warrants" below) only if the ordinary shares are readily tradable on an established securities market in the United States, certain holding period and at-risk requirements are met, the Company is not a PFIC in the taxable year in which the dividend was paid or in the previous year, and certain other requirements are met. U.S. Holders should consult their tax advisors regarding the availability of such lower rate for any dividends paid with respect to the ordinary shares.

Gain or Loss on Sale or Other Taxable Disposition of Ordinary Shares and Business Combination Warrants

Subject to the PFIC rules discussed below, a U.S. Holder generally will recognize capital gain or loss on the sale or other taxable disposition of the ordinary shares or Business Combination Warrants (including a redemption of Business Combination Warrants that is treated as a taxable disposition). Any such capital gain or loss generally will be long-term capital gain or loss if the U.S. Holder's holding period for such ordinary shares or Business Combination Warrants exceeds one year. Long-term capital gain realized by a non-corporate U.S. Holder may be taxed at reduced rates of taxation. The deductibility of capital losses is subject to certain limitations.

The amount of gain or loss recognized by a U.S. Holder on a sale or other taxable disposition of the ordinary shares or Business Combination Warrants generally will be equal to the difference between (i) the sum of the amount of cash and the fair market value of any property received in such disposition of the ordinary shares or Business Combination Warrants and (ii) the U.S. Holder's adjusted tax basis in its ordinary shares or Business Combination Warrants so disposed of. A U.S. Holder's adjusted tax basis in its ordinary shares or Business Combination Warrants generally will equal the U.S. Holder's acquisition cost reduced, in the case of an ordinary share, by any prior distributions treated as a return of capital. See "Exercise, Lapse or Redemption of a Business Combination Warrant"

below for a discussion regarding a U.S. Holder's tax basis in the ordinary share acquired pursuant to the exercise of a Business Combination Warrant.

Exercise, Lapse or Redemption of a Business Combination Warrant

A U.S. Holder generally will not recognize gain or loss upon the acquisition of an ordinary share on the exercise of a Business Combination Warrant for cash. A U.S. Holder's tax basis in an ordinary share received upon exercise of the Business Combination Warrant generally will equal the sum of the U.S. Holder's initial investment in the Business Combination Warrant and the exercise price of such Business Combination Warrant. It is unclear whether a U.S. Holder's holding period for the ordinary share received will commence on the date of exercise of the Business Combination Warrant or the day following the date of exercise of the Business Combination Warrant; in either case, the holding period will not include the period during which the U.S. Holder held the Business Combination Warrant. If a Business Combination Warrant is allowed to lapse unexercised, a U.S. Holder generally will recognize a capital loss equal to such holder's tax basis in the Business Combination Warrant.

The tax consequences of a cashless exercise of a Business Combination Warrant are not clear under current law. Subject to the PFIC rules discussed below, a cashless exercise may not be taxable, either because the exercise is not a realization event or because the exercise is treated as a recapitalization for United States federal income tax purposes. In either situation, a U.S. Holder's tax basis in the ordinary shares received generally should equal the U.S. Holder's tax basis in the Business Combination Warrants exercised therefor. If the cashless exercise was not a realization event, it is unclear whether a U.S. Holder's holding period for the ordinary shares received would be treated as commencing on the date of exercise of the Business Combination Warrants or the day following the date of exercise of the Business Combination Warrants; in either case, the holding period will not include the period during which the U.S. Holder held the Business Combination Warrants. If the cashless exercise were treated as a recapitalization, the holding period of the ordinary shares received would include the holding period of the Business Combination Warrants.

It is also possible that a cashless exercise could be treated in part as a taxable exchange in which gain or loss would be recognized. In such event, a U.S. Holder could be deemed to have surrendered a number of Business Combination Warrants representing a number of ordinary shares with an aggregate fair market value equal to the aggregate exercise price for the total number of Business Combination Warrants to be exercised. In such case, subject to the PFIC rules discussed below, the U.S. Holder would recognize capital gain or loss with respect to the Business Combination Warrants deemed surrendered in an amount equal to the difference between the fair market value of ordinary shares that would have been received in a regular exercise of the Business Combination Warrants deemed surrendered and the U.S. Holder's tax basis in the Business Combination Warrants deemed surrendered. In this case, a U.S. Holder's aggregate tax basis in the ordinary shares received would equal the sum of the U.S. Holder's tax basis in the Business Combination Warrants deemed exercised and the aggregate exercise price of such Business Combination Warrants. It is unclear whether a U.S. Holder's holding period for the ordinary shares would commence on the date of exercise of the Business Combination Warrants or the day following the date of exercise of the Business Combination Warrants; in either case, the holding period will not include the period during which the U.S. Holder held the Business Combination Warrants.

Due to the absence of authority on the United States federal income tax treatment of a cashless exercise, including when a U.S. Holder's holding period would commence with respect to the ordinary shares received, there can be no assurance regarding which, if any, of the alternative tax consequences and holding periods described above would be adopted by the IRS or a court of law. Accordingly, U.S. Holders should consult their tax advisors regarding the tax consequences of a cashless exercise.

Subject to the PFIC rules described below, if the Company redeems Business Combination Warrants for cash pursuant to the redemption provisions described in Exhibit 2.9 "Description of Securities" to this Annual Report under the heading "— Warrants — Public Shareholders' Warrants" or if the Company purchases Business Combination Warrants in an open market transaction, such redemption or purchase generally will be treated as a taxable disposition to the U.S. Holder, taxed as described above under "— Gain or Loss on Sale or Other Taxable Disposition of Ordinary Shares and Business Combination Warrants."

Possible Constructive Distributions

The terms of each Business Combination Warrant provide for an adjustment to the number of ordinary shares for which the Business Combination Warrant may be exercised or to the exercise price of the Business Combination Warrant in certain events, as discussed in Exhibit 2.9 "Description of Securities" to this Annual Report under the heading "— Warrants — Public Shareholders' Warrants." An adjustment which has the effect of preventing dilution generally is not taxable. The U.S. Holders of the Business Combination Warrants would, however, be treated as receiving a constructive distribution from the Company if, for example, the adjustment increases such U.S. Holders' proportionate interest in the Company's assets or earnings and profits (e.g., through an increase in the number of ordinary shares that would be obtained upon exercise or through a decrease in the exercise price of the Business Combination Warrants), which adjustment may be made as a result of a distribution of cash or other property to the holders of the ordinary shares. Such constructive distribution to a U.S. Holder of Business Combination Warrants would be treated as if such U.S. Holder had received a cash distribution

from the Company generally equal to the fair market value of such increased interest (taxed as described above under “— Taxation of Distributions”).

Passive Foreign Investment Company Rules

A foreign (i.e., non-U.S.) corporation will be classified as a PFIC for United States federal income tax purposes if either (i) at least 75% of its gross income in a taxable year, including its pro rata share of the gross income of any corporation in which it is considered to own at least 25% of the shares by value, is passive income or (ii) at least 50% of its assets in a taxable year (ordinarily determined based on fair market value and averaged quarterly over the year), including its pro rata share of the assets of any corporation in which it is considered to own at least 25% of the shares by value, are held for the production of, or produce, passive income. Passive income generally includes, among other things, dividends, interest, rents and royalties (other than rents or royalties derived from the active conduct of a trade or business) and gains from the disposition of assets giving rise to passive income. For purposes of the PFIC asset test, cash and other assets readily convertible into cash are considered passive assets, and the aggregate fair market value of the assets of a publicly traded non-U.S. corporation generally is treated as being equal to the sum of the aggregate value of the outstanding stock and the total amount of the liabilities of such corporation (the “Market Capitalization”) and the excess of the fair market value of such corporation’s assets as so determined over the book value of such assets is generally treated as goodwill that is a non-passive asset to the extent attributable to such corporation’s non-passive income.

As of the date hereof, the Company has not made a determination as to its PFIC status for its most recent taxable year or its current taxable year, and it may be possible that the Company is a PFIC for either such years. The Company’s possible status as a PFIC is determined on an annual basis based on the composition of its assets, income, activities and Market Capitalization in the relevant taxable year and therefore may be subject to change. For example, because cash is generally considered to be an asset held for the production of passive income and the value of the Company’s assets for purposes of the asset test will generally be determined based on the market price of the Company’s ordinary shares, the Company’s PFIC status will depend in large part on the market price of the Company’s ordinary shares (which may fluctuate significantly) and how quickly the Company spends the cash proceeds received in connection with the Business Combination. Accordingly, there can be no assurance that the Company is not a PFIC for any taxable year. In addition, the Company’s U.S. counsel expresses no opinion with respect to the Company’s PFIC status for any taxable year.

It is not entirely clear how various aspects of the PFIC rules apply to the Business Combination Warrants. Section 1298(a)(4) of the Code provides that, to the extent provided in Treasury regulations, any person who has an option to acquire stock in a PFIC shall be considered to own such stock in the PFIC for purposes of the PFIC rules. No final Treasury regulations are currently in effect under Section 1298(a)(4) of the Code. However, proposed Treasury regulations under Section 1298(a)(4) of the Code have been promulgated with a retroactive effective date (the “Proposed PFIC Option Regulations”). Each U.S. Holder is urged to consult its tax advisors regarding the possible application of the Proposed PFIC Option Regulations to an investment in the Business Combination Warrants. Solely for discussion purposes, the following discussion assumes that the Proposed PFIC Option Regulations will apply to the Business Combination Warrants.

Although the Company’s PFIC status is determined annually, an initial determination that the Company is a PFIC generally will apply for subsequent years to a U.S. Holder who held (or was deemed to hold) ordinary shares or Business Combination Warrants while the Company is a PFIC, whether or not the Company meets the test for PFIC status in those subsequent years. If the Company is determined to be a PFIC for any taxable year (or portion thereof) that is included in the holding period of a U.S. Holder of the ordinary shares or Business Combination Warrants and, in the case of the ordinary shares, the U.S. Holder did not timely make either a mark-to-market election or a qualified electing fund (“QEF”) election for the Company’s first taxable year as a PFIC in which the U.S. Holder held (or was deemed to hold) ordinary shares, as described below, such U.S. Holder generally will be subject to special rules (such special rules, the “Default PFIC Regime”) with respect to (i) any gain recognized by the U.S. Holder on the sale or other disposition of its ordinary shares or Business Combination Warrants (which may include gain realized by reason of transfers of ordinary shares or Business Combination Warrants that would otherwise qualify as nonrecognition transactions for U.S. federal income tax purposes) and (ii) any “excess distribution” made to the U.S. Holder (generally, any distributions to such U.S. Holder during a taxable year of the U.S. Holder that are greater than 125% of the average annual distributions received by such U.S. Holder in respect of the ordinary shares during the three preceding taxable years of such U.S. Holder or, if shorter, the portion of such U.S. Holder’s holding period for the ordinary shares that preceded the taxable year of the distribution).

Under the Default PFIC Regime:

- the U.S. Holder’s gain or excess distribution will be allocated ratably over the U.S. Holder’s holding period for the ordinary shares or Business Combination Warrants;

- the amount allocated to the U.S. Holder's taxable year in which the U.S. Holder recognized the gain or received the excess distribution, or to the period in the U.S. Holder's holding period before the first day of the Company's first taxable year in which the Company is a PFIC, will be taxed as ordinary income;
- the amount allocated to each other taxable year (or portion thereof) of the U.S. Holder and included in its holding period will be taxed at the highest tax rate in effect for that year and applicable to the U.S. Holder without regard to the U.S. Holder's other items of income and loss for such year; and
- an additional amount equal to the interest charge generally applicable to underpayments of tax will be imposed on the U.S. Holder with respect to the tax attributable to each such other taxable year of the U.S. Holder.

In general, if the Company is determined to be a PFIC, a U.S. Holder may be able to avoid the Default PFIC Regime described above in respect to the ordinary shares (but, under current law, not the Business Combination Warrants) by making a timely and valid QEF election (if eligible to do so) to include in income its pro rata share of the Company's net capital gains (as long-term capital gain) and other earnings and profits (as ordinary income), on a current basis, in each case whether or not distributed, in the taxable year of the U.S. Holder in which or with which the Company's taxable year ends. A U.S. Holder generally may make a separate election to defer the payment of taxes on undistributed income inclusions under the QEF rules, but if deferred, any such taxes will be subject to an interest charge.

If a U.S. Holder makes a QEF election with respect to its ordinary shares in a year after the Company's first taxable year as a PFIC in which the U.S. Holder held (or was deemed to hold) ordinary shares, then notwithstanding such QEF election, the Default PFIC Regime discussed above, adjusted to take into account the current income inclusions resulting from the QEF election, will continue to apply with respect to such U.S. Holder's ordinary shares, unless the U.S. Holder makes a purging election under the PFIC rules. Under one type of purging election, the U.S. Holder will be deemed to have sold such ordinary shares at their fair market value and any gain recognized on such deemed sale will be treated as an excess distribution, as described above. As a result of such purging election, the U.S. Holder will have additional basis (to the extent of any gain recognized on the deemed sale) and, solely for purposes of the PFIC rules, a new holding period in the ordinary shares.

Under current law, a U.S. Holder may not make a QEF election with respect to its Business Combination Warrants to acquire ordinary shares. As a result, if a U.S. Holder sells or otherwise disposes of such Business Combination Warrants (other than upon exercise of such Business Combination Warrants) and the Company were a PFIC at any time during the U.S. Holder's holding period of such Business Combination Warrants, any gain recognized generally will be treated as an excess distribution, taxed as described above. If a U.S. Holder that exercises such Business Combination Warrants properly makes and maintains a QEF election with respect to the newly acquired ordinary shares (or has previously made a QEF election with respect to their ordinary shares), the QEF election will apply to the newly acquired ordinary shares. Notwithstanding such QEF election, the Default PFIC Regime discussed above, adjusted to take into account the current income inclusions resulting from the QEF election, will continue to apply with respect to such newly acquired ordinary shares (which, while not entirely clear, generally will be deemed to have a holding period for purposes of the PFIC rules that includes the period the U.S. Holder held the Business Combination Warrants), unless the U.S. Holder makes a purging election under the PFIC rules. U.S. Holders are urged to consult their tax advisors as to the application of the rules governing purging elections to their particular circumstances.

The QEF election is made on a shareholder-by-shareholder basis and, once made, can be revoked only with the consent of the IRS. A U.S. Holder generally makes a QEF election by attaching a completed IRS Form 8621 (Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund), including the information provided in a PFIC annual information statement, to a timely filed United States federal income tax return for the tax year to which the election relates. Retroactive QEF elections generally may be made only by filing a protective statement with such return and if certain other conditions are met or with the consent of the IRS. U.S. Holders should consult their tax advisors regarding the availability and tax consequences of a retroactive QEF election under their particular circumstances.

In order to comply with the requirements of a QEF election, a U.S. Holder must receive a PFIC annual information statement from the Company. There is no assurance, however, that the Company will have timely knowledge of its status as a PFIC in the future or that the Company will timely provide the required information for such years. The failure of the Company to provide such information on an annual basis could prevent a U.S. Holder from making a QEF election or result in the invalidation or termination of a U.S. Holder's prior QEF election.

If a U.S. Holder has made a QEF election with respect to its ordinary shares, and the Default PFIC Regime discussed above does not apply to such shares (because of a timely QEF election for the Company's first taxable year as a PFIC in which the U.S. Holder holds (or is deemed to hold) such shares or a purge of the PFIC taint pursuant to a purging election, as described above), any gain recognized on the sale of the ordinary shares generally will be taxable as capital gain and no additional interest charge will be imposed under the

PFIC rules. As discussed above, if the Company is a PFIC for any taxable year, a U.S. Holder of ordinary shares that has made a QEF election will be currently taxed on its pro rata share of the Company's earnings and profits, whether or not distributed for such year. A subsequent distribution of such earnings and profits that were previously included in income generally should not be taxable when distributed to such U.S. Holder. The tax basis of a U.S. Holder's shares in a QEF will be increased by amounts that are included in income, and decreased by amounts distributed but not taxed as dividends, under the above rules. In addition, if the Company is not a PFIC for any taxable year, such U.S. Holder will not be subject to the QEF inclusion regime with respect to the ordinary shares for such a taxable year.

Alternatively, if a U.S. Holder, at the close of its taxable year, owns shares in a PFIC that are treated as marketable stock, the U.S. Holder may make a mark-to-market election with respect to such shares for such taxable year. If the U.S. Holder makes a valid mark-to-market election for the first taxable year of the U.S. Holder in which the U.S. Holder holds (or is deemed to hold) ordinary shares and for which the Company is determined to be a PFIC, such U.S. Holder generally will not be subject to the Default PFIC Regime described above with respect to its ordinary shares. Instead, in general, the U.S. Holder will include as ordinary income in each taxable year the excess, if any, of the fair market value of its ordinary shares at the end of its taxable year over its adjusted basis in its ordinary shares. These amounts of ordinary income would not be eligible for the favorable tax rates applicable to qualified dividend income or long-term capital gains. The U.S. Holder also will recognize an ordinary loss in respect of the excess, if any, of its adjusted basis in its ordinary shares over the fair market value of its ordinary shares at the end of its taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). The U.S. Holder's basis in its ordinary shares will be adjusted to reflect any such income or loss amounts, and any further gain recognized on a sale or other taxable disposition of its ordinary shares will be treated as ordinary income and any further loss recognized will be treated as ordinary loss (but only to the extent of the net amount of income previously included as a result of a mark-to-market election, and any loss in excess of such prior inclusions generally would be treated as capital loss). Under current law, a mark-to-market election may not be made with respect to Business Combination Warrants. The mark-to-market election is available only for stock that is regularly traded on a national securities exchange that is registered with the Securities and Exchange Commission, including Nasdaq, or on a foreign exchange or market that the IRS determines has rules sufficient to ensure that the market price represents a legitimate and sound fair market value. If made, a mark-to-market election would be effective for the taxable year for which the election was made and for all subsequent taxable years unless the ordinary shares ceased to qualify as "marketable stock" for purposes of the PFIC rules or the IRS consented to the revocation of the election. U.S. Holders are urged to consult their own tax advisors regarding the availability and tax consequences of a mark-to-market election in respect to the ordinary shares under their particular circumstances.

The Company is a holding company which conducts its business activities through one or more non-U.S. subsidiaries. If the Company is a PFIC and, at any time, have a non-U.S. subsidiary that is classified as a PFIC, U.S. Holders generally would be deemed to own a portion of the shares of such lower-tier PFIC, and generally could incur liability for the deferred tax and interest charge under the Default PFIC Regime described above if the Company receives a distribution from, or dispose of all or part of the Company's interest in, the lower-tier PFIC or the U.S. Holders otherwise were deemed to have disposed of an interest in the lower-tier PFIC, even though the US Holders may not receive proceeds from any such distribution or disposition. There is no assurance that the Company will have timely knowledge of the status of any such lower-tier PFIC, or that any such lower-tier PFIC will provide the required information necessary for a U.S. Holder to make or maintain a QEF election with respect to such lower-tier PFIC. A mark-to-market election generally would not be available with respect to such lower-tier PFIC. U.S. Holders are urged to consult their tax advisors regarding the tax issues raised by lower-tier PFICs.

A U.S. Holder that owns (or is deemed to own) shares in a PFIC during any taxable year of the U.S. Holder, may have to file an IRS Form 8621 (whether or not a QEF or mark-to-market election is made) and such other information as may be required by the U.S. Treasury Department. Failure to do so, if required, will extend the statute of limitations until such required information is furnished to the IRS.

The rules dealing with PFICs and with the QEF, purging, and mark-to-market elections are very complex and are affected by various factors in addition to those described above. Accordingly, U.S. Holders of the ordinary shares and Business Combination Warrants should consult their own tax advisors concerning the application of the PFIC rules to the ordinary shares and Business Combination Warrants under their particular circumstances.

Tax Reporting

Certain U.S. Holders who are individuals and certain entities will be required to report information with respect to such U.S. Holder's investment in "specified foreign financial assets" on IRS Form 8938 (Statement of Specified Foreign Financial Assets), subject to certain exceptions. Specified foreign financial assets generally include any financial account maintained with a non-U.S. financial institution and should also include the Company Securities if they are not held in an account maintained with a U.S. financial institution. Persons who are required to report specified foreign financial assets and fail to do so may be subject to substantial penalties, and the period of limitations on assessment and collection of United States federal income taxes may be extended in the event of a failure to comply.

Potential investors are urged to consult their tax advisors regarding the foreign financial asset and other reporting obligations and their application to an investment in the Company Securities.

Information Reporting and Backup Withholding

Dividend payments with respect to the ordinary shares and proceeds from the sale, exchange or redemption of, the ordinary shares or Business Combination Warrants may be subject to information reporting to the IRS and possible United States backup withholding. Backup withholding will not apply, however, to a U.S. Holder who furnishes a correct taxpayer identification number and makes other required certifications, or who is otherwise exempt from backup withholding and establishes such exempt status.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a holder's United States federal income tax liability, and a holder generally may obtain a refund of any excess amounts withheld under the backup withholding rules, by timely filing the appropriate claim for refund with the IRS and furnishing any required information.

Cayman Islands Tax Considerations

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the securities of the company. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances and does not consider tax consequences other than those arising under Cayman Islands law.

Under existing Cayman Islands Laws, payments of dividends and capital in respect of our securities will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of a dividend or capital to any holder of the securities nor will gains derived from the disposal of the securities be subject to Cayman Islands income or corporate tax. The Cayman Islands currently has no income, corporate or capital gains tax and no estate duty, inheritance tax or gift tax.

No stamp duty is payable in respect of the issue of the warrants. An instrument of transfer in respect of a warrant is stampable if executed in or brought into the Cayman Islands.

No stamp duty is payable in respect of the issue of our ordinary shares or on an instrument of transfer in respect of such shares.

The Company has been incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, has applied for and received an undertaking from the Financial Secretary of the Cayman Islands in the following form:

The Tax Concessions Law Undertaking as to Tax Concessions

In accordance with the Tax Concessions Law, the following undertaking is hereby given to Arqit Quantum Inc. (the "Company"):

1. That no law which is hereafter enacted in the Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the company or its operations; and
2. In addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
 - 2.1 on or in respect of the shares, debentures or other obligations of the company; or
 - 2.2 by way of the withholding in whole or part, of any relevant payment as defined in the Tax Concessions Law.

These concessions shall be for a period of twenty years from the 28th day of April 2021.

10.F. DIVIDENDS AND PAYING AGENTS

Not Applicable.

10.G. STATEMENT BY EXPERTS

Not Applicable.

10.H. DOCUMENTS ON DISPLAY

We are subject to the informational requirements of the Exchange Act. Accordingly, we are required to file reports and other information with the SEC, including annual reports on Form 20-F and reports on Form 6-K. The SEC maintains an Internet site at www.sec.gov that contains reports, proxy and information statements and other information we have filed electronically with the SEC. As a foreign private issuer, we are exempt under the Exchange Act from, among other things, the rules prescribing the furnishing and content of proxy statements, and our executive officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act.

10.I. SUBSIDIARY INFORMATION

Not Applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Arqit is exposed to market risk in the ordinary course of business. Market risk represents the risk of loss that may impact Arqit's financial position due to adverse changes in financial market prices and rates. It is, and has been throughout the period under review, Arqit's policy not to use or trade in derivative financial instruments. Arqit's financial instruments comprise its cash and cash equivalents and various items such as trade creditors that arise directly from its operations. The main purpose of Arqit's financial assets and liabilities is to provide finance for its operations in the near term.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

12.A. DEBT SECURITIES

Not Applicable.

12.B. WARRANTS AND RIGHTS

See Exhibit 2.9 "Description of Securities" to this Annual Report under the heading "*Warrants*" of this Annual Report, which is incorporated herein by reference.

12.C. OTHER SECURITIES

Not Applicable.

12.D. AMERICAN DEPOSITARY SHARES

Not Applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Effective September 25, 2024, Arqit effected a reverse share split whereby 25 shares were consolidated into one shares.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2024. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of September 30, 2024, our disclosure controls and procedures were effective such that the information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) and for the assessment of the effectiveness of our internal control over financial reporting. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, (iii) provide reasonable assurance that receipts and expenditures are being made only in accordance with authorizations of management and directors, and (iv) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our internal control over financial reporting as of September 30, 2024 based upon the framework in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2024, our internal control over financial reporting was effective.

Attestation Report of the Registered Accounting Firm

This Annual Report does not include an attestation report of the company's independent registered public accounting firm because we qualify as an emerging growth company as such term is defined in the JOBS ACT and as such, we are exempted from such attestation requirement.

Changes in Internal Control over Financial Reporting

During the period covered by this annual report on Form 20-F, there were no changes in our internal control over financial reporting as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act that have materially affected or are reasonably likely to materially affect our internal control over financial reporting, as disclosed above in "*Management's Annual Report on Internal Control over Financial Reporting*"

16.A. AUDIT COMMITTEE AND FINANCIAL EXPERT

The board of directors has determined that Stephen Chandler qualifies as an “audit committee financial expert” as defined under rules and regulations of the SEC and satisfies the “independence” requirements set forth in Rule 10A-3 under the Exchange Act.

16.B. CODE OF ETHICS

We have adopted a code of ethics applicable to our directors, officers and employees. This includes our principal executive officer, principal financial officer, and principal accounting officer or controller, or persons performing similar functions. Our Code of Ethics is intended to meet the definition of “code of ethics” under Item 16B of 20-F under the Exchange Act. We will disclose on our website any amendment to, or waiver from, a provision of our Code of Ethics that applies to our directors or executive officers to the extent required under the rules of the SEC or Nasdaq. The code of ethics is available on our website as: ir.arqit.uk/investors/corporate-governance/governance-documents. The information contained on our website is not incorporated by reference in this Annual Report.

16.C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Our audit committee of the board of directors is required to pre-approve the audit and non-audit services to be performed by our independent registered public accounting firm and associated fees prior to the engagement with respect to such services. Pursuant to this policy, which is designed to assure that such engagements do not impair the independence of our auditors, the audit committee pre-approves annually a catalogue of specific audit and non-audit services that may be performed by our independent registered public accounting firm.

	12 Months Ended September 30, 2024	12 Months Ended September 30, 2023
PKF Littlejohn LLP		
Audit Fees	£ 110,000	£ 110,000
Audited-Related Fees	£ 30,000	£ 30,000
Total	£ 140,000	£ 140,000

16.D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not Applicable.

16.E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

None.

16.F. CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT

Not Applicable.

16.G. CORPORATE GOVERNANCE

We are a “foreign private issuer” (as such term is defined in Rule 3b-4 under the Exchange Act) and our ordinary shares and warrants are listed on Nasdaq. The Nasdaq Listing Rules allow foreign private issuers, such as us, to follow home country corporate governance practices (in our case Cayman Islands Laws) in lieu of the otherwise applicable Nasdaq corporate governance requirements. In order to rely on this exception, we are required to disclose each Nasdaq Listing Rule that we do not follow and describe the home country practice we do follow in lieu thereof.

We currently rely on this “foreign private issuer exemption” with respect to shareholder approval requirements and audit committee composition. We will seek shareholder approval for all corporate actions requiring such approval under requirements of Cayman Islands Laws, rather than seeking approval for corporate actions in accordance with Nasdaq Capital Market Listing Rule 5635. In particular, under this Nasdaq Capital Market rule, shareholder approval is generally required for: (i) an acquisition of shares or assets of another company that involves the issuance of 20% or more of the acquirer’s shares or voting rights or if a director, officer or 5% shareholder has greater than a 5% interest in the target company or the consideration to be received; (ii) the issuance of shares leading to a change of control; (iii) adoption or amendment of equity compensation arrangements; and (iv) issuances of 20% or more of the shares or voting rights (including securities convertible into, or exercisable for, equity) of a listed company via a private placement (or via sales by directors, officers or 5% shareholders) if such equity is issued (or sold) at below the greater of the book or market value of shares. Cayman Islands Laws do not require shareholder approval prior to any of the foregoing types of issuances. In addition, we will maintain

an audit committee comprised of independent directors as required by the Nasdaq Listing Rules, however we will follow any applicable requirements of Cayman Islands Laws in respect of other audit committee composition requirements.

16.H. MINE SAFETY DISCLOSURE

Not Applicable.

16.I DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not Applicable.

16.J INSIDER TRADING POLICIES

We have adopted insider trading policies and procedures governing the purchase, sale, and other dispositions of the Company's securities by directors, senior management, and employees that are reasonably designed to promote compliance with applicable insider trading laws, rules and regulations, and any listing standards applicable to the Company. A copy of the Company's insider trading policy is filed as Exhibit 19.1 to this Annual Report.

16.K CYBERSECURITY

We maintain a cyber risk management program designed to identify, manage, mitigate, and respond to cybersecurity threats. This program is a vital component of our overall risk management program as we recognize that cybersecurity risks may have significant operational, financial, and reputational impacts on us. This program supports the management of information security risks in accordance with our risk profile and business strategy, which is informed by recognized industry standards, such as ISO 27001.

We have adopted a risk management process where our Board of Directors, aided by our Audit Committee, is ultimately responsible for overseeing our risk management efforts. Our security team has established cybersecurity policies and frameworks, defining roles and responsibilities and setting goals to implement such policies and frameworks. We have also developed and integrated planned mitigation measures and programs into our overall risk management framework, including security protocols, system updates, cybersecurity awareness training for employees, and incident response plans. For additional guidance, we also refer to the National Institute of Standards and Technology Cybersecurity Framework. With respect to third party service providers, we obligate our vendors to adhere to privacy and cybersecurity measures, and we perform risk assessments of vendors, including their ability to protect data from unauthorized access.

As described in Part 3D "*Risk Factors— Risks Related to Arqit's Business and Operations*," Arqit, and the third-party vendors upon which Arqit relies, have experienced, and may in the future experience, cybersecurity threats, including threats or attempts to disrupt its information technology infrastructure and unauthorized attempts to gain access to sensitive or confidential information, any of which could materially and adversely affect our business. While we have experienced such threats, we have not identified any cybersecurity threats or incidents that have materially affected us or are reasonably likely to materially affect us, including our business strategy, results of operations, or financial condition. For more information on risks to us from cybersecurity threats, see "*If any of Arqit's third parties' systems, its customers' cloud or on-premises environments, or its internal systems are breached or if unauthorized access to customer or third-party data is otherwise obtained, public perception of its business may be harmed, and Arqit may lose business and incur losses or liabilities*" in Part 3D "*Risk Factors— Risks Related to Arqit's Business and Operations*".

Governance

The Board of Directors has overall responsibility for risk oversight and has delegated oversight of our cybersecurity program to the Audit Committee which in turn receives regular briefings from our security team on our cybersecurity and information security posture, key risks, and the progress of cybersecurity risk reduction initiatives. Our security team conducts regular compliance assessments, which are documented and discussed at monthly management risk meetings.

PART III

ITEM 17. FINANCIAL STATEMENTS

Our audited consolidated financial statements are included at the end of this Annual Report.

ITEM 18. FINANCIAL STATEMENTS

Not Applicable.

ITEM 19. EXHIBITS

We have filed the following documents as exhibits to this Form 20-F:

EXHIBIT INDEX

Exhibit No.	Description
1.1*	Amended and Restated Memorandum and Articles of Association of the Company.
2.1*	Specimen ordinary share certificate of the Company.
2.2	Specimen warrant certificate of the Company, incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form F-4 (File No. 333-256591).
2.3	Centricus Warrant Agreement, dated as of February 3, 2021, between Centricus and the Continental Stock Transfer & Trust Company, incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form F-4 (File No. 333-256591).
2.4	Assignment, Assumption and Amendment Agreement for Centricus' outstanding warrants, incorporated by reference to Exhibit 2.4 to the Registrant's Shell Company Report on Form 20-F filed with the SEC on September 10, 2021.
2.5	Form of Warrant issued in February 2023 pursuant to a registered direct offering, incorporated by reference to Exhibit 4.1 to the Registrant's Report on Form 6-K filed with the SEC on February 21, 2023.
2.6	Form of Placement Agent Warrant issued in February 2023 pursuant to a registered direct offering, incorporated by reference to Exhibit 4.2 to the Registrant's Report on Form 6-K filed with the SEC on February 21, 2023.
2.7	Form of Warrant issued in September 2023 pursuant to a registered direct offering, incorporated by reference to Exhibit 4.1 to the Registrant's Report on Form 6-K filed with the SEC on September 11, 2023.
2.8	Form of Placement Agent Warrant issued in September 2023 pursuant to a registered direct offering, incorporated by reference to Exhibit 4.2 to the Registrant's Report on Form 6-K filed with the SEC on September 11, 2023.
2.9	Form of Warrant issued in September 2024 pursuant to a registered direct offering, incorporated by reference to Exhibit 4.1 to the Registrant's Report on Form 6-K filed with the SEC on October 1, 2024
2.10*	Description of Securities
4.1	Registration Rights Agreement, by and among the Company and the other parties thereto, incorporated by reference to Exhibit 4.1 to the Registrant's Shell Company Report on Form 20-F filed with the SEC on September 10, 2021.
4.2*	The Company's Amended and Restated Incentive Plan
4.3	Form of Director and Officer Indemnification Agreement, incorporated by reference to Exhibit 4.8 to the Registrant's Shell Company Report on Form 20-F filed with the SEC on September 10, 2021.
4.4	Form of Rollover Option Agreement relating to the grant of an option to acquire shares in Arqit Quantum Inc., incorporated by reference to Exhibit 4.7 to the Registrant's Annual Report on Form 20-F filed with the SEC on December 16, 2021.
4.5	Form of Rollover Option Agreement relating to the grant of an EMI option to acquire shares in Arqit Quantum Inc., incorporated by reference to Exhibit 4.8 to the Registrant's Annual Report on Form 20-F filed with the SEC on December 16, 2021.
4.6	At The Market Offering Agreement, dated December 14, 2022, between the Registrant and H.C. Wainwright & Co., LLC., incorporated by reference to Exhibit 1.2 to the Registrant's Registration Statement on Form F-3 (File No. 333-268786).
4.7	Form of Securities Purchase Agreement dated February 17, 2023, incorporated by reference to Exhibit 10.1 to the Registrant's Report on Form 6-K filed with the SEC on February 21, 2023.
4.8	Form of Securities Purchase Agreement dated September 8, 2023, incorporated by reference to Exhibit 10.1 to the Registrant's Report on Form 6-K filed with the SEC on September 11, 2023.
4.9	Form of Securities Purchase Agreement dated September 30, 2024, incorporated by reference to Exhibit 10.1 to the Registrant's Report on Form 6-K filed with the SEC on October 1, 2024
8.1*	List of subsidiaries of the Company.
12.1*	Certification by the Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

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12.2*	Certification by the Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
13.1**	Certification by the Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
13.2**	Certification by the Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
15.1*	Consent of PKF Littlejohn LLP.
19.1*	The Company's Insider Trading Policy.
97.1	The Company's Compensation Recovery Policy, incorporated by reference to Exhibit 97.1 to the Registrant's Report on Form 20-F as filed with the SEC on November 21, 2023.
101.INS*	Inline XBRL Instance Document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104*	Cover Page Interactive Data File - (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith.

** Furnished herewith.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

ARQIT QUANTUM INC.

By: /s/ Andrew Leaver

Name: Andrew Leaver

Title: Chief Executive Officer

Date: December 5, 2024

Arqit Quantum Inc.
Consolidated audited financial statements
as of and for the year ended 30 September 2024

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REPORT OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Arqit Quantum Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying Consolidated Statements of financial position of Arqit Quantum Inc. and its subsidiaries (the “Group”) as of September 30, 2024, 2023, and 2022, the related Consolidated Statements of comprehensive income, cash flow and changes in equity for each of the three years in the period ended September 30, 2024, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Group as of September 30, 2024, 2023, and 2022, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2024, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for opinion

These financial statements are the responsibility of the Group’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Group in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Group is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company’s auditor since 2021.

/s/ PKF Littlejohn LLP

PKF Littlejohn LLP

London, England

5 December 2024

Arqit Quantum Inc.
Consolidated Statement of Comprehensive Income
For the year ended 30 September 2024

	Note	Year ended 30 September 2024 \$'000	Year ended 30 September 2023 \$'000	Year ended 30 September 2022 \$'000
Revenue	2	293	640	7,212
Other income	3	392	53	—
Administrative expenses	4	(23,177)	(55,201)	(70,977)
Impairment loss on intangible assets	10	(2,032)	—	—
Impairment loss on trade receivables and contract assets	13	(166)	—	—
Operating (loss)/profit		<u>(24,690)</u>	<u>(54,508)</u>	<u>(63,765)</u>
Change in fair value of warrants	16	6	10,638	117,394
Finance costs	5	(223)	(284)	(221)
Finance income	6	930	41	—
(Loss)/profit before tax		<u>(23,977)</u>	<u>(44,113)</u>	<u>53,408</u>
Income tax	7	—	141	—
(Loss)/profit from continuing operations		<u>(23,977)</u>	<u>(43,972)</u>	<u>53,408</u>
(Loss)/profit from discontinued operation, net of tax	12	<u>(30,604)</u>	<u>(26,421)</u>	<u>11,667</u>
(Loss)/profit for the financial year attributable to equity holders		<u><u>(54,581)</u></u>	<u><u>(70,393)</u></u>	<u><u>65,075</u></u>
Other comprehensive (loss)/income :				
Items that may be reclassified to profit or loss				
Currency translation differences		(11,231)	(1,567)	3,101
Total comprehensive (loss)/profit for the year attributable to equity holders		<u><u>(65,812)</u></u>	<u><u>(71,960)</u></u>	<u><u>68,176</u></u>
Total comprehensive (loss)/profit for the year attributable to equity holders arises from:				
Continuing operations		(35,208)	(45,539)	56,509
Discontinued operations		(30,604)	(26,421)	11,667
Total comprehensive (loss)/profit for the year attributable to equity holders		<u><u>(65,812)</u></u>	<u><u>(71,960)</u></u>	<u><u>68,176</u></u>
Earnings per ordinary share from continuing operations attributable to equity holders				
Basic earnings per share	8	(4.7386)	(8.3616)	11.0201
Diluted earnings per share	8	(4.7386)	(8.3616)	10.9506
Earnings per ordinary share for the loss attributable to equity holders				
Basic earnings per share	8	(10.7869)	(13.3859)	13.4274
Diluted earnings per share	8	(10.7869)	(13.3859)	13.3428

Arqit Quantum Inc.
Consolidated Statement of Financial Position
As at 30 September 2024

	Note	30 September 2024 \$'000	30 September 2023 \$'000	30 September 2022 \$'000
ASSETS				
Non-current assets				
Property, plant and equipment	9	267	1,963	2,206
Right of use asset	20	811	6,141	6,139
Intangible assets	10	1,939	3,414	40,291
Fixed asset investments	11	—	30	28
Trade and other receivables	13	—	1,888	18,565
Total non-current assets		<u>3,017</u>	<u>13,436</u>	<u>67,229</u>
Current assets				
Trade and other receivables	13	4,997	3,217	7,677
Cash and cash equivalents	15	18,705	44,455	48,966
Assets classified as held for sale	12	—	38,677	—
Total current assets		<u>23,702</u>	<u>86,349</u>	<u>56,643</u>
Total assets		<u>26,719</u>	<u>99,785</u>	<u>123,872</u>
LIABILITIES				
Current liabilities				
Trade and other payables	14	11,911	18,831	22,655
Lease liabilities	20	286	2,118	1,154
Liabilities classified as held for sale	12	—	5,869	—
Total current liabilities		<u>12,197</u>	<u>26,818</u>	<u>23,809</u>
Non-current liabilities				
Trade and other payables	14	2,000	24	4,183
Lease liabilities	20	704	6,284	6,681
Warrants liability	16	—	6	10,644
Total non-current liabilities		<u>2,704</u>	<u>6,314</u>	<u>21,508</u>
Total liabilities		<u>14,901</u>	<u>33,132</u>	<u>45,317</u>
Net assets/(liabilities)		<u>11,818</u>	<u>66,653</u>	<u>78,555</u>
EQUITY				
Share capital	21	29	16	12
Share premium	23	150,084	137,021	92,306
Other reserves	23	166,804	166,804	166,804
Foreign currency translation reserve	23	(9,441)	1,790	3,357
Share-based payment reserve	23	36,456	38,555	23,216
Retained earnings	22	(332,114)	(277,533)	(207,140)
Total Equity		<u>11,818</u>	<u>66,653</u>	<u>78,555</u>

Arqit Quantum Inc.
Consolidated Statement of Changes in Equity
For the year ended 30 September 2024

	Share Capital	Share Premium	Other reserves	Foreign currency translation reserve	Share option reserve	Retained Earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 October 2021	11	70,999	166,805	256	303	(272,215)	(33,841)
Profit for the year	—	—	—	—	—	65,075	65,075
Other comprehensive income	—	—	—	3,101	—	—	3,101
Total comprehensive income	—	—	—	3,101	—	65,075	68,176
Transactions with owners in their capacity as owners:							
Share option charge	—	—	—	—	22,913	—	22,913
Earnout shares	1	—	(1)	—	—	—	—
Exercise of warrants	—	21,307	—	—	—	—	21,307
Balance at 30 September 2022 attributable to owners of the Group	12	92,306	166,804	3,357	23,216	(207,140)	78,555
Balance at 1 October 2022	12	92,306	166,804	3,357	23,216	(207,140)	78,555
Loss for the year	—	—	—	—	—	(70,393)	(70,393)
Other comprehensive income	—	—	—	(1,567)	—	—	(1,567)
Total comprehensive income	—	—	—	(1,567)	—	(70,393)	(71,960)
Transactions with owners in their capacity as owners:							
Share option charge	—	—	—	—	15,339	—	15,339
Issue of ordinary shares	4	44,715	—	—	—	—	44,719
Balance at 30 September 2023 attributable to owners of the Group	16	137,021	166,804	1,790	38,555	(277,533)	66,653
Balance at 1 October 2023	16	137,021	166,804	1,790	38,555	(277,533)	66,653
Loss for the year	—	—	—	—	—	(54,581)	(54,581)
Other comprehensive income	—	—	—	(11,231)	—	—	(11,231)
Total comprehensive income	—	—	—	(11,231)	—	(54,581)	(65,812)
Transactions with owners in their capacity as owners:							
Share option credit	—	—	—	—	(2,099)	—	(2,099)
Issue of ordinary shares	13	13,063	—	—	—	—	13,076
Balance at 30 September 2024	29	150,084	166,804	(9,441)	36,456	(332,114)	11,818

Arqit Quantum Inc.
Consolidated Statement of Cash Flows
For the year ended 30 September 2024

	Note	Year ended 30 September 2024 S'000	Year ended 30 September 2023 S'000	Year ended 30 September 2022 S'000
Cash flows from operating activities				
Cash (used in)/generated from operations	15	(24,845)	(21,140)	(41,427)
Movement on foreign exchange		(9,281)	(11,685)	14,708
Tax received		—	—	—
Net cash (used in)/generated from operating activities		<u>(34,126)</u>	<u>(32,825)</u>	<u>(26,719)</u>
Cash flows from investing activities				
Interest received		930	41	
Capital expenditure on property, plant and equipment		(6)	(712)	(2,376)
Capital expenditure on intangibles		(3,322)	(15,411)	(22,056)
Investment in subsidiaries		—	—	—
Net cash (used in) investing activities		<u>(2,398)</u>	<u>(16,082)</u>	<u>(24,432)</u>
Cash flows from financing activities				
Proceeds from issue of shares		13,076	45,080	—
Shares issued on exercise of warrants		—	—	21,306
Proceeds from government grants		1,331	1,372	1,724
Payment of principal on lease liabilities		(3,051)	(1,315)	(657)
Payments of interest portion of lease liabilities		(168)	(284)	(197)
Net cash generated from financing activities		<u>11,188</u>	<u>44,853</u>	<u>22,176</u>
Net (decrease)/increase in cash and cash equivalents		<u>(25,336)</u>	<u>(4,054)</u>	<u>(28,975)</u>
Cash and cash equivalents at beginning of period		44,455	48,966	86,966
Foreign exchange on cash and cash equivalents		<u>(414)</u>	<u>(457)</u>	<u>(9,025)</u>
Cash and cash equivalents at end of period		<u>18,705</u>	<u>44,455</u>	<u>48,966</u>

The net cash flows associated with the satellite division discontinued operations are presented in note 12

**Arqit Quantum Inc.
Notes to the Financial Statements
For the year ended 30 September 2024**

1. General information and significant accounting policies

General information

Arqit Quantum Inc. (the “Company”) is a Cayman Islands exempted limited liability company with registered number 374857. The address of its registered office and its principal place of trading is c/o Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the “Group”).

The principal activity of the Group is provision of cybersecurity services.

The Company is an “emerging growth company,” as defined in the Securities Act, and may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but limited to, not being required to comply with the independent registered public accounting firm attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, and reduced disclosure obligations regarding executive compensation.

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB. The financial statements are prepared on the historical cost basis, other than investor warrants held at fair value through profit or loss, and the accounting policies set out below have been consistently applied. The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

The consolidated financial statements have been presented in United States Dollars “USD” which is also the Group’s functional currency. All values are rounded to the nearest units (USD '000), except when otherwise indicated.

Comparative information has been re-presented due to a discontinued operation (note 12).

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at September 30, 2024.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The subsidiaries are fully consolidated from the date on which control is transferred to the Group and deconsolidated from the date that control ceases.

The financial statements of the subsidiaries are prepared for the same financial year as the parent company, applying consistent accounting policies throughout the Group. Inter-company balances and transactions, including unrealised profits or losses are eliminated on consolidation.

Reverse Share Split

On September 25, 2024, we effected a 1-for-25 reverse share split of our share capital (the “Reverse Share Split”). As a result of the Reverse Share Split, each issued and outstanding ordinary share, and the per share exercise price of and number of ordinary shares underlying our outstanding equity awards and warrants, were automatically proportionally adjusted based on the 1-for-25 Reverse Share Split ratio. No fractional shares of common stock were issued in connection with the Reverse Share Split, and all such fractional interests were rounded up to the nearest whole number.

Except as otherwise provided herein, all share and per-share amounts of our ordinary shares, equity awards, warrants and other outstanding equity rights have been adjusted to give effect to the Reverse Share Split for all periods presented. The Reverse Share Split amended the par value of our common stock to \$0.0025 per share, but did not modify any voting rights or other terms of our ordinary

Arqit Quantum Inc.
Notes to the Financial Statements (Continued)
For the year ended 30 September 2024

shares.

Going Concern

The directors believe that it is appropriate to prepare the financial statements on the going concern basis. In assessing whether the going concern assumption is appropriate, the Directors have taken into account all relevant available information about the current and future position of the Group and Company. As part of their assessment, the Directors have also taken into account the ability to raise additional funding whilst maintaining sufficient cash resources to meet all commitments.

The Company has prepared detailed forecasts with strong cost control measures in place to enable the Group to grow according to its plans. Given the current economic and political climate and uncertainties, the Company has controls in place to monitor spend and ensure that it can continue to operate for the foreseeable period.

Based on the above, the Directors have a reasonable expectation that the Group and Company will have adequate resources to continue in operational existence for the foreseeable future, such that they will be able to realise their assets and discharge their liabilities in the normal course of business for a period of at least 12 months from the date of signing these financial statements, and beyond. Therefore, the financial statements are prepared on the going concern basis.

Standards, interpretations and amendments to published standards

The Group has adopted the following standards and amendments to standards for the first time for their annual reporting period commencing 1 October 2023, none of which had a material impact:

- IFRS 17 - Insurance Contracts
- Amendments to IAS 1: Presentation of Financial Statements: Classification of Liabilities as Current or Non-current
- Amendments to IAS 1: Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies
- Amendments to IAS 8: Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 12: Income taxes: International tax reform
- IFRIC Agenda Decision - Disclosure of Revenues and Expenses for Reportable Segments (IFRS 8)

The Group has not early adopted the following new and amended standards that have been issued but are not yet effective:

- Amendment to IAS 1 - Non-current liabilities with covenants
- Amendment to IFRS 16 - Leases on sale and leaseback
- Amendment to IAS 7 and IFRS 7 - Supplier finance

The directors of the Group anticipate that the application of all new and amended standards will have no material impact on the future results of the Group in the foreseeable future.

Operating Segments

The Directors consider the Group to operate within one operating segment, being the provision of cybersecurity services.

Government grants

Government grants are recognised only when there is reasonable assurance that (a) the entity will comply with any conditions attached to the grant and (b) the grant will be received.

Arqit Quantum Inc.
Notes to the Financial Statements (Continued)
For the year ended 30 September 2024

Grants related to research and development are included in non-current or current liabilities as deferred income and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. The grants will be systematically amortised to profit or loss over a period matching the useful life of the acquired asset.

Intangible assets - Research and development expenditure

Research costs are expensed through the income statement as they are incurred. Under IAS 38, development costs are only capitalised after technical and commercial feasibility of the asset for sale or use have been established. The Company must intend and be able to complete the asset and either use it or sell it and be able to demonstrate how the asset will generate future economic benefit. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Amortisation of intangible assets in use is calculated under the straight-line method to write off the amortisable amount of the intangible assets over their estimated useful lives. The principal annual rates used for this purpose are between five and ten years. SKA- Platform™ is written off over seven years.

The amortisation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and years of amortisation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the intangible assets.

Intangible assets not yet subject to amortisation are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

The Group has historically claimed Research and Development Expenditure Credit (RDEC) through its subsidiary, Arqit Limited, under the U.K.'s RDEC program, which incentivises research and development activities that are directed and overseen from the U.K., resulting in advancements in knowledge or technology. The total value of the RDEC received during the fiscal year ending September 30, 2024 was \$3.424 million (2023: \$0.141 million, 2022: \$nil). A total RDEC of \$3.424 million (2023: \$nil, 2022: \$nil) was recognised within "(loss)/profit from discontinued operations, net of tax" as it relates to the satellite division which was discontinued during the fiscal year ending September 30, 2024.

Current and deferred income tax

The current income tax expense or credit is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company operates and generates taxable income, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Management periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The research and development ("R&D") tax credit is calculated using the current rules as prescribed by HMRC. The estimation is based on the actual UK R&D projects that qualify for the scheme that have been carried out in the period. This is treated on an accruals basis when the R&D tax credit has been calculated for the relevant period.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax assets is realised or the deferred income tax liability is settled. Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Arqit Quantum Inc.
Notes to the Financial Statements (Continued)
For the year ended 30 September 2024

Revenue

The Company adopts IFRS 15 'Revenue from contracts with customers' for revenue including other income which is recognised in accordance with this standard. Revenue from services related to the SKA-Platform™ product has been recognised in the year once the service has been performed and accepted by the customer. Other income represents income derived from contracts for the provision of goods and services by the Company to customers in exchange for consideration in the ordinary course of the Company's activities.

Performance obligations

Upon approval by the parties to a contract, the contract is assessed to identify each promise to transfer either a distinct good or service or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. Goods and services are distinct and accounted for as separate performance obligations in the contract if the customer can benefit from them either on their own or together with other resources that are readily available to the customer and they are separately identifiable in the contract.

Transaction price

At the start of the contract, the total transaction price is estimated as the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised goods and services to the customer, excluding sales taxes. The transaction price does not include estimates of consideration resulting from contract modifications, such as change orders, until they have been approved by the parties to the contract.

The total transaction price is allocated to the performance obligations identified in the contract in proportion to their relative standalone selling prices. Given the bespoke nature of many of the Company's products and services, which are designed and/or manufactured under contract to the customer's individual specifications, there are sometimes no observable standalone selling prices. Instead, standalone selling prices are typically estimated based on expected costs.

The Company utilizes a practical expedient in the standard to not adjust the promised amount of consideration for the effects of a significant financing component, when it is expected at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

Contract liabilities

Contract liabilities represent the obligation to transfer goods or services to a customer for which consideration has been received, or consideration is due, from the customer.

The Company utilizes a practical expedient in the standard to recognise the incremental costs of obtaining a contract as an expense when incurred, if the amortisation period of the asset that would otherwise be recognised is one year or less.

Accounting for Joint Ventures

A joint venture is an arrangement in which the Group has joint control, whereby the Group has the rights to the net assets of the arrangement as opposed to the rights to its assets and obligations for its liabilities.

This is initially recognised as an investment at cost and subsequently accounted for using the equity method in accordance with IAS 28 Investments in Associates and Joint Ventures.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

Arqit Quantum Inc.
Notes to the Financial Statements (Continued)
For the year ended 30 September 2024

(a) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income, or fair value through profit or loss.

The classification of financial assets at initial recognition that are debt instruments depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding.

Principal for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset, for example, if there are repayments of principal or amortization of the premium/discount. The most significant elements of interest within a debt instrument are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Interest received is recognised as part of finance income in the statement of profit or loss and other comprehensive income. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Company's financial assets at amortised cost include trade receivables (not subject to provisional pricing) and other receivables.

Arqit Quantum Inc.
Notes to the Financial Statements (Continued)
For the year ended 30 September 2024

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognized amounts; and intends either to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e., removed from the Company's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Company recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value. For trade receivables (not subject to provisional pricing) and other receivables due in less than 12 months, the Company applies the simplified approach in calculating ECLs, as permitted by IFRS 9. Therefore, the Company does not track changes in credit risk, but instead, recognises a loss allowance based on the financial asset's lifetime ECL at each reporting date.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity. At each reporting date, the Company assesses whether financial assets carried at amortised cost are impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

(b) Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables and loans.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss and other comprehensive income.

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For the year ended 30 September 2024

Loans and borrowings and trade and other payables

After initial recognition, interest-bearing loans and borrowings and trade and other payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised, as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of comprehensive income.

This category generally applies to trade and other payables.

Derecognition

A financial liability is derecognised when the associated obligation is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss and other comprehensive income.

Defined contribution pension

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

Non-financial assets

At each reporting date, the Company reviews the carrying amount of its non-financial assets to determine whether there is any indication for impairment. If such indication exists, then the assets recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash flows from continuing to use the asset (CGU). The recoverable amount of an asset or CGU is the greater of its fair value less cost to sell or its value in use.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds the recoverable amount. Impairment losses are recognised in profit or loss.

Share-based compensation

Share options

Where share options are awarded to employees, the fair value of the options at grant date is charged to the Statement of Comprehensive Income over the vesting period. Nonmarket vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options or warrants that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

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Notes to the Financial Statements (Continued)
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The fair value of the award also considers non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the Statement of Comprehensive Income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the Statement of Comprehensive Income is charged with fair value of goods and services received.

The share option charge was calculated using the Black Scholes Option pricing model which requires the use of various estimates and assumptions (note 18).

When share options lapse, any amounts credited to the share-based payments reserve are released to the retained earnings reserve.

RSUs (Restricted Stock Units)

Where RSUs are granted to employees, the fair value of the RSUs at grant date is based upon the market price of the shares underlying the awards and this is charged to the Statement of Comprehensive Income over the vesting period. There are no internal performance conditions. The expense charged is adjusted based on actual forfeitures.

Warrants

Warrants are classified as derivatives and are initially recognised at their fair value on the date of inception of the contract. The Company's warrants are subsequently re-measured at each reporting date with changes in fair value recognised in profit or loss. The warrants are valued using the Binomial Option Pricing Model.

As the fair value of the warrants fluctuate with movement in the underlying Arqit Quantum Inc share price, these warrants are considered a derivative as a variable amount of cash will be settled on exercise.

Foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of Arqit Quantum Inc. is U.S. dollars. The Group financial statements are presented in U.S Dollars which is considered to be the Group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

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Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated as follows:

- a) assets and liabilities at the balance sheet date are translated at the closing rate as at that balance sheet date;
- b) income and expenses for each income statement are translated at average exchange rates; and
- c) all resulting exchange differences are recognised in other comprehensive income

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and all other cash amounts with maturities of three months or less.

Property, plant and equipment

Property, plant and equipment are stated at historic cost less accumulated depreciation and impairment losses, if any.

Depreciation is calculated under the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are between three and five years. Computer equipment is written off over 3 years, office equipment is written off over 5 years and furniture and fittings are written off over 5 years.

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and years of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Costs also comprise the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group are obligated to incur when the asset is acquired, if applicable.

Discontinued operations

A part of the Group, whose operations and cash flows can be clearly distinguished operationally and for financial reporting purposes from the other operating businesses, is classified as a discontinued operation if the component has either been disposed of or is classified as held for sale, and:

- represents a separate major line of business or geographic area of operations,
- is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations, or
- is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the net income/loss from continuing operations and are presented as a single amount as gain/loss from discontinued operations, net of tax in the consolidated income statement. When an operation is classified as a discontinued operation, the comparative consolidated income statement and consolidated statement of cash flows are restated and presented as if the operation had been classified as such from the start of the comparative year.

Assets/liabilities and disposal groups classified as held for sale

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Notes to the Financial Statements (Continued)
For the year ended 30 September 2024

Assets/liabilities and disposal groups classified as held for sale are non-current assets and liabilities expected to be realized principally through a sale rather than through continuing use. The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. It being unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn is also a prerequisite for the classification.

The sale must be expected to be completed within one year from the date of the classification. Assets and liabilities classified as held for sale are hence presented separately as current items in the consolidated statement of financial position.

These are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

Assets classified as held for sale are not depreciated on a straight-line basis.

Impairment losses on initial classification as held-for-sale or held for distribution and subsequent gains and losses on remeasurement are recognized in profit or loss. Reversals of impairment losses due to a subsequent increase in fair value are recognized up to a maximum of the amount of impairment losses that, unless attributable to goodwill, were recognized prior to classification of the asset or disposal group in accordance with IFRS 5 and IAS 36, or were recognized at or after the date of classification in accordance with IFRS 5.

Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to

Arqit Quantum Inc.
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exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property and lease liabilities in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Share capital

Ordinary shares are classified as equity. Any incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Risk management is overseen by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Please see note 24 for financial instruments and fair value disclosures.

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Notes to the Financial Statements (Continued)
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Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods. The directors consider the below to be the critical judgements in respect of the period.

Warrants valuation

Estimating the fair value of warrants requires a determination of the most appropriate valuation model, which depends on the terms and conditions of the warrant. This estimate also requires determination of the most appropriate inputs to the valuation model including equity value, exercise price, volatility, dividend yield, risk free rate and exercise period and making assumptions about them. For the measurement of the fair value of warrants at both the acquisition and the reporting date, the Group uses a Binomial Option Pricing Model. The assumptions and models used for this estimation are disclosed in note 17.

Capitalisation of development costs

The Group capitalises costs for product development projects. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model, and all other recognition criteria within IAS 38 can be demonstrated. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. At September 30, 2024, the carrying amount of capitalised development costs were \$1.939 million (2023: \$3.414 million; 2022: \$40.291 million).

Share-based compensation

Estimating fair value for share option payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them. For the measurement of the fair value of equity settled transactions with employees at the grant date, the Group uses a Black Scholes valuation. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 18.

Compensation expense for RSUs is determined based upon the market price of the shares underlying the awards on the date of the grant and expensed over the vesting period, which is generally a one to five year service period. The compensation expense is adjusted based on actual forfeitures.

Deferred tax asset

Judgement is required to determine whether deferred tax assets are recognised in the statement of financial position. Deferred tax assets, arising from unutilised tax losses, require the Group to assess the likelihood it will generate sufficient taxable earnings in future periods, in order to utilise recognised deferred tax assets. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted.

Discontinued operations and Assets held for sale

The decision to discontinue the business activities of the satellite division led to an increased level of judgment and estimation uncertainties with regard to provisions recognised in this context.

For assets held for sale, judgement is required when estimating expected fair value until any sale is contractually concluded. Changes in the economic environment or other facts and circumstances may cause revisions to these assumptions and could result in a material change to the realizable value of the Group's assets held for sale within the next financial year.

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2. Revenue

	Year ended 30 September 2024 \$'000	Year ended 30 September 2023 \$'000	Year ended 30 September 2022 \$'000
SKA-Platform™ – provision of services	293	640	7,212
Geographical markets			
UK	293	640	359
Other	—	—	6,853
	<u>293</u>	<u>640</u>	<u>7,212</u>

Revenue with a total of 13 (2023: 6) customers is recognised over time. Revenue from 1 (2023: 2) customer(s) represents more than 10% of total revenues.

The group has no material contract balances.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of product/service	Nature and timing of satisfaction of performance obligations	Revenue recognition policies
SKA-Platform™ perpetual license	Customer can benefit from the license when it is delivered. The license is separately identifiable from other goods or services. License provides a right for customer to use the Company's Intellectual Property perpetually.	Revenue is recognised when the license is delivered to and accepted by the customer. Invoices are usually payable within 30 days.
SKA-Platform™ as a service	Customer can benefit from the license when it is delivered. The license is separately identifiable from other goods or services. License provides a right for customer to use the Company's Intellectual Property for a limited period.	Revenue is recognised over the course of the subscription period. Invoices are usually payable within 30 days.

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Maintenance and support	Services are provided to the customer over the contract term.	Revenue is recognised over time as the services are provided. Invoices are usually payable within 30 days.
Professional services	Statements of work including details and timings are agreed with the customer at contract inception. They can typically be amended during the performance of the services if agreed by both parties.	Revenue is recognised over time as the services are provided. The stage of completion for determining the amount of revenue to recognise is assessed based on statements of work performed which are approved by both parties. Invoices are usually payable within 30 days.

3. Other income

	Year ended 30 September 2024 \$'000	Year ended 30 September 2023 \$'000	Year ended 30 September 2022 \$'000
Gain on disposal of fixed assets	55	53	—
Gain on termination of UK office lease	286	—	—
Other	51	—	—
	<u>392</u>	<u>53</u>	<u>—</u>

4. Expenses by Nature

	Year ended 30 September 2024 \$'000	Year ended 30 September 2023 \$'000	Year ended 30 September 2022 \$'000
Employee benefit expense and other staff costs	19,775	24,187	21,148
Capitalised within intangible assets	(511)	(1,956)	(4,920)
Legal and professional	5,935	12,415	6,355
Foreign exchange	(12,248)	(8,764)	13,535
Property costs	1,884	2,289	754
Share based compensation	(1,636)	14,118	21,742
Depreciation	1,756	901	369
Depreciation of right of use asset	1,432	1,642	923
Amortisation of intangible assets	375	91	—
Other expenses	6,415	10,278	11,071
Total administrative expenses	<u>23,177</u>	<u>55,201</u>	<u>70,977</u>

Arqit Quantum Inc.
Notes to the Financial Statements (Continued)
For the year ended 30 September 2024

5. Finance costs

	Year ended 30 September 2024	Year ended 30 September 2023	Year ended 30 September 2022
	\$'000	\$'000	\$'000
Interest payable on lease liabilities	223	284	221

6. Finance income

	Year ended 30 September 2024	Year ended 30 September 2023	Year ended 30 September 2022
	\$'000	\$'000	\$'000
Bank interest	930	41	—

7. Income tax

	2024	2023	2022
	\$'000	\$'000	\$'000
The tax (charge)/credit on the profit/(loss) on ordinary activities for the year was as follows:			
Current tax	—	—	—
Deferred Tax	—	—	—
Income tax	—	—	—

Factors affecting tax charge/credit for the year

The tax assessed for the period is higher than (2023 – higher than; 2022 – lower than) the standard rate of corporation tax in the United Kingdom of 25% (2023 - 22%; 2022 - 19%). The differences are explained below:

	2024	2023	2022
	\$'000	\$'000	\$'000
Profit / (Loss) from continuing operations	(23,977)	(74,049)	53,408
Tax at the applicable rate of 25% (2023 - 22%)	(5,994)	(16,291)	10,148
Disallowable expenditure	1,320	238	318
Difference in tax rate between UK and other jurisdictions	(18)	(344)	668
Fixed asset timing differences	114	23	—
Other differences	9	38	6
Difference in rates between current and deferred tax	—	(1,490)	(1,527)
Unutilised tax losses on which deferred tax is not recognised	4,983	13,267	8,517
Deferred tax not recognised in respect of share options	(414)	4,559	4,176
R&D tax credit	—	141	—
Fair valuation of warrants	—	—	(22,305)
Total tax	—	141	—

Arqit Quantum Inc.
Notes to the Financial Statements (Continued)
For the year ended 30 September 2024

8. (Loss)/Earnings per share

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to shareholders by the weighted average number of ordinary shares in issue during the period.

<u>Basic EPS in relation to profit/(loss) from continuing operations</u>	<u>Earnings</u>	<u>Weighted average number of shares</u>	<u>Per share amount</u>
	\$		\$
2024	(23,976,958)	5,059,955	(4.7386)
2023	(43,971,581)	5,258,756	(8.3616)
2022	53,408,454	4,846,450	11.0201

Diluted EPS in relation to profit/(loss) from continuing operations

2024	(23,976,958)	5,059,955	(4.7386)
2023	(43,971,581)	5,258,756	(8.3616)
2022	53,408,454	4,877,196	10.9506

<u>Basic EPS in relation to profit/(loss) from discontinued operations</u>	<u>Earnings</u>	<u>Weighted average number of shares</u>	<u>Per share amount</u>
	\$		\$
2024	(30,604,160)	5,059,955	(6.0483)
2023	(26,421,347)	5,258,756	(5.0243)
2022	11,667,000	4,846,450	2.4073

Diluted EPS in relation to profit/(loss) from discontinued operations

2024	(30,604,160)	5,059,955	(6.0483)
2023	(26,421,347)	5,258,756	(5.0243)
2022	11,667,000	4,877,196	2.3922

<u>Basic EPS in relation to profit/(loss) attributable to equity holders</u>	<u>Earnings</u>	<u>Weighted average number of shares</u>	<u>Per share amount</u>
	\$		\$
2024	(54,581,118)	5,059,955	(10.7869)
2023	(70,392,929)	5,258,756	(13.3859)
2022	65,075,454	4,846,450	13.4274

Diluted EPS in relation to profit/(loss) attributable to equity holders

2024	(54,581,118)	5,059,955	(10.7869)
2023	(70,392,929)	5,258,756	(13.3859)
2022	65,075,454	4,877,196	13.3428

Arqit Quantum Inc.
Notes to the Financial Statements (Continued)
For the year ended 30 September 2024

Diluted earnings per share is computed similar to basic earnings per share, except that the denominator is increased to include the number of additional ordinary shares, where applicable, that would have been outstanding if potential ordinary shares had been issued if such additional ordinary shares were dilutive. The share options and RSUs are dilutive and therefore have been included in the calculation for diluted earnings per share.

The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options and RSUs was based on quoted market prices for the year during which the options were outstanding.

9. Property, plant and equipment

	Computer equipment	Office equipment	Furniture & fittings	Total
	\$'000	\$'000	\$'000	\$'000
Cost				
At 1 October 2021	256	—	—	256
Additions	1,810	25	581	2,416
Foreign exchange on translation	(47)	(2)	(32)	(81)
At 30 September 2022	<u>2,019</u>	<u>23</u>	<u>549</u>	<u>2,591</u>
At 1 October 2022	2,019	23	549	2,591
Additions	407	74	232	713
Disposals	(55)	—	—	(55)
Foreign exchange on translation	22	—	(11)	11
At 30 September 2023	<u>2,393</u>	<u>97</u>	<u>770</u>	<u>3,260</u>
At 1 October 2023	2,393	97	770	3,260
Additions	1	—	6	7
Disposals	(55)	(50)	—	(105)
Foreign exchange on translation	158	8	57	223
At 30 September 2024	<u>2,497</u>	<u>55</u>	<u>833</u>	<u>3,385</u>
Depreciation				
At 1 October 2021	(57)	—	—	(57)
Charge	(327)	(2)	(39)	(368)
Foreign exchange on translation	37	—	3	40
At 30 September 2022	<u>(347)</u>	<u>(2)</u>	<u>(36)</u>	<u>(385)</u>
At 1 October 2022	(347)	(2)	(36)	(385)
Charge	(732)	(18)	(133)	(882)
Disposals	18	—	—	18
Foreign exchange on translation	(42)	—	(4)	(47)
At 30 September 2023	<u>(1,103)</u>	<u>(20)</u>	<u>(173)</u>	<u>(1,296)</u>
At 1 October 2023	(1,103)	(20)	(173)	(1,296)
Charge	(764)	(32)	(114)	(910)
Impairment charge	(399)	—	(417)	(816)
Disposals	30	17	—	47
Foreign exchange on translation	(116)	—	(27)	(143)
At 30 September 2024	<u>(2,352)</u>	<u>(35)</u>	<u>(731)</u>	<u>(3,118)</u>
Net Book Value				
At 30 September 2024	<u>145</u>	<u>20</u>	<u>102</u>	<u>267</u>
At 30 September 2023	<u>1,290</u>	<u>77</u>	<u>596</u>	<u>1,963</u>
At 30 September 2022	<u>1,672</u>	<u>21</u>	<u>513</u>	<u>2,206</u>

Arqit Quantum Inc.
Notes to the Financial Statements (Continued)
For the year ended 30 September 2024

10. Intangible fixed assets

	Digital Bills of Exchange \$'000	Project Development Costs \$'000	SKA-Platform™ \$'000	Website \$'000	Total \$'000
Cost					
At 1 October 2021	—	18,034	201	—	18,235
Additions	—	25,021	273	—	25,294
Foreign exchange on translation	—	(3,238)	—	—	(3,238)
At 30 September 2022	—	39,817	474	—	40,291
Additions	1,414	12,438	1,409	150	15,411
Impairment	—	(17,601)	—	—	(17,601)
Assets reclassified as held for sale	—	(38,677)	—	—	(38,677)
Foreign exchange on translation	—	4,079	—	—	4,079
At 30 September 2023	1,414	56	1,883	150	3,503
Additions	482	2,839	—	—	3,321
Impairment	(2,032)	(2,659)	—	—	(4,691)
Foreign exchange on translation	136	(34)	182	14	298
At 30 September 2024	—	202	2,065	164	2,431
Amortisation and impairment					
At 1 October 2021	—	—	—	—	—
Charge	—	—	—	—	—
At 30 September 2022	—	—	—	—	—
Charge	—	—	(89)	—	(89)
At 30 September 2023	—	—	(89)	—	(89)
Charge	—	—	(284)	(91)	(375)
Foreign exchange on translation	—	—	(22)	(5)	(28)
At 30 September 2024	—	—	(396)	(96)	(492)
Net Book Value					
At 30 September 2024	—	202	1,669	68	1,939
At 30 September 2023	1,414	56	1,794	150	3,414
At 30 September 2022	—	39,817	474	—	40,291

The Group's intangible assets under development are internally generated and the Group has not yet begun amortisation of these finite useful economic life assets with the exception of the SKA-Platform™ which has started to generate revenue and the Website which is now in use. Amortisation on intangible assets is calculated under the straight-line method over their estimated useful lives of between 3 – 10 years.

An impairment test was performed for the year ended September 30, 2024, which considered the value of existing contracts and forecasted revenues. An impairment of \$4.691 million (2023: \$17.601 million) was deemed necessary for satellite division and digital bills of exchange development costs (2023: satellite). No impairment was deemed necessary for the other intangibles.

Arqit Quantum Inc.
Notes to the Financial Statements (Continued)
For the year ended 30 September 2024

11. Equity accounted investees

	Investment in Joint Venture S'000
Cost	
At 1 October 2021	34
Additions	—
Foreign exchange on translation	(6)
At 30 September 2022	<u>28</u>
Additions	—
Foreign exchange on translation	2
At 30 September 2023	<u>30</u>
Additions	—
Impairment charge	(30)
Foreign exchange on translation	—
At 30 September 2024	<u><u>—</u></u>

Joint venture

Quantum Keep Limited is a joint venture (JV) of Arqit Limited, which is a 100% owned subsidiary of Arqit Quantum Inc. The registered office is One Fleet Place, London, England, EC4M 7WS. Arqit Ltd jointly holds 50% of shares for the entity. The nature of Quantum Keep Limited's activities is that of business and domestic software development. Quantum Keep Ltd is a separate vehicle and the Group has a residual interest in Quantum Keep Ltd as a JV.

Quantum Keep Limited was incorporated on 12 August 2020 with Arqit Limited taking a 50% investment on incorporation.

An impairment charge of \$30.0 thousand was recognised during the year as the JV company has been discontinued. The JV was dissolved in December 2024. Quantum Keep Limited was dormant since incorporation.

12. Discontinued operations and Assets classified as held for sale

(i) General Description

In May 2023, Arqit announced that it was selling its satellite division consisting of satellite assets under construction, patents, customer contracts and an engineering team. Following that announcement, the satellite division was reported as discontinued operations and classified as a disposal group held for sale in the 2023 annual financial statements.

During the year ended 30 September 2024, Arqit was unsuccessful in its efforts to identify a buyer for the satellite division and/or related IP, and as a result determined that its satellite assets were no longer considered as held for sale as at 30 September 2024. At 30 September 2023, the carrying amount of assets classified as held for sale was \$38.7 million, with liabilities directly associated with assets classified as held for sale of \$0.9 million. The assets of the satellite division have been fully impaired as at 30 September 2024, and liabilities derecognised.

Arqit Quantum Inc.
Notes to the Financial Statements (Continued)
For the year ended 30 September 2024

(ii) Assets and liabilities held for sale

The following major classes of assets and liabilities relating to these operations have been classified as held for sale in the consolidated statement of financial position as at 30 September:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Property, plant and equipment	—	—	—
Investment property	—	—	—
Intangible assets	—	38,677	—
Trade and other receivables	—	—	—
Other financial assets	—	—	—
Assets held for sale	<u>—</u>	<u>38,677</u>	<u>—</u>
Deferred government grants	—	5,869	—
Employee benefits	—	—	—
Other financial liabilities	—	—	—
Liabilities held for sale	<u>—</u>	<u>5,869</u>	<u>—</u>

The impact on the statement of comprehensive income is as below:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Other operating income	—	4,986	12,843
Administrative expenses	(1,056)	(13,806)	(1,176)
Impairment loss on asset held for sale and derecognition of liability held for sale	(32,972)	(17,601)	—
R&D tax credit	3,424	—	—
(Loss)/Profit from discontinued operations, net of tax	<u>(30,604)</u>	<u>(26,421)</u>	<u>11,667</u>

Arqit discontinued the satellite division during the year and as a result reclassified \$17.601 million of impairment losses on intangible assets and \$12.335 million of impairment loss on trade receivables and contract assets related to its satellite assets for the year ended September 30, 2023 from “impairment loss on intangible assets” and “impairment loss on trade receivables and contract assets” respectively to “(loss)/profit from discontinued operations, net of tax” during the year ended September 30, 2024.

The net cash flows associated with the discontinued operations are as follow:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Net cash used in operating activities	(1,056)	4,986	12,843
Net cash used in investing activities	(2,659)	(12,438)	(25,021)
Net cash generated from financing activities	1,331	1,316	2,161
Net cash flows for the year	<u>(2,383)</u>	<u>(6,136)</u>	<u>(10,017)</u>

Net cash flow of the discontinued operations is indicative of the cash investment Arqit made in developing the quantum satellite.

Arqit Quantum Inc.
Notes to the Financial Statements (Continued)
For the year ended 30 September 2024

13. Trade and other receivables

	<u>2024</u>	<u>2023</u>	<u>2022</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Current assets			
Trade debtors	471	1,273	5,924
Other debtors	4,009	164	892
Prepayments and accrued income	517	1,780	861
Total	<u>4,997</u>	<u>3,217</u>	<u>7,677</u>

The directors consider that the carrying amount of financial assets recorded at amortised cost in the financial statements approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

	<u>2024</u>	<u>2023</u>	<u>2022</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Non-current Assets			
Prepayments	—	—	15,873
Trade debtors	—	—	975
Other debtors	—	1,888	1,717
Total	<u>—</u>	<u>1,888</u>	<u>18,565</u>

There has been no change to the allowance for impairment during the year (2023: \$nil; 2022: \$nil). Bad debt write-offs in the year were \$0.166 million (2023: \$1.600 million; 2022: \$nil). The \$1.600 million written off in prior year relates to Virgin Orbit Inc. which filed for bankruptcy in the U.S. This was included within '(Loss)/profit from discontinued operation, net of tax'. Arqit is still pursuing recovery of funds in conjunction with the appointed authority.

At September 30, 2024 \$0.425 million (2023: \$1.273 million; 2022: \$5.924 million) were past due of which \$nil (2023: \$nil; 2022: \$nil) was impaired.

In 2022, Non-current prepayments comprised the payment of a non-refundable deposit towards the cost of the first satellite launch service.

14. Trade and other payables

	<u>2024</u>	<u>2023</u>	<u>2022</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Current liabilities			
Trade payables	9,009	11,788	17,478
Other tax and social security	439	1,471	633
Other creditors	593	733	516
Accruals	1,866	4,821	3,803
Deferred income	4	18	225
Total	<u>11,911</u>	<u>18,831</u>	<u>22,655</u>

Trade payables and accruals relate to amounts payable at the balance sheet date for services received during the year. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. The directors consider that the carrying amount of financial liabilities recorded at amortised cost in the financial statements approximate their fair value.

Arqit Quantum Inc.
Notes to the Financial Statements (Continued)
For the year ended 30 September 2024

Within other creditors, a total of \$0.5 million (2023: \$0.5 million; 2022: \$0.5 million) relates to interest owed on convertible loan notes which converted in September 2021.

	<u>2024</u>	<u>2023</u>	<u>2022</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Non-current Liabilities			
Trade payables	2,000	—	—
Deferred government grants	—	24	4,183
	<u>2,000</u>	<u>24</u>	<u>4,183</u>

15. Cash generated from operations

	<u>2024</u>	<u>2023</u>	<u>2022</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
(Loss)/profit on continuing operations before tax	(23,977)	(44,113)	53,408
Profit from discontinued operations before tax	(34,028)	(26,421)	11,667
Adjustments for:			
Depreciation and impairment	3,157	2,543	1,292
Amortisation of intangible assets	375	91	—
Gain on disposal of fixed assets	(341)	(53)	—
Impairment loss on trade receivables and contract assets	166	12,335	—
Impairment loss on intangible assets	35,003	17,601	—
Change in trade and other receivables	3,366	21,136	(17,949)
Change in trade and other payables	(4,945)	(7,982)	5,586
Share option (credit)/charge	(2,908)	14,118	21,742
Finance income	(930)	(41)	—
Interest payable	223	284	221
Change in fair value of warrants	(6)	(10,638)	(117,394)
Cash (used in)/generated from operations	<u>(24,845)</u>	<u>(21,140)</u>	<u>(41,427)</u>
Reconciliation of net cashflow to movements in net debt:			
Opening net cash/(debt)	44,455	48,966	86,966
Movement in cash	(25,336)	(4,054)	(28,975)
Movement on foreign exchange	(414)	(457)	(9,025)
Movement in net cash/ (debt)	<u>(25,750)</u>	<u>(4,511)</u>	<u>(38,000)</u>
Closing net cash/(debt)	<u>18,705</u>	<u>44,455</u>	<u>48,966</u>
Composition of closing net cash/(debt)			
Cash	18,705	44,455	48,966
Bank loans	—	—	—
Net cash/(debt)	<u>18,705</u>	<u>44,455</u>	<u>48,966</u>

Arqit Quantum Inc.
Notes to the Financial Statements (Continued)
For the year ended 30 September 2024

16. Warrants

Warrant liabilities

Warrants in connection with the Business Combination are classified as financial liabilities at fair value through profit and loss. The warrants are valued at the acquisition date September 3, 2021, for the purpose of determining the deemed acquisition cost. At this date, Arqit Limited (accounting acquiree) acquired all the assets and liabilities of the Company at their fair value. A further valuation of the warrants is performed at each subsequent reporting date.

The key terms of the warrants are:

Warrant exercise

Warrants are exercisable:

- In the period from 8 February 2022 (“First Exercise Date”), being the later of one year from the closing of Centricus’ the Initial Public Offering or 30 days after the Business Combination;
- to 3 September 2026 (“Expiry Date”), being the date five years after the Business Combination (“the Exercise Period”); and
- in exchange for one ordinary AQI Share (NASDAQ: ARQQ) (“Share”) for a price of \$287.50 (“Exercise Price”).

Public warrant redemption

The following terms apply to Public Warrants only:

- AQI may redeem the Public Warrants in whole and not in part during the Exercise Period for \$2.50 per Warrant if the Shares trade at or above \$250.00 but less than \$450.00 per share for a 20 out of 30 trading day period ending three trading days before the Company sends the notice of redemption to the warrant holders; and
- AQI may redeem the Public Warrants in whole and not in part during the Exercise Period for \$0.25 per Warrant if the Shares trade above \$450.00 for a 20 out of 30 trading day period ending three trading days before the Company sends the notice of redemption to the warrant holders.

Private warrant redemption

The following terms apply to Private Warrants only:

- AQI may redeem the Private Warrants in whole and not in part during the Exercise Period for \$2.50 per Warrant if the Shares trade at or above \$250.00 but less than \$450.00 per share for a 20 out of 30 trading day period ending three trading days before the Company sends the notice of redemption to the warrant holders.
- AQI may not redeem the Private Warrants in whole and not in part if the Shares trade above \$450.00; and
- Private Warrant holders may not transfer their warrants to any party not defined as a permitted transferee.

Exercise after redemption notice

The Company is required to provide investors with 30 days’ notice of intention to redeem the Warrants (the “Redemption Notice Period”).

During the Redemption Notice Period, warrant holders may elect to exercise their Warrants on a cash basis (i.e. by paying the Exercise Price of \$287.50 for a Share).

Arqit Quantum Inc.
Notes to the Financial Statements (Continued)
For the year ended 30 September 2024

If redemption is triggered by the Shares trading between \$250.00 and \$450.00 per share, warrant holders may elect for a “Make Whole Exercise” in exchange for a pre-determined number of Shares on a cashless basis. The number of Make Whole shares is determined on the basis of:

- (1) the 10-day volume-weighted average price of the Shares in the 10 trading days following the notice of redemption, and
- (2) the number of months elapsed since the business combination.

IFRS 13 Fair Value prescribes a fair value hierarchy made up of 3 levels of inputs based on the reliability of the underlying data used in establishing the fair value. Public warrant liabilities at fair value through profit and loss are level 2 instruments. Level 2 of the hierarchy includes instruments that are not traded in an active market and is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. Private warrant liabilities are classified as level 3 instruments. The fair value is determined using the fair value of the public warrants, adjusted for a lack of marketability discount because these warrants may only be transferred to a specified group of permitted transferees, therefore limiting the depth of the market (refer to note 24). The key inputs into the Binomial Option Pricing Model were as follows: dividend yield (nil %), volatility (60%) and risk-free rate (3.5%). Volatility was calculated using a set of comparable companies.

	Number of Private warrants	Number of Public warrants	Fair value of warrant liability S'000
Balance at 30 September 2021	6,266,667	8,624,973	128,038
Warrants exercised	—	(1,852,736)	—
Change in fair value	—	—	(117,394)
Balance at 30 September 2022	6,266,667	6,772,237	10,644
Warrants exercised	—	—	—
Change in fair value	—	—	(10,638)
Balance at 30 September 2023	6,266,667	6,772,237	6
Warrants issued	—	—	—
Warrants exercised	—	—	—
Change in fair value	—	—	(6)
Balance at 30 September 2024	6,266,667	6,772,237	—

Equity settled registered direct warrants

In February 2023, Arqit completed a registered direct offering in which it sold 400,000 ordinary shares, together with warrants to purchase 300,000 ordinary shares (the “February 2023 Investor Warrants”) at a combined purchase price of \$2.00 per share and accompanying warrant, generating proceeds to the Company before fees and expenses of approximately \$20.0 million. The February 2023 Investor Warrants have an exercise price of \$2.00 per share, are currently exercisable and will expire on February 22, 2028. In addition, in connection with the February 2023 registered direct offering Arqit issued warrants to purchase 22,000 ordinary shares (the “February 2023 Placement Agent Warrants”) to H.C. Wainwright & Co., LLC or its designees. The February 2023 Placement Agent Warrants have an exercise price of \$2.50 per share, are currently exercisable and will expire on February 22, 2028.

In September 2023, Arqit completed a registered direct offering in which it sold 830,227 ordinary shares, together with warrants to purchase 830,227 ordinary shares (the “September 2023 Investor Warrants”) at a combined purchase price of \$0.78 per share and accompanying warrant, generating proceeds to the Company before fees and expenses of approximately \$16.2 million. The September 2023 Investor Warrants have an exercise price of \$0.78 per share, are currently exercisable and will expire on September 12, 2028. In addition, in connection with the September 2023 registered direct offering Arqit issued warrants to purchase 28,205 ordinary shares (the “September 2023 Placement Agent Warrants”) to H.C. Wainwright & Co., LLC or its designees. The September 2023 Placement Agent Warrants have an exercise price of \$0.975 per share, are currently exercisable and will expire on September 8, 2028. The September 2023 registered direct offering included the sale of 317,407 ordinary shares, together with September 2023 Investor Warrants to purchase 317,407 ordinary shares at a combined offering price of \$0.78 per ordinary share and accompanying warrant to existing shareholders.

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Notes to the Financial Statements (Continued)
For the year ended 30 September 2024

Heritage Assets SCSP, Ropemaker Nominees Limited and Carlo Calabria. Arqit director Manfredi Lefebvre d'Ovidio has sole investment and voting power over the shares held by Heritage Assets SCSP, and Arqit director Stephen Chandler is on the investment committee of Notion Capital Managers LLP, which is the beneficial owner of the Company shares held by Ropemaker Nominees Limited, and Carlo Calabria is an Arqit director.

In September 2024, Arqit entered into a securities purchase agreement pursuant to which it sold 5,440,000 ordinary shares at an offering price of \$2.50 per share. In a concurrent private placement, Arqit issued unregistered warrants to purchase up to 5,440,000 shares at an exercise price of \$2.50 per share, exercisable only upon the later of (i) one year from the issuance date, (ii) the date of the approval by the Arqit's shareholders of an increase in authorized capital sufficient to permit the issuance of the shares issuable upon exercise of the September 2024 Investor Warrants and (iii) the date that the closing trading price of the Ordinary Shares on the Nasdaq Capital Market has exceeded \$5.00 for 60 consecutive trading days. The warrants will be exercisable for a period of one year following the Exercise Date. The Warrants will terminate on the earlier of (x) 5:00 p.m. (New York City time) on the last day of the exercise period or (y) 5:00 p.m. (New York City time) on the date falling five years after the date of issuance. The investors in the September 2024 offering were existing shareholders Heritage Assets SCSP, Ropemaker Nominees Limited, Carlo Calabria and Garth Ritchie. Arqit director Manfredi Lefebvre d'Ovidio has shared investment and voting power over the shares held by Heritage Assets SCSP, Arqit director Stephen Chandler is on the investment committee of Notion Capital Managers LLP, which is the beneficial owner of the Arqit shares held by Ropemaker Nominees Limited, and Carlo Calabria and Garth Ritchie are both Arqit directors.

17. Share-based compensation

The Group has incentive awards for employees, share options which ceased in 2021 and RSUs. The below table summaries share-based compensation expense for the years ended September 30, 2024, 2023 and 2022.

	Year ended 30 September 2024	Year ended 30 September 2023	Year ended 30 September 2022
	\$'000	\$'000	\$'000
Share option (credit)/charge included in administrative expenses	(1,043)	(14)	177
RSU compensation for the year included in administrative expenses	(593)	14,132	21,565
	<u>(1,636)</u>	<u>14,118</u>	<u>21,742</u>

Share options

Share options are exercisable at the price agreed at the time of the issue of the share option. The vesting periods are consistent between employees. Options are typically forfeited if the employee leaves the Group before the options vest. Details of the share options granted during the period are as follows:

	2024		2023		2022	
	Number of Share options	Weighted Average Exercise Price (\$)	Number of Share options	Weighted Average Exercise Price (£)	Number of Share options	Weighted Average exercise Price (£)
Outstanding at beginning of period	252,136	0.0025	320,193	0.0025	338,075	0.0025
Granted during the period	—	—	—	—	—	—
Forfeited/lapsed during the period	(19,416)	0.0025	(566)	0.0025	(17,882)	0.0025
Exercised during the period	(107,685)	—	(67,491)	—	—	—
Outstanding at end of period	<u>125,035</u>	0.0025	<u>252,136</u>	0.0025	<u>320,193</u>	0.0025
Exercisable at end of period	<u>92,205</u>		<u>67,971</u>		<u>50,122</u>	

The options outstanding at 30 September 2024 had a weighted average exercise price of \$0.0025 (£0.0025) pence, and a weighted average remaining contractual life of 1 year. Prior to the completion of the business combination (2021), Arqit Limited granted options

Arqit Quantum Inc.
Notes to the Financial Statements (Continued)
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over Arqit Limited ordinary shares to its employees, consultants and advisors. The holders of each of these options agreed to exchange these options for equivalent options to acquire ordinary shares at a conversion rate of 46.06. Therefore, the share price and exercise price have been stated in pound sterling for 30 September 2021 due to this being the currency which the instrument originated from, this has been restated to dollars and the value is reflected as at 30 September 2023.

The inputs into the Black-Scholes model are as follows:

	2024	2023	2022
Weighted average share price (£)	—	—	3.30
Weighted average exercise price (£)	—	—	0.0001
Expected volatility	—	—	50 %
Expected life	—	—	5 years
Risk-free rate	—	—	0.1 %
Expected dividend yield	—	—	0 %

RSUs

In October 2021, the compensation committee of the board of directors approved the grant of RSUs to employees. Compensation expense for RSUs is determined based upon the market price of the shares underlying the awards on the date of grant and expensed over the vesting period, which is generally a one to five-year service period.

	2024			2023			2022		
	Number of awards	Weighted Average grant date fair value per share Price (\$)	Weighted Average remaining term to vest/distribute (yrs)	Number of awards	Weighted Average grant date fair value per share Price (\$)	Weighted Average remaining term to vest/distribute (yrs)	Number of awards	Weighted Average grant date fair value per share Price (\$)	Weighted Average remaining term to vest/distribute (yrs)
Outstanding at beginning of period	156,746	—		107,709	—		—	—	
Granted during the period	180,106	13.41		124,096	77.17		110,591	438.07	
Forfeited/lapsed during the period	(41,062)	312.79		(12,376)	126.33		(2,882)	380.87	
Vested during the period	(69,863)	156.98		(62,683)	305.75		—	—	
Outstanding at end of period	<u>225,927</u>	66.70	1.93	<u>156,746</u>	229.66	1.4742	<u>107,709</u>	439.42	2.8598

Arqit Quantum Inc.
Notes to the Financial Statements (Continued)
For the year ended 30 September 2024

18. Staff costs

	<u>2024</u>	<u>2023</u>	<u>2022</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
The aggregate remuneration comprised:			
Wages and salaries	15,108	20,166	12,920
Social security costs	1,941	3,117	1,405
Pension costs	1,666	2,312	707
Share based compensation	<u>(1,636)</u>	<u>14,118</u>	<u>21,742</u>
	<u>17,079</u>	<u>39,713</u>	<u>36,774</u>

A total of \$0.511 million (2023: \$1.956 million; 2022: \$4.920 million) relating to staff costs was capitalised in relation to development costs within intangibles within the year.

Total remuneration for key management personnel for 2024 was \$2.789 million (2023 - \$3.056 million; 2022 - \$3.795 million). Total pension contributions of key management personnel totaled \$0.108 million (2023 - \$0.112 million; 2022 - \$0.089 million) and is included within the total remuneration for key management personnel. Nil (2023: nil; 2022: nil) share options were granted to key management personnel in the year. A total of 29,721 RSUs were granted to key management personnel for 2024 (2023 –22,087; 2022 – 50,739). 2023 and 2022 RSUs have been restated for the reverse stock split effected in September 2024.

During the year remuneration payable to directors was as follows:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Directors' remuneration	<u>1,221</u>	<u>1,395</u>	<u>1,856</u>

The highest paid Directors remuneration totaled \$54,960 (2023: \$595,683; 2022: \$789,002).

19. Deferred Tax

	<u>2024</u>	<u>2023</u>	<u>2022</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
At the beginning of the period	—	—	—
Movement in the year recognised in profit or loss	—	—	—
Foreign exchange on translation	—	—	—
At the end of the year	<u>—</u>	<u>—</u>	<u>—</u>
The deferred tax liability/(asset) is made up as follows:			
Intangible asset and other timing differences	—	3,335	10,389
Unrelieved tax losses	<u>—</u>	<u>(3,335)</u>	<u>(10,389)</u>
	<u>—</u>	<u>—</u>	<u>—</u>

In total there are \$167.064 million (2023: \$95.281 million, 2022: \$42.204 million) of tax losses and temporary differences on which deferred tax assets have not been recognised. This is comprised of \$163.041 million (2023: \$90.234 million; 2022: \$38.132 million) in respect of unrelieved tax losses carried forward, \$3.440 million (2023: \$5.047 million, 2022: \$4.0723 million) in respect of share scheme differences, \$0.228 million (2023: \$nil, 2022: \$nil) with respect of short-term timing differences and \$0.354 million (2023: \$nil, 2022: \$nil) regarding an RDEC step 2 credit. These deferred tax assets have not been recognised as the Group is uncertain on when there will be sufficient future taxable profits against which to utilise the assets.

Arqit Quantum Inc.
Notes to the Financial Statements (Continued)
For the year ended 30 September 2024

20. Leases

Leases as lessee

The Group leases several assets including an office building and IT equipment. The average lease term for buildings is 5 years and for IT equipment is 3 years. Information about leases for which the Group is a lessee is presented below.

The Group leases a building, laboratory and IT equipment which is a short term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases. The Group's commitment for short-term leases at 30 September 2024 is not material.

Right-of-use assets

	Land & buildings	IT equipment	Total
	\$'000	\$'000	\$'000
Cost			
At 1 October 2021	—	—	—
Additions	7,597	704	8,301
Foreign exchange on translation	(1,321)	—	(1,321)
At 30 September 2022	6,276	704	6,980
At 1 October 2022	6,276	704	6,980
Additions	1,100	—	1,100
Foreign exchange on translation	635	—	635
At 30 September 2023	8,011	704	8,715
At 1 October 2023	8,011	704	8,715
Additions	—	—	—
Modifications	—	(82)	(82)
Disposals	(7,580)	(365)	(7,945)
Foreign exchange on translation	669	—	669
At 30 September 2024	1,100	257	1,357
Depreciation			
At 1 October 2021	(841)	(82)	(923)
Charge	80	2	82
Foreign exchange on translation	—	—	—
At 30 September 2022	(761)	(80)	(841)
At 1 October 2022	(761)	(80)	(841)
Charge	(1,395)	(247)	(1,642)
Foreign exchange on translation	(77)	(14)	(91)
At 30 September 2023	(2,233)	(341)	(2,574)
At 1 October 2023	(2,233)	(341)	(2,574)
Charge	(1,230)	(201)	(1,431)
Disposals	3,382	354	3,736
Foreign exchange on translation	(273)	(4)	(277)
At 30 September 2024	(354)	(192)	(546)
Net Book Value			
At 30 September 2024	746	65	811
At 30 September 2023	5,778	363	6,141
At 30 September 2022	5,515	624	6,139

Arqit Quantum Inc.
Notes to the Financial Statements (Continued)
For the year ended 30 September 2024

Lease liability

	<u>2024</u> \$'000	<u>2023</u> \$'000	<u>2022</u> \$'000
Current liabilities			
Lease liabilities	286	2,118	1,154
Non-current liabilities			
Lease liabilities	704	6,284	6,681
	<u>990</u>	<u>8,402</u>	<u>7,835</u>

Amounts recognised in profit or loss

	<u>2024</u> \$'000	<u>2023</u> \$'000	<u>2022</u> \$'000
Depreciation expense on right of use assets	1,432	1,642	923
Interest on lease liabilities	223	284	221
Expense relating to short-term leases	74	3	12
Total	<u>1,729</u>	<u>1,929</u>	<u>1,156</u>

Amounts recognised in statement of cash flows

	<u>2024</u> \$'000	<u>2023</u> \$'000	<u>2022</u> \$'000
Total cash outflow for leases	(3,219)	(1,599)	(657)
Total	<u>(3,219)</u>	<u>(1,599)</u>	<u>(657)</u>

21. Share capital

As of September 30, 2024, the total number of ordinary shares of the Company outstanding is 11,545,354 with a par value of \$0.0025.

	<u>Number of ordinary shares</u>	<u>Share capital \$</u>
September 30, 2021 – par value \$0.0025	4,402,937	11,007
Warrants exercised	74,109	185
Shares issued in exchange for Arqit Limited shares	400,000	1,000
September 30, 2022 – par value \$0.0025	<u>4,877,046</u>	<u>12,192</u>
Warrants exercised	—	—
Shares issued	1,665,124	4,163
September 30, 2023 – par value \$0.0025	<u>6,542,170</u>	<u>16,355</u>
Warrants exercised	—	—
Shares issued	5,003,184	12,508
September 30, 2024 – par value \$0.0025	<u>11,545,354</u>	<u>28,863</u>

Arqit Quantum Inc.
Notes to the Financial Statements (Continued)
For the year ended 30 September 2024

22. Retained earnings

	<u>2024</u>	<u>2023</u>	<u>2022</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
At 1 October	(277,533)	(207,140)	(272,215)
Profit/(Loss) for the year	(54,581)	(70,393)	65,075
At 30 September	<u>(332,114)</u>	<u>(277,533)</u>	<u>(207,140)</u>

23. Reserves

Share premium

Includes the difference in price between the par value of shares, and the total price the Group received for those shares, net of expenses.

Foreign currency translation reserve

Includes other comprehensive income relating to the translation of subsidiaries into the functional currency of the group.

Share based payment reserve

Cumulative charges in respect of share options issued.

Retained earnings

Includes cumulative profit and loss and all other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

Other reserves

Other reserve includes the IFRS 2 deemed acquisition cost and other reserves assumed as part of the reverse acquisition.

Arqit Quantum Inc.
Notes to the Financial Statements (Continued)
For the year ended 30 September 2024

24. Financial instruments and fair value disclosures

Capital management

The Group's policy is to maintain a strong balance sheet for the business and to have an appropriate funding structure. Shareholders' equity and long-term debt are used to finance assets under construction. The Group is not subject to any externally imposed capital requirements.

Financial assets and financial liabilities

Categories of financial assets and financial liabilities are as follows:

Financial assets at amortised cost

\$'000	Carrying value 30 September 2024	Fair value 30 September 2024
Cash and cash equivalents	18,705	18,705
Trade and other receivables	471	471
	19,176	19,176

\$'000	Carrying value 30 September 2023	Fair value 30 September 2023
Cash and cash equivalents	44,455	44,455
Trade and other receivables	1,273	1,273
	45,728	45,728

\$'000	Carrying value 30 September 2022	Fair value 30 September 2022
Cash and cash equivalents	48,966	48,966
Trade and other receivables	6,899	6,899
	55,865	55,865

The Directors consider the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements to approximate their fair value.

Arqit Quantum Inc.
Notes to the Financial Statements (Continued)
For the year ended 30 September 2024

Financial liabilities at amortised cost

\$'000	Carrying value 30 September 2024	Fair value 30 September 2024
Trade and other payables	11,911	11,911
Lease liabilities	990	990
	12,901	12,901

\$'000	Carrying value 30 September 2023	Fair value 30 September 2023
Trade and other payables	18,831	18,831
Lease liabilities	8,402	8,402
	27,233	27,233

\$'000	Carrying value 30 September 2022	Fair value 30 September 2022
Trade and other payables	22,655	22,655
Lease liabilities	7,834	7,834
	30,489	30,489

The Directors consider the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the financial statements to approximate their fair value.

Financial liabilities at fair value through profit or loss

IFRS 13 Fair Value prescribes a fair value hierarchy made up of 3 levels of inputs based on the reliability of the underlying data used in establishing the fair value. The fair value of public warrants is determined using level 2 inputs. Level 2 of the hierarchy includes instruments that are not traded in an active market and is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. Private warrants are classified as a level 3 financial instrument. The fair value is determined using the fair value of the public warrants, adjusted for a lack of marketability discount of nil (2023: 7.5%) because these warrants may only be transferred to a specified group of permitted transferees, therefore limiting the depth of the market.

\$'000	Carrying value 30 September 2024	Fair value Level 2 30 September 2024	Fair value Level 3 30 September 2024
Warrant liability	—	—	—
	—	—	—

\$'000	Carrying value 30 September 2023	Fair value Level 2 30 September 2023	Fair value Level 3 30 September 2023
Warrant liability	6	3	3
	6	3	3

Market risk

It is, and has been throughout the period under review, the Group's policy not to use or trade in derivative financial instruments. The Group's financial instruments comprise its cash and cash equivalents and various items such as trade debtors and creditors that arise directly from its operations. The main purpose of the financial assets and liabilities is to provide finance for the Group's operations in the period.

Arqit Quantum Inc.
Notes to the Financial Statements (Continued)
For the year ended 30 September 2024

Interest rate risk management

The Group would be exposed to interest rate risk if the Group borrows funds, when required, at variable interest rates. There is currently no exposure to interest rate risk.

Credit risk

Credit risk is the risk of financial loss where counterparties are not able to meet their obligations. Group policy is that surplus cash, when not used to repay borrowings, is placed on deposit with the Group's main relationship banks and with other banks or money market funds based on a minimum credit rating of A3/A- and maximum exposure.

There is no significant concentration of risk to any single counterparty.

Management consider that the credit quality of the various receivables is good in respect of the amounts outstanding and therefore credit risk is considered to be low. There is no significant concentration of risk.

The carrying amount of financial assets, as detailed above, represents the Group's maximum exposure to credit risk at the reporting date assuming that any security held has no value.

Having considered the Group's exposure to bad debts and the probability of default by customers, no expected credit losses have been recognised in accordance with IFRS 9.

Foreign Exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Sterling ("£") and Euro ("€"). The Group holds Sterling, US Dollar and Euro bank accounts in order to limit its exposure.

The Group is also exposed to foreign exchange risk to the extent that its ultimate parent entity has a US dollar functional currency. This is limited to the parent consolidated accounts.

The table below summarises the FX exposure on the net monetary position of each group entity against its respective functional currency, expressed in the group's presentation currency.

Year ended 30 September 2024	£'000
Parent	—
UK subsidiary	107,608
Total	107,608

The reasonable shifts in exchange rates below are based on historic volatility.

If the \$/£ rates moved by +/- 11.39% then the effect on profit would be as follows:

Year ended 30 September 2024	\$'000
Reasonable shift	(13.65)%
Total effect on Loss of +ve movements	(14,687)
Total effect on Loss of -ve movements	14,687

Liquidity risk

Liquidity risk is the risk that the Group does not have sufficient financial resources available to meet its obligations as they fall due. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows, matching the expected cash flow timings of financial assets and liabilities with the use of cash and cash equivalents, borrowings, overdrafts and committed revolving credit facilities with a minimum of 12 months to maturity.

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Notes to the Financial Statements (Continued)
For the year ended 30 September 2024

Future borrowing requirements are forecast on a monthly basis and funding headroom is maintained above forecast peak requirements to meet unforeseen events.

The maturity profile of the anticipated future cash flows including interest, using the latest applicable relevant rate, based on the earliest date on which the Group can be required to pay financial liabilities on an undiscounted basis, is as follows:

2024 \$'000	Trade and other payables	Deferred government grants	Lease Liabilities	Total
On demand	—	—	—	—
Within one year	11,911	—	286	12,197
More than one year but less than two years	—	—	257	257
More than two year but less than five years	2,000	—	447	2,447
More than five years	—	—	—	—
	<u>13,911</u>	<u>—</u>	<u>990</u>	<u>14,901</u>

2023 \$'000	Trade and other payables	Deferred government grants	Lease Liabilities	Total
On demand	—	—	—	—
Within one year	18,831	—	2,118	20,949
More than one year but less than two years	—	—	2,307	2,307
More than two year but less than five years	—	24	3,977	4,001
More than five years	—	—	—	—
	<u>18,831</u>	<u>24</u>	<u>8,402</u>	<u>27,257</u>

2022 \$'000	Trade and other payables	Deferred government grants	Loans	Convertible loan notes	Total
On demand	—	—	—	—	—
Within one year	22,655	—	1,154	23,809	47,618
More than one year but less than two years	—	—	1,760	1,760	3,520
More than two year but less than five years	—	4,183	3,767	7,950	15,900
More than five years	—	—	—	—	—
	<u>22,655</u>	<u>4,183</u>	<u>6,681</u>	<u>33,519</u>	<u>67,038</u>

25. Contingent Liabilities

As detailed in 'Item 8 – Financial Information' above, the Company is aware of legal proceedings relating to it, however given their nature and the uncertainties involved in the outcomes and financial impact, no liability has been recorded in relation to them.

Arqit Quantum Inc.
Notes to the Financial Statements (Continued)
For the year ended 30 September 2024

26. Subsidiaries

Details of the company's subsidiaries at 30 September 2024 are as follows:

<u>Name of undertaking</u>	<u>Registered office</u>	<u>Domicile</u>	<u>% held</u>
Arqit Limited	3 Orchard Place, London, SW1H 0BF, United Kingdom	U.K.	100
Arqit Inc.	1209 Orange Street, Wilmington, County of Newcastle, Delaware 19801	U.S.	100
Arqit LLC	1209 Orange Street, Wilmington, County of Newcastle, Delaware 19801	U.S.	100
Arqit Italia S.R.L.	Via Delle Quattro Fontane, 20, 00184 Roma	Italy	100
Arqit Quantum (Singapore) Pte. Ltd	68 Circular Road, #02-01, Singapore, 049422, Singapore	Singapore	100

Arqit Italia S.R.L. and Arqit Quantum (Singapore) Pte. Ltd are in the process of being liquidated. None of the subsidiaries other than Arqit Limited has any material operations.

27. Ultimate controlling party

The Directors consider there to be no ultimate controlling party.

28. Post balance sheet events

There were no material events subsequent to 30 September 2024 and up until the authorisation of the financial statements for issue.

29. Related party transactions

On September 27, 2024, the Company entered into a registered direct offering in which it sold 5,440,000 ordinary shares at an offering price of \$2.50 per share. In a concurrent private placement, Arqit issued unregistered warrants to purchase up to 5,440,000 shares at an exercise price of \$2.50 per share, exercisable only upon the later of (i) one year from the issuance date, (ii) the date of the approval by the Company's shareholders of an increase in authorized capital sufficient to permit the issuance of the shares issuable upon exercise of the September 2024 Investor Warrants and (iii) the date that the closing trading price of the Ordinary Shares on the Nasdaq Capital Market has exceeded \$5.00 for 60 consecutive trading days. The warrants will be exercisable for a period of one year following the Exercise Date. The Warrants will terminate on the earlier of (x) 5:00 p.m. (New York City time) on the last day of the exercise period or (y) 5:00 p.m. (New York City time) on the date falling five years after the date of issuance. The investors in the September 2024 offering were existing shareholders Heritage Assets SCSP, Ropemaker Nominees Limited, Carlo Calabria and Garth Ritchie. Arqit director Manfredi Lefebvre d'Ovidio has shared investment and voting power over the shares held by Heritage Assets SCSP, Arqit director Stephen Chandler is on the investment committee of Notion Capital Managers LLP, which is the beneficial owner of the Arqit shares held by Ropemaker Nominees Limited, and Carlo Calabria and Garth Ritchie are both Arqit directors.

In the year ended September 30, 2024, Arqit Limited paid \$295,930 (2023: \$nil, 2022: \$nil) to Notion Capital for professional services provided by Arqit CEO Andrew Leaver and Rob Soffel. Andrew Leaver is an Operating Partner at Notion Capital Managers LLP ("Notion"), which is the beneficial owner of the Arqit shares held by Ropemaker Nominees Limited. Mr. Leaver is currently engaged as a secondee to Arqit from Notion through an agreement between Arqit and Notion Platform Ltd., an affiliate of Notion, pursuant to which Notion invoices a day rate for Mr. Leaver's cash compensation. Mr. Leaver has also been granted Arqit restricted share units and options. He acts at the direction of Arqit's board of directors, independently from Notion.

In the year ended September 30, 2024, Arqit Inc. paid \$nil (2023: \$100,000, 2022: \$113,923) for the director services of Lt General VL Jamieson who was a director of AQI during the year ended September 30, 2023. All transactions were on an arm's length basis.

In the year ended September 30, 2024, Arqit Inc. paid \$nil (2023: \$100,000, 2022: \$100,575) for the director services of General S Wilson who was a director of AQI during the year ended September 30, 2023. All transactions were on an arm's length basis.

Arqit Quantum Inc.
Notes to the Financial Statements (Continued)
For the year ended 30 September 2024

In the year ended September 30, 2024, Arqit Limited paid \$nil (2023: \$nil, 2022: \$5,091) for the Company secretarial and accounting costs of Arqit PTE, a dormant Company owned 50% by D Williams and 50% by D Bestwick. All transactions were on an arm's length basis.

On September 12, 2023, the Company completed a registered direct offering of its ordinary shares and warrants to purchase ordinary shares, in which Heritage Assets SCSP, Ropemaker Nominees Limited and Carlo Calabria purchased 317,407 ordinary shares, together with warrants to purchase up to 317,407 ordinary shares at a combined offering price of \$0.78 per ordinary share and accompanying warrant. Company director Manfredi Lefebvre d'Ovidio has sole investment and voting power over the shares held by Heritage Assets SCSP, and Arqit director Stephen Chandler is on the investment committee of Notion Capital Managers LLP, which is the beneficial owner of the Company shares held by Ropemaker Nominees Limited, and Carlo Calabria is a director of the Company. The September 2023 Investor Warrants are currently exercisable at an exercise price of \$0.78 per share.

In the year ended September 30, 2024, Arqit Limited paid \$nil (2023: \$nil, 2022: \$1,751) to Notion Capital for professional services, a related party company of Board Director member and Audit Committee Chair Stephen Chandler. All related party transactions were on an arm's length basis.

As at September 30, 2022, there was an amount owing of \$6,574 relating to reimbursement- of an expense to D Williams, a director of the Group. This was fully repaid in October 2022.

There were no further related party transactions.

Registrar of Companies
Government Administration Building
133 Elgin Avenue
George Town
Grand Cayman

Arqit Quantum Inc. (ROC #374857)(the “Company”)

TAKE NOTICE that at a general meeting of the shareholders of the Company dated 18 September 2024, the following resolutions were passed:

RESOLVED, as an ordinary resolution, that, subject to the average closing price, rounded to the nearest penny, of Arqit’s ordinary shares on Nasdaq for the preceding five consecutive business days being below \$0.30, and the determination, confirmation and approval of the Board of Directors that this resolution is an effective means of maintaining, or if necessary, regaining, compliance with the minimum trading price requirement for continued listing of the ordinary shares of Arqit on The Nasdaq Capital Market and that each of the 15:1 Reverse Share Split and 20:1 Reverse Share Split would not be sufficient for such purpose, the authorized share capital of Arqit be consolidated as follows:

from US\$50,000 divided into 469,000,001 ordinary shares of a par value of US\$0.0001 each and 30,999,999 preference shares of a par value of US\$0.0001 each,

to US\$50,000.00 divided into 18,760,000 ordinary shares of a par value of US\$0.0025 each and 1,240,000 preference shares of a par value of US\$0.0025 each

by

(x) the consolidation of the 469,000,001 ordinary shares of a par value of US\$0.0001 into 18,760,000 ordinary shares of a par value of US\$0.0025, and

(y) the consolidation of the 30,999,999 preference shares of a par value of US\$0.0001 into 1,240,000 preference shares of a par value of US\$0.0025,

consolidating each and every issued and outstanding ordinary share and preference share by a factor of 25:1.

Cansell

Cynthia Cansell
Corporate Administrator
for and on behalf of
Maples Corporate Services Limited

Dated this 25th day of September 2024



Registrar of Companies
Government Administration Building
133 Elgin Avenue
George Town
Grand Cayman

Arqit Quantum Inc. (ROC #374857)(the “Company”)

TAKE NOTICE that by written resolutions of the sole shareholder of the Company dated 2 September 2021, the following special resolutions were passed:

1. Approval of the Merger
 - a. It is resolved as a special resolution that, the Company be and is hereby authorized to merge with Centricus Acquisition Corp. (the ‘**SPAC**’), so that the Company be the surviving company and all the undertaking, property and liabilities of the SPAC vest in the Company by virtue of such merger pursuant to the provisions of the Companies Act (As Revised).
 - b. It is resolved as a special resolution that, the Plan of Merger in the form annexed hereto (the “Plan of Merger”) be and is hereby authorized, approved and confirmed in all respects and that the Company be and is hereby authorized to enter into the Plan of Merger.
2. Adoption of Amended and Restated Memorandum and Articles of Association

It is resolved as a special resolution that, the Amended and Restated Memorandum and Articles of Association of the Company currently in effect be amended and restated by the deletion in their entirety and the substitution in their place of the Amended and Restated Memorandum and Articles of Association annexed hereto.

Clause

Tina Cansell
Corporate Administrator
for and on behalf of
Maples Corporate Services Limited

Dated this 2nd day of September 2021



Filed: 02-Sep-2021 15:55 EST
Auth Code: H82075163777

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**THE COMPANIES ACT (AS REVISED)
OF THE CAYMAN ISLANDS
COMPANY LIMITED BY SHARES**

**AMENDED AND RESTATED
MEMORANDUM AND ARTICLES OF ASSOCIATION**

OF

ARQIT QUANTUM INC.

**(ADOPTED BY SPECIAL RESOLUTION DATED SEPTEMBER 2,
2021 AND EFFECTIVE ON SEPTEMBER 2, 2021)**



C-1

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THE COMPANIES ACT (AS REVISED)
OF THE CAYMAN ISLANDS
COMPANY LIMITED BY SHARES

MEMORANDUM OF ASSOCIATION

OF

ARQIT QUANTUM INC.

(ADOPTED BY SPECIAL RESOLUTION DATED SEPTEMBER 2,
2021 AND EFFECTIVE ON SEPTEMBER 2, 2021)

1. The name of the Company is **Arqit Quantum Inc.**
2. The Registered Office of the Company shall be at the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands, or at such other place within the Cayman Islands as the Directors may decide.
3. The objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the laws of the Cayman Islands.
4. The liability of each Member is limited to the amount unpaid on such Member's shares.
5. The share capital of the Company is US\$50,000 divided into 469,000,001 ordinary shares of a par value of US\$0.0001 each and 30,999,999 preference shares of a par value of US\$0.0001 each.
6. The Company has power to register by way of continuation as a body corporate limited by shares under the laws of any jurisdiction outside the Cayman Islands and to be deregistered in the Cayman Islands.
7. Capitalised terms that are not defined in this Memorandum of Association bear the respective meanings given to them in the Articles of Association of the Company.

C-2

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**THE COMPANIES ACT (AS REVISED)
OF THE CAYMAN ISLANDS
COMPANY LIMITED BY SHARES
AMENDED AND RESTATED
ARTICLES OF ASSOCIATION
OF
ARQIT QUANTUM INC.
(ADOPTED BY SPECIAL RESOLUTION DATED AUGUST 30, 2021
AND EFFECTIVE ON SEPTEMBER 2, 2021)**

1. Interpretation

1.1 In the Articles Table A in the First Schedule to the Statute does not apply and, unless there is something in the subject or context inconsistent therewith:

“Applicable Law”	means, with respect to any person, all provisions of laws, statutes, ordinances, rules, regulations, permits, certificates, judgments, decisions, decrees or orders of any governmental authority applicable to such person.
“Articles”	means these articles of association of the Company.
“Audit Committee”	means the audit committee of the board of Directors of the Company established pursuant to the Articles, or any successor committee.
“Auditor”	means the person for the time being performing the duties of auditor of the Company (if any).
“Cause”	means a conviction for a criminal offence involving dishonesty or engaging in conduct which brings a Director or the Company into disrepute or which results in a material financial detriment to the Company.
“Clearing House”	means a clearing house recognised by the laws of the jurisdiction in which the Shares (or depositary receipts therefor) are listed or quoted on a stock exchange or interdealer quotation system in such jurisdiction.
“Company”	means the above named company.
“Company’s Website”	means the website of the Company and/or its web-address or domain name (if any).
“Compensation Committee”	means the compensation committee of the board of Directors of the Company established pursuant to the Articles, or any successor committee.
“Designated Stock Exchange”	means any United States national securities exchange on which the securities of the Company are listed for trading, including the Nasdaq Capital Market.
“Directors”	means the directors for the time being of the Company.
“Dividend”	means any dividend (whether interim or final) resolved to be paid on Shares pursuant to the Articles.



“Electronic Communication”	means a communication sent by electronic means, including electronic posting to the Company’s Website, transmission to any number, address or internet website (including the website of the Securities and Exchange Commission) or other electronic delivery methods as otherwise decided and approved by the Directors.
“Electronic Record”	has the same meaning as in the Electronic Transactions Act.
“Electronic Transactions Law”	means the Electronic Transactions Act (As Revised) of the Cayman Islands.
“Exchange Act”	means the United States Securities Exchange Act of 1934, as amended or any similar U.S. federal statute and the rules and regulations of the Securities and Exchange Commission thereunder, all as the same shall be in effect at the time.
“Independent Director”	has the same meaning as in the rules and regulations of the Designated Stock Exchange or in Rule 10A-3 under the Exchange Act, as the case may be.
“Member”	has the same meaning as in the Statute.
“Memorandum”	means the memorandum of association of the Company.
“Nominating and Corporate Governance Committee”	means the nominating and corporate governance committee of the board of Directors of the Company established pursuant to the Articles, or any successor committee.
“Officer”	means a person appointed to hold an office in the Company.
“Ordinary Resolution”	means a resolution passed by a simple majority of the Members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting, and includes a unanimous written resolution. In computing the majority when a poll is demanded regard shall be had to the number of votes to which each Member is entitled by the Articles.
“Ordinary Share”	means an ordinary share of a par value of US\$0.0001 in the share capital of the Company.
“Preference Share”	means a preference share of a par value of US\$0.0001 in the share capital of the Company.



“Register of Members”	means the register of Members maintained in accordance with the Statute and includes (except where otherwise stated) any branch or duplicate register of Members.
“Registered Office”	means the registered office for the time being of the Company.
“Seal”	means the common seal of the Company and includes every duplicate seal.
“Securities and Exchange Commission”	means the United States Securities and Exchange Commission.
“Share”	means an Ordinary Share or a Preference Share and includes a fraction of a share in the Company.
“Special Resolution”	has the same meaning as in the Statute, and includes a unanimous written resolution.
“Statute”	means the Companies Act (As Revised) of the Cayman Islands.
“Treasury Share”	means a Share held in the name of the Company as a treasury share in accordance with the Statute.

1.2 In the Articles:

- (a) words importing the singular number include the plural number and vice versa;
- (b) words importing one gender include all other genders;
- (c) words importing persons include corporations as well as any other legal or natural person;
- (d) “shall” shall be construed as imperative and “may” shall be construed as permissive;
- (e) references to provisions of any law or regulation shall be construed as references to those provisions as amended, modified, re-enacted or replaced;
- (f) any phrase introduced by the terms “including”, “include”, “in particular” or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms;
- (g) the term “and/or” is used herein to mean both “and” as well as “or.” The use of “and/or” in certain contexts in no respects qualifies or modifies the use of the terms “and” or “or” in others. The term “or” shall not be interpreted to be exclusive and the term “and” shall not be interpreted to require the conjunctive (in each case, unless the context otherwise requires);
- (h) headings are inserted for reference only and shall be ignored in construing the Articles;
- (i) any requirements as to delivery under the Articles include delivery in the form of an Electronic Record;
- (j) any requirements as to execution or signature under the Articles including the execution of the Articles themselves can be satisfied in the form of an electronic signature as defined in the Electronic Transactions Act;
- (k) sections 8 and 19(3) of the Electronic Transactions Act shall not apply;
- (l) the term “clear days” in relation to the period of a notice means that period excluding the day when the notice is received or deemed to be received and the day for which it is given or on which it is to take effect; and
- (m) the term “holder” in relation to a Share means a person whose name is entered in the Register of Members as the holder of such Share.



2. Commencement of Business

- 2.1 The business of the Company may be commenced as soon after incorporation of the Company as the Directors shall see fit.
- 2.2 The Directors may pay, out of the capital or any other monies of the Company, all expenses incurred in or about the formation and establishment of the Company, including the expenses of registration.

3. Issue of Shares and Rights attaching to Shares

- 3.1 Subject to the provisions, if any, in the Memorandum (and to any direction that may be given by the Company in general meeting) and, where applicable, the rules and regulation of the Designated Stock Exchange, the Securities and Exchange Commission and/or any other competent regulatory authority or otherwise under Applicable Law, and without prejudice to any rights attached to any existing Shares, the Directors may allot, issue, grant options over or otherwise dispose of Shares (including fractions of a Share) with or without preferred, deferred or other rights or restrictions, whether in regard to Dividends or other distributions, voting, return of capital or otherwise and to such persons, at such times and on such other terms as they think proper, and may also (subject to the Statute and the Articles) vary such rights.
- 3.2 The Company may issue rights, options, warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for, purchase or receive any class of Shares or other securities in the Company on such terms as the Directors may from time to time determine.
- 3.3 The Company may issue securities in the Company, which may be comprised of whole or fractional Shares, rights, options, warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for, purchase or receive any class of Shares or other securities in the Company, upon such terms as the Directors may from time to time determine.
- 3.4 The Company shall not issue Shares to bearer.

4. Register of Members

- 4.1 The Company shall maintain or cause to be maintained the Register of Members in accordance with the Statute.
- 4.2 The Directors may determine that the Company shall maintain one or more branch registers of Members in accordance with the Statute. The Directors may also determine which register of Members shall constitute the principal register and which shall constitute the branch register or registers, and to vary such determination from time to time.

5. Closing Register of Members or Fixing Record Date

- 5.1 For the purpose of determining Members entitled to notice of, or to vote at any meeting of Members or any adjournment thereof, or Members entitled to receive payment of any Dividend or other distribution, or in order to make a determination of Members for any other purpose, the Directors may, after notice has been given by advertisement in an appointed newspaper or any other newspaper or by any other means in accordance with the rules and regulations of the Designated Stock Exchange, the Securities and Exchange Commission and/or any other competent regulatory authority or otherwise under Applicable Law, provide that the Register of Members shall be closed for transfers for a stated period which shall not in any case exceed forty days.
- 5.2 In lieu of, or apart from, closing the Register of Members, the Directors may fix in advance or arrears a date as the record date for any such determination of Members entitled to notice of, or to vote at any meeting of the Members or any adjournment thereof, or for the purpose of determining the Members entitled to receive payment of any Dividend or other distribution, or in order to make a determination of Members for any other purpose.
- 5.3 If the Register of Members is not so closed and no record date is fixed for the determination of Members entitled to notice of, or to vote at, a meeting of Members or Members entitled to receive



payment of a Dividend or other distribution, the date on which notice of the meeting is sent or the date on which the resolution of the Directors resolving to pay such Dividend or other distribution is passed, as the case may be, shall be the record date for such determination of Members. When a determination of Members entitled to vote at any meeting of Members has been made as provided in this Article, such determination shall apply to any adjournment thereof.

6. Certificates for Shares

- 6.1 A Member shall only be entitled to a share certificate if the Directors resolve that share certificates shall be issued. Share certificates representing Shares, if any, shall be in such form as the Directors may determine. Share certificates shall be signed by one or more Directors or other person authorised by the Directors. The Directors may authorise certificates to be issued with the authorised signature(s) affixed by mechanical process. All certificates for Shares shall be consecutively numbered or otherwise identified and shall specify the Shares to which they relate. All certificates surrendered to the Company for transfer shall be cancelled and, subject to the Articles, no new certificate shall be issued until the former certificate representing a like number of relevant Shares shall have been surrendered and cancelled.
- 6.2 The Company shall not be bound to issue more than one certificate for Shares held jointly by more than one person and delivery of a certificate to one joint holder shall be a sufficient delivery to all of them.
- 6.3 If a share certificate is defaced, worn out, lost or destroyed, it may be renewed on such terms (if any) as to evidence and indemnity and on the payment of such expenses reasonably incurred by the Company in investigating evidence, as the Directors may prescribe, and (in the case of defacement or wearing out) upon delivery of the old certificate.
- 6.4 Every share certificate sent in accordance with the Articles will be sent at the risk of the Member or other person entitled to the certificate. The Company will not be responsible for any share certificate lost or delayed in the course of delivery.
- 6.5 Share certificates shall be issued within the relevant time limit as prescribed by the Statute, if applicable, or as the rules and regulations of the Designated Stock Exchange, the Securities and Exchange Commission and/or any other competent regulatory authority or otherwise under Applicable Law may from time to time determine, whichever is shorter, after the allotment or, except in the case of a Share transfer which the Company is for the time being entitled to refuse to register and does not register, after lodgement of a Share transfer with the Company.

7. Transfer of Shares

- 7.1 Subject to the terms of the Articles, any Member may transfer all or any of his Shares by an instrument of transfer provided that such transfer complies with the rules and regulations of the Designated Stock Exchange, the Securities and Exchange Commission and/or any other competent regulatory authority or otherwise under Applicable Law. If the Shares in question were issued in conjunction with rights, options or warrants issued pursuant to the Articles on terms that one cannot be transferred without the other, the Directors shall refuse to register the transfer of any such Share without evidence satisfactory to them of the like transfer of such option or warrant.
- 7.2 The instrument of transfer of any Share shall be in writing in the usual or common form or in a form prescribed by the rules and regulations of the Designated Stock Exchange, the Securities and Exchange Commission and/or any other competent regulatory authority or otherwise under Applicable Law or in any other form approved by the Directors and shall be executed by or on behalf of the transferor (and if the Directors so require, signed by or on behalf of the transferee) and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Directors may approve from time to time. The transferor shall be deemed to remain the holder of a Share until the name of the transferee is entered in the Register of Members.



8. Redemption, Repurchase and Surrender of Shares

- 8.1 Subject to the provisions of the Statute, and, where applicable, the rules and regulations of the Designated Stock Exchange, the Securities and Exchange Commission and/or any other competent regulatory authority or otherwise under Applicable Law, the Company may issue Shares that are to be redeemed or are liable to be redeemed at the option of the Member or the Company.
- 8.2 Subject to the provisions of the Statute, and, where applicable, the rules and regulations of the Designated Stock Exchange, the Securities and Exchange Commission and/or any other competent regulatory authority or otherwise under Applicable Law, the Company may purchase its own Shares (including any redeemable Shares) in such manner and on such other terms as the Directors may agree with the relevant Member.
- 8.3 The Company may make a payment in respect of the redemption or purchase of its own Shares in any manner permitted by the Statute, including out of capital.
- 8.4 The Directors may accept the surrender for no consideration of any fully paid Share.

9. Treasury Shares

- 9.1 The Directors may, prior to the purchase, redemption or surrender of any Share, determine that such Share shall be held as a Treasury Share.
- 9.2 The Directors may determine to cancel a Treasury Share or transfer a Treasury Share on such terms as they think proper (including, without limitation, for nil consideration).

10. Variation of Rights of Shares

- 10.1 Subject to Article 3.1, if at any time the share capital of the Company is divided into different classes of Shares, all or any of the rights attached to any class (unless otherwise provided by the terms of issue of the Shares of that class) may, whether or not the Company is being wound up, be varied without the consent of the holders of the issued Shares of that class where such variation is considered by the Directors not to have a material adverse effect upon such rights; otherwise, any such variation shall be made only with the consent in writing of the holders of not less than two thirds of the issued Shares of that class, or with the approval of a resolution passed by a majority of not less than two thirds of the votes cast at a separate meeting of the holders of the Shares of that class. For the avoidance of doubt, the Directors reserve the right, notwithstanding that any such variation may not have a material adverse effect, to obtain consent from the holders of Shares of the relevant class. To any such meeting all the provisions of the Articles relating to general meetings shall apply *mutatis mutandis*, except that the necessary quorum shall be one person holding or representing by proxy at least one third of the issued Shares of the class and that any holder of Shares of the class present in person or by proxy may demand a poll.
- 10.2 For the purposes of a separate class meeting, the Directors may treat two or more or all the classes of Shares as forming one class of Shares if the Directors consider that such class of Shares would be affected in the same way by the proposals under consideration, but in any other case shall treat them as separate classes of Shares.
- 10.3 The rights conferred upon the holders of the Shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the Shares of that class, be deemed to be varied by the creation or issue of further Shares ranking *pari passu* therewith or Shares issued with preferred or other rights.

11. Commission on Sale of Shares

The Company may, in so far as the Statute permits, pay a commission to any person in consideration of his subscribing or agreeing to subscribe (whether absolutely or conditionally) or procuring or agreeing to procure subscriptions (whether absolutely or conditionally) for any Shares. Such commissions may be satisfied by the payment of cash and/or the issue of fully or partly paid-up Shares. The Company may also on any issue of Shares pay such brokerage as may be lawful.



12. Non Recognition of Trusts

The Company shall not be bound by or compelled to recognise in any way (even when notified) any equitable, contingent, future or partial interest in any Share, or (except only as is otherwise provided by the Articles or the Statute) any other rights in respect of any Share other than an absolute right to the entirety thereof in the holder.

13. Lien on Shares

- 13.1 The Company shall have a first and paramount lien on all Shares (whether fully paid-up or not) registered in the name of a Member (whether solely or jointly with others) for all debts, liabilities or engagements to or with the Company (whether presently payable or not) by such Member or his estate, either alone or jointly with any other person, whether a Member or not, but the Directors may at any time declare any Share to be wholly or in part exempt from the provisions of this Article. The registration of a transfer of any such Share shall operate as a waiver of the Company's lien thereon. The Company's lien on a Share shall also extend to any amount payable in respect of that Share.
- 13.2 The Company may sell, in such manner as the Directors think fit, any Shares on which the Company has a lien, if a sum in respect of which the lien exists is presently payable, and is not paid within fourteen clear days after notice has been received or deemed to have been received by the holder of the Shares, or to the person entitled to it in consequence of the death or bankruptcy of the holder, demanding payment and stating that if the notice is not complied with the Shares may be sold.
- 13.3 To give effect to any such sale the Directors may authorise any person to execute an instrument of transfer of the Shares sold to, or in accordance with the directions of, the purchaser. The purchaser or his nominee shall be registered as the holder of the Shares comprised in any such transfer, and he shall not be bound to see to the application of the purchase money, nor shall his title to the Shares be affected by any irregularity or invalidity in the sale or the exercise of the Company's power of sale under the Articles.
- 13.4 The net proceeds of such sale after payment of costs, shall be applied in payment of such part of the amount in respect of which the lien exists as is presently payable and any balance shall (subject to a like lien for sums not presently payable as existed upon the Shares before the sale) be paid to the person entitled to the Shares at the date of the sale.

14. Call on Shares

- 14.1 Subject to the terms of the allotment and issue of any Shares, the Directors may make calls upon the Members in respect of any monies unpaid on their Shares (whether in respect of par value or premium), and each Member shall (subject to receiving at least fourteen clear days' notice specifying the time or times of payment) pay to the Company at the time or times so specified the amount called on the Shares. A call may be revoked or postponed, in whole or in part, as the Directors may determine. A call may be required to be paid by instalments. A person upon whom a call is made shall remain liable for calls made upon him notwithstanding the subsequent transfer of the Shares in respect of which the call was made.
- 14.2 A call shall be deemed to have been made at the time when the resolution of the Directors authorising such call was passed.
- 14.3 The joint holders of a Share shall be jointly and severally liable to pay all calls in respect thereof.
- 14.4 If a call remains unpaid after it has become due and payable, the person from whom it is due shall pay interest on the amount unpaid from the day it became due and payable until it is paid at such rate as the Director, may determine (and in addition all expenses that have been incurred by the Company by reason of such non-payment), but the Directors may waive payment of the interest or expenses wholly or in part.
- 14.5 An amount payable in respect of a Share on issue or allotment or at any fixed date, whether on account of the par value of the Share or premium or otherwise, shall be deemed to be a call and if it is not paid all the provisions of the Articles shall apply as if that amount had become due and payable by virtue of a call.



- 14.6 The Directors may issue Shares with different terms as to the amount and times of payment of calls, or the interest to be paid.
- 14.7 The Directors may, if they think fit, receive an amount from any Member willing to advance all or any part of the monies uncalled and unpaid upon any Shares held by him, and may (until the amount would otherwise become payable) pay interest at such rate as may be agreed upon between the Directors and the Member paying such amount in advance.
- 14.8 No such amount paid in advance of calls shall entitle the Member paying such amount to any portion of a Dividend or other distribution payable in respect of any period prior to the date upon which such amount would, but for such payment, become payable.

15. Forfeiture of Shares

- 15.1 If a call or instalment of a call remains unpaid after it has become due and payable the Directors may give to the person from whom it is due not less than fourteen clear days' notice requiring payment of the amount unpaid together with any interest which may have accrued and any expenses incurred by the Company by reason of such non-payment. The notice shall specify where payment is to be made and shall state that if the notice is not complied with the Shares in respect of which the call was made will be liable to be forfeited.
- 15.2 If the notice is not complied with, any Share in respect of which it was given may, before the payment required by the notice has been made, be forfeited by a resolution of the Directors. Such forfeiture shall include all Dividends, other distributions or other monies payable in respect of the forfeited Share and not paid before the forfeiture.
- 15.3 A forfeited Share may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the Directors think fit and at any time before a sale, re-allotment or disposition the forfeiture may be cancelled on such terms as the Directors think fit. Where for the purposes of its disposal a forfeited Share is to be transferred to any person the Directors may authorise some person to execute an instrument of transfer of the Share in favour of that person.
- 15.4 A person any of whose Shares have been forfeited shall cease to be a Member in respect of them and shall surrender to the Company for cancellation the certificate for the Shares forfeited and shall remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of those Shares together with interest at such rate as the Directors may determine, but his liability shall cease if and when the Company shall have received payment in full of all monies due and payable by him in respect of those Shares.
- 15.5 A certificate in writing under the hand of one Director or Officer that a Share has been forfeited on a specified date shall be conclusive evidence of the facts stated in it as against all persons claiming to be entitled to the Share. The certificate shall (subject to the execution of an instrument of transfer) constitute a good title to the Share and the person to whom the Share is sold or otherwise disposed of shall not be bound to see to the application of the purchase money, if any, nor shall his title to the Share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the Share.
- 15.6 The provisions of the Articles as to forfeiture shall apply in the case of non payment of any sum which, by the terms of issue of a Share, becomes payable at a fixed time, whether on account of the par value of the Share or by way of premium as if it had been payable by virtue of a call duly made and notified.

16. Transmission of Shares

- 16.1 If a Member dies, the survivor or survivors (where he was a joint holder), or his legal personal representatives (where he was a sole holder), shall be the only persons recognised by the Company as having any title to his Shares. The estate of a deceased Member is not thereby released from any liability in respect of any Share, for which he was a joint or sole holder.



- 16.2 Any person becoming entitled to a Share in consequence of the death or bankruptcy or liquidation or dissolution of a Member (or in any other way than by transfer) may, upon such evidence being produced as may be required by the Directors, elect, by a notice in writing sent by him to the Company, either to become the holder of such Share or to have some person nominated by him registered as the holder of such Share. If he elects to have another person registered as the holder of such Share he shall sign an instrument of transfer of that Share to that person. The Directors shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the Share by the relevant Member before his death or bankruptcy or liquidation or dissolution, as the case may be.
- 16.3 A person becoming entitled to a Share by reason of the death or bankruptcy or liquidation or dissolution of a Member (or in any other case than by transfer) shall be entitled to the same Dividends, other distributions and other advantages to which he would be entitled if he were the holder of such Share. However, he shall not, before becoming a Member in respect of a Share, be entitled in respect of it to exercise any right conferred by membership in relation to general meetings of the Company and the Directors may at any time give notice requiring any such person to elect either to be registered himself or to have some person nominated by him be registered as the holder of the Share (but the Directors shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the Share by the relevant Member before his death or bankruptcy or liquidation or dissolution or any other case than by transfer, as the case may be). If the notice is not complied with within ninety days of being received or deemed to be received (as determined pursuant to the Articles), the Directors may thereafter withhold payment of all Dividends, other distributions, bonuses or other monies payable in respect of the Share until the requirements of the notice have been complied with.

17. Amendments of Memorandum and Articles of Association and Alteration of Capital

- 17.1 The Company may by Ordinary Resolution:
- (a) increase its share capital by such sum as the Ordinary Resolution shall prescribe and with such rights, priorities and privileges annexed thereto, as the Company in general meeting may determine;
 - (b) consolidate and divide all or any of its share capital into Shares of larger amount than its existing Shares;
 - (c) convert all or any of its paid-up Shares into stock, and reconvert that stock into paid-up Shares of any denomination;
 - (d) by subdivision of its existing Shares or any of them divide the whole or any part of its share capital into Shares of smaller amount than is fixed by the Memorandum or into Shares without par value provided that in the subdivision, the proportion between the amount paid and the amount, if any, unpaid on each reduced Share shall be the same as it was in the case of the Share from which the reduced Share is derived; and
 - (e) cancel any Shares that at the date of the passing of the Ordinary Resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the Shares so cancelled.
- 17.2 All new Shares created in accordance with the provisions of the preceding Article shall be subject to the same provisions of the Articles with reference to the payment of calls, liens, transfer, transmission, forfeiture and otherwise as the Shares in the original share capital.
- 17.3 Subject to the provisions of the Statute and the provisions of the Articles as regards the matters to be dealt with by Ordinary Resolution, the Company may by Special Resolution:
- (a) change its name;
 - (b) alter or add to the Articles;



- (c) alter or add to the Memorandum with respect to any objects, powers or other matters specified therein; and
- (d) reduce its share capital or any capital redemption reserve fund.

18. Offices and Places of Business

Subject to the provisions of the Statute, the Company may by resolution of the Directors change the location of its Registered Office. The Company may, in addition to its Registered Office, maintain such other offices or places of business as the Directors determine.

19. General Meetings

- 19.1 All general meetings other than annual general meetings shall be called extraordinary general meetings.
- 19.2 The Company may, but shall not (unless required by the Statute) be obliged to, in each year hold a general meeting as its annual general meeting, and shall specify the meeting as such in the notices calling it. Any annual general meeting shall be held at such time and place as the Directors shall appoint. At these meetings the report of the Directors (if any) shall be presented.
- 19.3 General meetings for any purpose or purposes may be called at any time by a resolution adopted by the majority of the Directors, and may not be called by any other person or persons. The Directors acting pursuant to a resolution may postpone, reschedule or cancel any previously scheduled general meeting, before or after the notice for such meeting has been sent. Business transacted at any general meeting shall be limited to matters relating to the purpose or purposes stated in the notice of meeting given by or at the direction of the Directors.

20. Notice of General Meetings

- 20.1 At least five clear days' notice shall be given of any general meeting. Every notice shall specify the place, the day and the hour of the meeting and the general nature of the business to be conducted at the general meeting and shall be given in the manner hereinafter mentioned or in such other manner if any as may be prescribed by the Company.
- 20.2 The accidental omission to give notice of a general meeting to, or the non-receipt of notice of a general meeting by, any person entitled to receive such notice shall not invalidate the proceedings of that general meeting.

21. Advance Notice for Business

- 21.1 At each annual general meeting, the Members shall appoint the Directors then subject to appointment in accordance with the procedures set forth in the Articles and subject to the rules and regulations of the Designated Stock Exchange, the Securities and Exchange Commission and/or any other competent regulatory authority or otherwise under Applicable Law. At any such annual general meeting any other business properly brought before the annual general meeting may be transacted.
- 21.2 To be properly brought before a general meeting, business (other than nominations of Directors, which must be made in compliance with, and shall be exclusively governed by, Article 28) must be:
 - (a) specified in the notice of the general meeting (or any supplement thereto) given to Members by or at the direction of the Directors in accordance with the Articles; or
 - (b) otherwise properly brought before the general meeting by or at the direction of the Directors.
- 21.3 The Members have no right to propose business to be considered or voted upon at general meetings of the Company.
 - (i)

22. Proceedings at General Meetings

- 22.1 No business shall be transacted at any general meeting unless a quorum is present. The holders of



one-third (1/3) of the Shares, being individuals present in person or by proxy or if a corporation or other non-natural person by its duly authorised representative or proxy, shall be a quorum.

- 22.2 A person may participate at a general meeting by conference telephone or other communications equipment by means of which all the persons participating in the meeting can communicate with each other. Participation by a person in a general meeting in this manner is treated as presence in person at that meeting.
- 22.3 A resolution (including a Special Resolution) in writing (in one or more counterparts) signed by or on behalf of all of the Members for the time being entitled to receive notice of and to attend and vote at general meetings (or, being corporations or other non-natural persons, signed by their duly authorised representatives) shall be as valid and effective as if the resolution had been passed at a general meeting of the Company duly convened and held.
- 22.4 If a quorum is not present within half an hour from the time appointed for the meeting to commence, the meeting shall stand adjourned to the same day in the next week at the same time and/or place or to such other day, time and/or place as the Directors may determine, and if at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting to commence, the Members present shall be a quorum.
- 22.5 The Directors may, at any time prior to the time appointed for the meeting to commence, appoint any person to act as chairman of a general meeting of the Company or, if the Directors do not make any such appointment, the chairman, if any, of the board of Directors shall preside as chairman at such general meeting. If there is no such chairman, or if he shall not be present within fifteen minutes after the time appointed for the meeting to commence, or is unwilling to act, the Directors present shall elect one of their number to be chairman of the meeting.
- 22.6 If no Director is willing to act as chairman or if no Director is present within fifteen minutes after the time appointed for the meeting to commence, the Members present shall choose one of their number to be chairman of the meeting.
- 22.7 The chairman may, with the consent of a meeting at which a quorum is present (and shall if so directed by the meeting) adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.
- 22.8 When a general meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Otherwise it shall not be necessary to give any such notice of an adjourned meeting.
- 22.9 If a notice is issued in respect of a general meeting and the Directors, in their absolute discretion, consider that it is impractical or undesirable for any reason to hold that general meeting at the place, the day and the hour specified in the notice calling such general meeting, the Directors may postpone the general meeting to another place, day and/or hour provided that notice of the place, the day and the hour of the rearranged general meeting is promptly given to all Members. No business shall be transacted at any postponed meeting other than the business specified in the notice of the original meeting.
- 22.10 When a general meeting is postponed for thirty days or more, notice of the postponed meeting shall be given as in the case of an original meeting. Otherwise it shall not be necessary to give any such notice of a postponed meeting. All proxy forms submitted for the original general meeting shall remain valid for the postponed meeting. The Directors may postpone a general meeting which has already been postponed.
- 22.11 A resolution put to the vote of the meeting shall be decided on a poll.
- 22.12 A poll shall be taken as the chairman directs, and the result of the poll shall be deemed to be the resolution of the general meeting at which the poll was demanded.
- 22.13 A poll demanded on the election of a chairman or on a question of adjournment shall be taken



forthwith. A poll demanded on any other question shall be taken at such date, time and place as the chairman of the general meeting directs, and any business other than that upon which a poll has been demanded or is contingent thereon may proceed pending the taking of the poll.

22.14 In the case of an equality of votes the chairman shall be entitled to a second or casting vote.

23. Votes of Members

23.1 Subject to any rights or restrictions attached to any Shares, every Member present in any such manner shall have one vote for every Share of which he is the holder.

23.2 In the case of joint holders the vote of the senior holder who tenders a vote, whether in person or by proxy (or, in the case of a corporation or other non-natural person, by its duly authorised representative or proxy), shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the Register of Members.

23.3 A Member of unsound mind, or in respect of whom an order has been made by any court, having jurisdiction in lunacy, may vote by his committee, receiver, curator bonis, or other person on such Member's behalf appointed by that court, and any such committee, receiver, curator bonis or other person may vote by proxy.

23.4 No person shall be entitled to vote at any general meeting unless he is registered as a Member on the record date for such meeting nor unless all calls or other monies then payable by him in respect of Shares have been paid.

23.5 No objection shall be raised as to the qualification of any voter except at the general meeting or adjourned general meeting at which the vote objected to is given or tendered and every vote not disallowed at the meeting shall be valid. Any objection made in due time in accordance with this Article shall be referred to the chairman whose decision shall be final and conclusive.

23.6 Votes may be cast either personally or by proxy (or in the case of a corporation or other non-natural person by its duly authorised representative or proxy). A Member may appoint more than one proxy or the same proxy under one or more instruments to attend and vote at a meeting. Where a Member appoints more than one proxy the instrument of proxy shall specify the number of Shares in respect of which each proxy is entitled to exercise the related votes.

23.7 A Member holding more than one Share need not cast the votes in respect of his Shares in the same way on any resolution and therefore may vote a Share or some or all such Shares either for or against a resolution and/or abstain from voting a Share or some or all of the Shares and, subject to the terms of the instrument appointing him, a proxy appointed under one or more instruments may vote a Share or some or all of the Shares in respect of which he is appointed either for or against a resolution and/or abstain from voting a Share or some or all of the Shares in respect of which he is appointed.

24. Proxies

24.1 The instrument appointing a proxy shall be in writing and shall be executed under the hand of the appointor or of his attorney duly authorised in writing, or, if the appointor is a corporation or other non natural person, under the hand of its duly authorised representative. A proxy need not be a Member.

24.2 The Directors may, in the notice convening any meeting or adjourned meeting, or in an instrument of proxy sent out by the Company, specify the manner by which the instrument appointing a proxy shall be deposited and the place and the time (being not later than the time appointed for the commencement of the meeting or adjourned meeting to which the proxy relates) at which the instrument appointing a proxy shall be deposited. In the absence of any such direction from the Directors in the notice convening any meeting or adjourned meeting or in an instrument of proxy sent out by the Company, the instrument appointing a proxy shall be deposited physically at the Registered Office not less than 48 hours before the time appointed for the meeting or adjourned meeting to commence at which the person named in the instrument proposes to vote.



- 24.3 The chairman may in any event at his discretion declare that an instrument of proxy shall be deemed to have been duly deposited. An instrument of proxy that is not deposited in the manner permitted, or which has not been declared to have been duly deposited by the chairman, shall be invalid.
- 24.4 The instrument appointing a proxy may be in any usual or common form (or such other form as the Directors may approve) and may be expressed to be for a particular meeting or any adjournment thereof or generally until revoked. An instrument appointing a proxy shall be deemed to include the power to demand or join or concur in demanding a poll.
- 24.5 Votes given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the Share in respect of which the proxy is given unless notice in writing of such death, insanity, revocation or transfer was received by the Company at the Registered Office before the commencement of the general meeting, or adjourned meeting at which it is sought to use the proxy.

25. Corporate Members

- 25.1 Any corporation or other non -natural person which is a Member may in accordance with its constitutional documents, or in the absence of such provision by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of Members, and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as the corporation could exercise if it were an individual Member.
- 25.2 If a Clearing House (or its nominee(s)), being a corporation, is a Member, it may authorise such persons as it sees fit to act as its representative at any meeting of the Company or at any meeting of any class of Members provided that the authorisation shall specify the number and class of Shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of this Article shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House (or its nominee(s)) as if such person was the registered holder of such Shares held by the Clearing House (or its nominee(s)).

26. Shares that May Not be Voted

Shares in the Company that are beneficially owned by the Company shall not be voted, directly or indirectly, at any meeting and shall not be counted in determining the total number of outstanding Shares at any given time.

27. Directors

There shall be a board of Directors consisting of not less than one person. The number of directors of the Company shall be fixed from time to time by the Directors.

28. Nomination of Directors

- 28.1 Nominations of persons for election as Directors may be made only by the Directors.
- 28.2 To be eligible to be a nominee for election or re-election as a Director pursuant to Article 28, a person must deliver (not later than the deadline prescribed for delivery of notice) to the Company a written questionnaire prepared by the Company with respect to the background and qualification of such person and the background of any other person or entity on whose behalf the nomination is being made (which questionnaire shall be provided by the Company upon written request) and a written representation and agreement (in the form provided by the Company upon written request) that such person:
- (a) is not and will not become a party to:
 - (i) any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such person, if elected as a Director, will act or vote on any issue or question (a “**Voting Commitment**”) that has not been disclosed to the Company; or



- (ii) any Voting Commitment that could limit or interfere with such person's ability to comply, if elected as a Director, with such person's duties under Applicable Law;
- (b) is not and will not become a party to any agreement, arrangement or understanding with any person or entity other than the Company with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a Director that has not been disclosed therein;
- (c) in such person's individual capacity and on behalf of any person or entity on whose behalf the nomination is being made, would be in compliance, if elected as a Director, and will comply with, Applicable Law and corporate governance, conflict of interest, confidentiality and share ownership and trading policies and guidelines of the Company that are applicable to Directors generally; and
- (d) if elected as a Director, will act in the best interests of the Company and not in the interest of any individual constituency. The nominating and governance committee shall review all such information submitted by the Member with respect to the proposed nominee and determine whether such nominee is eligible to act as a Director. The Company and the nominating and governance committee of the Directors may require any proposed nominee to furnish such other information as may reasonably be required by the Company to determine the eligibility of such proposed nominee to serve as an independent Director or that could be material to a reasonable Member's understanding of the independence, or lack thereof, of such nominee.

29. Powers of Directors

- 29.1 Subject to the provisions of the Statute, the Memorandum and the Articles and to any directions given by Special Resolution, the business of the Company shall be managed by the Directors who may exercise all the powers of the Company. No alteration of the Memorandum or Articles and no such direction shall invalidate any prior act of the Directors which would have been valid if that alteration had not been made or that direction had not been given. A duly convened meeting of Directors at which a quorum is present may exercise all powers exercisable by the Directors.
- 29.2 All cheques, promissory notes, drafts, bills of exchange and other negotiable or transferable instruments and all receipts for monies paid to the Company shall be signed, drawn, accepted, endorsed or otherwise executed as the case may be in such manner as the Directors shall determine by resolution.
- 29.3 The Directors on behalf of the Company may pay a gratuity or pension or allowance on retirement to any Director who has held any other salaried office or place of profit with the Company or to his widow or dependants and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance.
- 29.4 The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof and to issue debentures, debenture stock, mortgages, bonds and other such securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

30. Appointment and Removal of Directors

- 30.1 Subject to Article 28, the Company may by Ordinary Resolution elect any person to be a Director, or may by Special Resolution remove any Director, but only for Cause.



- 30.2 The Directors may appoint any person to be a Director, either to fill a vacancy or as an additional Director. Any newly created directorship that results from an increase in the number of Directors or any Director vacancy that results from the death, disability, resignation, disqualification or removal of any Director or from any other cause shall be filled solely by the affirmative vote of a majority of the total number of Directors then in office, even if less than a quorum, or by a sole remaining Director and shall not be filled by the Members.
- 30.3 The Directors shall be divided into three (3) classes designated as Class I, Class II and Class III, respectively. Directors shall be assigned to each class in accordance with a resolution or resolutions adopted by the board of Directors. At the 2022 annual general meeting of the Company, the term of office of the Class I Directors shall expire and Class I Directors shall be elected for a full term of three (3) years. At the 2023 annual general meeting of the Company, the term of office of the Class II Directors shall expire and Class II Directors shall be elected for a full term of three (3) years. At the 2024 annual general meeting of the Company, the term of office of the Class III Directors shall expire and Class III Directors shall be elected for a full term of three (3) years. At each succeeding annual general meeting of the Company, Directors shall be elected for a full term of three (3) years to succeed the Directors of the class whose terms expire at such annual general meeting. Notwithstanding the foregoing provisions of this Article, each Director shall hold office until the expiration of his term, until his successor shall have been duly elected and qualified or until his earlier death, resignation or removal. No decrease in the number of Directors constituting the board of Directors shall shorten the term of any incumbent Director.

31. Vacation of Office of Director

The office of a Director shall be vacated if:

- (a) the Director gives notice in writing to the Company that he resigns the office of Director;
or
- (b) the Director absents himself (for the avoidance of doubt, without being represented by proxy) from three consecutive meetings of the board of Directors without special leave of absence from the Directors, and the Directors pass a resolution that he has by reason of such absence vacated office; or
- (c) the Director dies, becomes bankrupt or makes any arrangement or composition with his creditors generally;
or
- (d) the Director is found to be or becomes of unsound mind;
or
- (e) all of the other Directors (being not less than two in number) determine that he should be removed as a Director for Cause (and not otherwise), either by a resolution passed by all of the other Directors at a meeting of the Directors duly convened and held in accordance with the Articles or by a resolution in writing signed by all of the other Directors.

32. Proceedings of Directors

- 32.1 The quorum for the transaction of the business of the Directors may be fixed by the Directors, and unless so fixed shall be a majority if there are three or more Directors, shall be two if there are two Directors, and shall be one if there is only one Director.
- 32.2 Subject to the provisions of the Articles, the Directors may regulate their proceedings as they think fit. Subject to this Article, questions arising at any meeting shall be decided by a majority of votes. In the case of an equality of votes, the chairman or, if there are co-chairmen, each co-chairman, shall have a second or casting vote.
- 32.3 A person may participate in a meeting of the Directors or any committee of Directors by conference telephone or other communications equipment by means of which all the persons participating in the meeting can communicate with each other at the same time. Participation by a person in a meeting in this manner is treated as presence in person at that meeting. The meeting shall be deemed to be held at the place as determined by the Directors at the start of the meeting.



- 32.4 A resolution in writing (in one or more counterparts) signed by all the Directors or all the members of a committee of the Directors or, in the case of a resolution in writing relating to the removal of any Director or the vacation of office by any Director, all of the Directors other than the Director who is the subject of such resolution, shall be as valid and effectual as if it had been passed at a meeting of the Directors, or committee of Directors as the case may be, duly convened and held.
- 32.5 A Director may, or other Officer on the direction of a Director shall, call a meeting of the Directors by at least one day's notice in writing to every Director which notice shall set forth the general nature of the business to be considered unless notice is waived by all the Directors either at, before or after the meeting is held. To any such notice of a meeting of the Directors all the provisions of the Articles relating to the giving of notices by the Company to the Members shall apply mutatis mutandis.
- 32.6 The continuing Directors (or a sole continuing Director, as the case may be) may act notwithstanding any vacancy in their body, but if and so long as their number is reduced below the number fixed by or pursuant to the Articles as the necessary quorum of Directors the continuing Directors or Director may act for the purpose of increasing the number of Directors to be equal to such fixed number, or of summoning a general meeting of the Company, but for no other purpose.
- 32.7 The Directors may elect a chairman or co-chairman of their board and determine the period for which he is to hold office; but if no such chairman or co-chairman is elected, or if at any meeting the chairman or co-chairman is not present within fifteen minutes after the time appointed for the meeting to commence, the Directors present may choose one of their number to be chairman of the meeting.
- 32.8 All acts done by any meeting of the Directors or of a committee of the Directors shall, notwithstanding that it is afterwards discovered that there was some defect in the appointment of any Director, and/or that they or any of them were disqualified, and/or had vacated their office and/or were not entitled to vote, be as valid as if every such person had been duly appointed and/or not disqualified to be a Director and/or had not vacated their office and/or had been entitled to vote, as the case may be.

33. Presumption of Assent

A Director who is present at a meeting of the board of Directors at which action on any Company matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent from such action with the person acting as the chairman or co-chairman or secretary of the meeting before the adjournment thereof or shall forward such dissent by registered post to such person immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favour of such action.

34. Directors' Interests

- 34.1 A Director may hold any other office or place of profit under the Company (other than the office of Auditor) in conjunction with his office of Director for such period and on such terms as to remuneration and otherwise as the Directors may determine.
- 34.2 A Director may act by himself or by, through or on behalf of his firm in a professional capacity for the Company and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.
- 34.3 A Director may be or become a director or other officer of or otherwise interested in any company promoted by the Company or in which the Company may be interested as a shareholder, a contracting party or otherwise, and no such Director shall be accountable to the Company for any remuneration or other benefits received by him as a director or officer of, or from his interest in, such other company.
- 34.4 No person shall be disqualified from the office of Director or prevented by such office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any contract or transaction entered into by or on behalf of the Company in which any Director shall be in any way interested be or be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by or arising in connection with any such contract or transaction by reason of such Director holding office or of the fiduciary relationship



thereby established. A Director shall be at liberty to vote in respect of any contract or transaction in which he is interested provided that the nature of the interest of any Director in any such contract or transaction shall be disclosed by him at or prior to its consideration and any vote thereon.

- 34.5 A general notice that a Director is a shareholder, director, officer or employee of any specified firm or company and is to be regarded as interested in any transaction with such firm or company shall be sufficient disclosure for the purposes of voting on a resolution in respect of a contract or transaction in which he has an interest, and after such general notice it shall not be necessary to give special notice relating to any particular transaction.

35. Minutes

The Directors shall cause minutes to be made in books kept for the purpose of recording all appointments of Officers made by the Directors, all proceedings at meetings of the Company or the holders of any class of Shares and of the Directors, and of committees of the Directors, including the names of the Directors present at each meeting.

36. Delegation of Directors' Powers

- 36.1 The Directors may delegate any of their powers, authorities and discretions, including the power to sub-delegate, to any committee consisting of one or more Directors (including, without limitation, the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee). Any such delegation may be made subject to any conditions the Directors may impose and either collaterally with or to the exclusion of their own powers and any such delegation may be revoked or altered by the Directors. Subject to any such conditions, the proceedings of a committee of Directors shall be governed by the Articles regulating the proceedings of Directors, so far as they are capable of applying.
- 36.2 The Directors may establish any committees, local boards or agencies or appoint any person to be a manager or agent for managing the affairs of the Company and may appoint any person to be a member of such committees, local boards or agencies. Any such appointment may be made subject to any conditions the Directors may impose, and either collaterally with or to the exclusion of their own powers and any such appointment may be revoked or altered by the Directors. Subject to any such conditions, the proceedings of any such committee, local board or agency shall be governed by the Articles regulating the proceedings of Directors, so far as they are capable of applying.
- 36.3 The Directors may adopt formal written charters for committees. Each committee shall be empowered to do all things necessary to exercise the rights of such committee set forth in the Articles and such committee's respective charter and shall have such powers as the Directors may delegate pursuant to the Articles and such charter and as required by the rules and regulations of the Designated Stock Exchange, the Securities and Exchange Commission and/or any other competent regulatory authority or otherwise under Applicable Law. Each of the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee, if established, shall consist of such number of Directors as the Directors shall from time to time determine (or such minimum number as may be required from time to time by the rules and regulations of the Designated Stock Exchange, the Securities and Exchange Commission and/or any other competent regulatory authority or otherwise under Applicable Law).
- 36.4 The Directors may by power of attorney or otherwise appoint any person to be the agent of the Company on such conditions as the Directors may determine, provided that the delegation is not to the exclusion of their own powers and may be revoked by the Directors at any time.
- 36.5 The Directors may by power of attorney or otherwise appoint any company, firm, person or body of persons, whether nominated directly or indirectly by the Directors, to be the attorney or authorised signatory of the Company for such purpose and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors under the Articles) and for such period and subject to such conditions as they may think fit, and any such powers of attorney or other appointment may contain such provisions for the protection and convenience of persons dealing with any such



attorneys or authorised signatories as the Directors may think fit and may also authorise any such attorney or authorised signatory to delegate all or any of the powers, authorities and discretions vested in him.

36.6 The Directors may appoint such Officers as they consider necessary on such terms, at such remuneration and to perform such duties, and subject to such provisions as to disqualification and removal as the Directors may think fit. Unless otherwise specified in the terms of his appointment an Officer may be removed by resolution of the Directors or Members. An Officer may vacate his office at any time if he gives notice in writing to the Company that he resigns his office.

37. No Minimum Shareholding

The Company in general meeting may fix a minimum shareholding required to be held by a Director, but unless and until such a shareholding qualification is fixed a Director is not required to hold Shares.

38. Remuneration of Directors

38.1 The remuneration to be paid to the Directors, if any, shall be such remuneration as the Directors shall determine. The Directors shall also be entitled to be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of Directors or committees of Directors, or general meetings of the Company, or separate meetings of the holders of any class of Shares or debentures of the Company, or otherwise in connection with the business of the Company or the discharge of their duties as a Director, or to receive a fixed allowance in respect thereof as may be determined by the Directors, or a combination partly of one such method and partly the other.

38.2 The Directors may by resolution approve additional remuneration to any Director for any services which in the opinion of the Directors go beyond his ordinary routine work as a Director.

39. Seal

39.1 The Company may, if the Directors so determine, have a Seal. The Seal shall only be used by the authority of the Directors or of a committee of the Directors authorised by the Directors. Every instrument to which the Seal has been affixed shall be signed by at least one person who shall be either a Director or some Officer or other person appointed by the Directors for the purpose.

39.2 The Company may have for use in any place or places outside the Cayman Islands a duplicate Seal or Seals each of which shall be a facsimile of the common Seal of the Company and, if the Directors so determine, with the addition on its face of the name of every place where it is to be used.

39.3 A Director or Officer, representative or attorney of the Company may without further authority of the Directors affix the Seal over his signature alone to any document of the Company required to be authenticated by him under seal or to be filed with the Registrar of Companies in the Cayman Islands or elsewhere wheresoever.

40. Dividends, Distributions and Reserve

40.1 Subject to the Statute and this Article and except as otherwise provided by the rights attached to any Shares, the Directors may resolve to pay Dividends and other distributions on Shares in issue and authorise payment of the Dividends or other distributions out of the funds of the Company lawfully available therefor. A Dividend shall be deemed to be an interim Dividend unless the terms of the resolution pursuant to which the Directors resolve to pay such Dividend specifically state that such Dividend shall be a final Dividend. No Dividend or other distribution shall be paid except out of the realised or unrealised profits of the Company, out of the share premium account or as otherwise permitted by law.

40.2 Except as otherwise provided by the rights attached to any Shares, all Dividends and other distributions shall be paid according to the par value of the Shares that a Member holds. If any Share is issued on terms providing that it shall rank for Dividend as from a particular date, that Share shall rank for Dividend accordingly.



- 40.3 The Directors may deduct from any Dividend or other distribution payable to any Member all sums of money (if any) then payable by him to the Company on account of calls or otherwise.
- 40.4 The Directors may resolve that any Dividend or other distribution be paid wholly or partly by the distribution of specific assets and in particular (but without limitation) by the distribution of shares, debentures, or securities of any other company or in any one or more of such ways and where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient and in particular may issue fractional Shares and may fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any Members upon the basis of the value so fixed in order to adjust the rights of all Members and may vest any such specific assets in trustees in such manner as may seem expedient to the Directors.
- 40.5 Except as otherwise provided by the rights attached to any Shares, Dividends and other distributions may be paid in any currency. The Directors may determine the basis of conversion for any currency conversions that may be required and how any costs involved are to be met.
- 40.6 The Directors may, before resolving to pay any Dividend or other distribution, set aside such sums as they think proper as a reserve or reserves which shall, at the discretion of the Directors, be applicable for any purpose of the Company and pending such application may, at the discretion of the Directors, be employed in the business of the Company.
- 40.7 Any Dividend, other distribution, interest or other monies payable in cash in respect of Shares may be paid by wire transfer to the holder or by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of the holder who is first named on the Register of Members or to such person and to such address as such holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. Any one of two or more joint holders may give effectual receipts for any Dividends, other distributions, bonuses, or other monies payable in respect of the Share held by them as joint holders.
- 40.8 No Dividend or other distribution shall bear interest against the Company.
- 40.9 Any Dividend or other distribution which cannot be paid to a Member and/or which remains unclaimed after six months from the date on which such Dividend or other distribution becomes payable may, in the discretion of the Directors, be paid into a separate account in the Company's name, provided that the Company shall not be constituted as a trustee in respect of that account and the Dividend or other distribution shall remain as a debt due to the Member. Any Dividend or other distribution which remains unclaimed after a period of six years from the date on which such Dividend or other distribution becomes payable shall be forfeited and shall revert to the Company.

41. Capitalisation

The Directors may at any time capitalise any sum standing to the credit of any of the Company's reserve accounts or funds (including the share premium account and capital redemption reserve fund) or any sum standing to the credit of the profit and loss account or otherwise available for distribution; appropriate such sum to Members in the proportions in which such sum would have been divisible amongst such Members had the same been a distribution of profits by way of Dividend or other distribution; and apply such sum on their behalf in paying up in full unissued Shares for allotment and distribution credited as fully paid-up to and amongst them in the proportion aforesaid. In such event the Directors shall do all acts and things required to give effect to such capitalisation, with full power given to the Directors to make such provisions as they think fit in the case of Shares becoming distributable in fractions (including provisions whereby the benefit of fractional entitlements accrue to the Company rather than to the Members concerned). The Directors may authorise any person to enter on behalf of all of the Members interested into an agreement with the Company providing for such capitalisation and matters incidental or relating thereto and any agreement made under such authority shall be effective and binding on all such Members and the Company.



42. Books of Account

- 42.1 The Directors shall cause proper books of account (including, where applicable, material underlying documentation including contracts and invoices) to be kept with respect to all sums of money received and expended by the Company and the matters in respect of which the receipt or expenditure takes place, all sales and purchases of goods by the Company and the assets and liabilities of the Company. Such books of account must be retained for a minimum period of five years from the date on which they are prepared. Proper books shall not be deemed to be kept if there are not kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions.
- 42.2 The Directors shall determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of Members not being Directors and no Member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by Statute or authorised by the Directors or by the Company in general meeting.
- 42.3 The Directors may cause to be prepared and to be laid before the Company in general meeting profit and loss accounts, balance sheets, group accounts (if any) and such other reports and accounts as may be required by law.

43. Audit

- 43.1 The Directors may appoint an Auditor of the Company who shall hold office on such terms as the Directors determine.
- 43.2 Without prejudice to the freedom of the Directors to establish any other committee, if the Shares (or depositary receipts therefor) are listed or quoted on the Designated Stock Exchange, and if required by the rules and regulations of the Designated Stock Exchange, the Securities and Exchange Commission and/or any other competent regulatory authority or otherwise under Applicable Law, the Directors shall establish and maintain an Audit Committee as a committee of the Directors and shall adopt a formal written Audit Committee charter and review and assess the adequacy of the formal written charter on an annual basis. The composition and responsibilities of the Audit Committee shall comply with the rules and regulations of the Designated Stock Exchange, the Securities and Exchange Commission and/or any other competent regulatory authority or otherwise under Applicable Law. The Audit Committee shall meet at least once every financial quarter, or more frequently as circumstances dictate.
- 43.3 If the Shares (or depositary receipts therefor) are listed or quoted on the Designated Stock Exchange, the Company shall conduct an appropriate review of all related party transactions on an ongoing basis and shall utilise the Audit Committee for the review and approval of potential conflicts of interest.
- 43.4 The remuneration of the Auditor shall be fixed by the Audit Committee (if one exists).
- 43.5 If the office of Auditor becomes vacant by resignation or death of the Auditor, or by his becoming incapable of acting by reason of illness or other disability at a time when his services are required, the Audit Committee shall fill the vacancy and determine the remuneration of such Auditor.
- 43.6 Every Auditor of the Company shall have a right of access at all times to the books and accounts and vouchers of the Company and shall be entitled to require from the Directors and Officers such information and explanation as may be necessary for the performance of the duties of the Auditor.
- 43.7 Auditors shall, if so required by the Directors, make a report on the accounts of the Company during their tenure of office at the next annual general meeting following their appointment in the case of a company which is registered with the Registrar of Companies as an ordinary company, and at the next extraordinary general meeting following their appointment in the case of a company which is registered with the Registrar of Companies as an exempted company, and at any other time during their term of office, upon request of the Directors or any general meeting of the Members.



44. Notices

- 44.1 Notices shall be in writing and may be given by the Company to any Member either personally or by sending it by courier, post, or e-mail to him or to his address as shown in the Register of Members (or where the notice is given by e-mail by sending it to the e-mail address provided by such Member). Notice may also be served by Electronic Communication in accordance with the rules and regulations of the Designated Stock Exchange, the Securities and Exchange Commission and/or any other competent regulatory authority or by placing it on the Company's Website.
- 44.2 Where a notice is sent by:
- (a) courier; service of the notice shall be deemed to be effected by delivery of the notice to a courier company, and shall be deemed to have been received on the third day (not including Saturdays or Sundays or public holidays in the Cayman Islands) following the day on which the notice was delivered to the courier;
 - (b) post; service of the notice shall be deemed to be effected by properly addressing, pre paying and posting a letter containing the notice, and shall be deemed to have been received on the fifth day (not including Saturdays or Sundays or public holidays in the Cayman Islands) following the day on which the notice was posted;
 - (c) e-mail or other Electronic Communication; service of the notice shall be deemed to be effected by transmitting the e-mail to the e-mail address provided by the intended recipient and shall be deemed to have been received on the same day that it was sent, and it shall not be necessary for the receipt of the e-mail to be acknowledged by the recipient; and
 - (d) placing it on the Company's Website; service of the notice shall be deemed to have been effected one hour after the notice or document was placed on the Company's Website.
- 44.3 A notice may be given by the Company to the person or persons which the Company has been advised are entitled to a Share or Shares in consequence of the death or bankruptcy of a Member in the same manner as other notices which are required to be given under the Articles and shall be addressed to them by name, or by the title of representatives of the deceased, or trustee of the bankrupt, or by any like description at the address supplied for that purpose by the persons claiming to be so entitled, or at the option of the Company by giving the notice in any manner in which the same might have been given if the death or bankruptcy had not occurred.
- 44.4 Notice of every general meeting shall be given in any manner authorised by the Articles to every holder of Shares carrying an entitlement to receive such notice on the record date for such meeting except that in the case of joint holders the notice shall be sufficient if given to the joint holder first named in the Register of Members and every person upon whom the ownership of a Share devolves by reason of his being a legal personal representative or a trustee in bankruptcy of a Member where the Member but for his death or bankruptcy would be entitled to receive notice of the meeting, and no other person shall be entitled to receive notices of general meetings.

45. Winding Up

- 45.1 If the Company shall be wound up, the liquidator shall apply the assets of the Company in satisfaction of creditors' claims in such manner and order as such liquidator thinks fit. Subject to the rights attaching to any Shares, in a winding up:
- (a) if the assets available for distribution amongst the Members shall be insufficient to repay the whole of the Company's issued share capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the Members in proportion to the par value of the Shares held by them; or
 - (b) if the assets available for distribution amongst the Members shall be more than sufficient to repay the whole of the Company's issued share capital at the commencement of the winding up, the surplus shall be distributed amongst the Members in proportion to the par value of the



Shares held by them at the commencement of the winding up subject to a deduction from those Shares in respect of which there are monies due, of all monies payable to the Company for unpaid calls or otherwise.

- 45.2 If the Company shall be wound up the liquidator may, subject to the rights attaching to any Shares and with the approval of a Special Resolution of the Company and any other approval required by the Statute, divide amongst the Members in kind the whole or any part of the assets of the Company (whether such assets shall consist of property of the same kind or not) and may for that purpose value any assets and determine how the division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like approval, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the Members as the liquidator, with the like approval, shall think fit, but so that no Member shall be compelled to accept any asset upon which there is a liability.

46. Indemnity and Insurance

- 46.1 Every Director and Officer (which for the avoidance of doubt, shall not include auditors of the Company), together with every former Director and former Officer (each an “Indemnified Person”) shall be indemnified out of the assets of the Company against any liability, action, proceeding, claim, demand, costs, damages or expenses, including legal expenses, whatsoever which they or any of them may incur as a result of any act or failure to act in carrying out their functions other than such liability (if any) that they may incur by reason of their own actual fraud, wilful neglect or wilful default. No Indemnified Person shall be liable to the Company for any loss or damage incurred by the Company as a result (whether direct or indirect) of the carrying out of their functions unless that liability arises through the actual fraud, wilful neglect or wilful default of such Indemnified Person. No person shall be found to have committed actual fraud, wilful neglect or wilful default under this Article unless or until a court of competent jurisdiction shall have made a finding to that effect.

- 46.2 The Company shall advance to each Indemnified Person reasonable attorneys’ fees and other costs and expenses incurred in connection with the defence of any action, suit, proceeding or investigation involving such Indemnified Person for which indemnity will or could be sought. In connection with any advance of any expenses hereunder, the Indemnified Person shall execute an undertaking to repay the advanced amount to the Company if it shall be determined by final judgment or other final adjudication that such Indemnified Person was not entitled to indemnification pursuant to this Article. If it shall be determined by a final judgment or other final adjudication that such Indemnified Person was not entitled to indemnification with respect to such judgment, costs or expenses, then such party shall not be indemnified with respect to such judgment, costs or expenses and any advancement shall be returned to the Company (without interest) by the Indemnified Person.

- 46.3 The Directors, on behalf of the Company, may purchase and maintain insurance for the benefit of any Director or other Officer against any liability which, by virtue of any rule of law, would otherwise attach to such person in respect of any negligence, default, breach of duty or breach of trust of which such person may be guilty in relation to the Company.

47. Financial Year

Unless the Directors otherwise prescribe, the financial year of the Company shall end on 30th September in each year and, following the year of incorporation, shall begin on 1st October in each year.

48. Transfer by Way of Continuation

If the Company is exempted as defined in the Statute, it shall, subject to the provisions of the Statute and with the approval of a Special Resolution, have the power to register by way of continuation as a body corporate under the laws of any jurisdiction outside the Cayman Islands and to be deregistered in the Cayman Islands.



49. Mergers and Consolidations

The Company shall have the power to merge or consolidate with one or more other constituent companies (as defined in the Statute) upon such terms as the Directors may determine and (to the extent required by the Statute) with the approval of a Special Resolution.



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ARQIT QUANTUM INC.

Number
00[]

Ordinary Shares
-[]-

Incorporated under the laws of the Cayman Islands
Share capital is US\$50,000 divided into 18,760,000 ordinary shares of a par value of US\$0.0025 per share and
1,240,000 preference shares of a par value of US\$0.0025 per share

THIS IS TO CERTIFY THAT *[INSERT NAME]* is the registered holder of *[INSERT NUMBER]* Ordinary Shares in the above-named Company subject to the Memorandum and Articles of Association thereof.

EXECUTED on behalf of the said Company on the _____ day of _____ 20__ by:

DIRECTOR _____



DESCRIPTION OF SECURITIES

The following description of the material terms of the securities of Arqit Quantum Inc. includes a summary of specified provisions of the Memorandum and Articles of association of the Company (the “Articles”) and the forms of the warrants described herein. This description is subject to and qualified in its entirety by reference to the Articles and the forms of the warrants described herein. Unless otherwise stated or unless the context otherwise requires, the terms “the Company”, “we,” “us,” “our,” and “ours” refer to Arqit Quantum Inc.

General

The Company is a Cayman Islands exempted company (company number 374857) and its affairs are governed by the Articles, the Companies Act (As Revised) of the Cayman Islands, as may be amended from time to time (the “Cayman Companies Act”), and the common law of the Cayman Islands.

Share Capital

The Company is authorized to issue 18,760,000 ordinary shares, \$0.0025 par value each and 1,240,000 preference shares, \$0.0025 par value each.

Ordinary Shares

Holders of ordinary shares are entitled to one vote for each share held of record on all matters to be voted on by shareholders.

There is no cumulative voting with respect to the election of directors, with the result that the holders of more than 50% of the shares voted for the election of directors can elect all of the directors.

Holders of ordinary shares do not have any conversion, preemptive or other subscription rights and there is no sinking fund or redemption provisions applicable to the ordinary shares.

Dividends

Subject to the foregoing, the payment of cash dividends in the future, if any, will be at the discretion of the board of directors and will depend upon such factors as earnings levels, capital requirements, contractual restrictions, the Company’s overall financial condition, available distributable reserves and any other factors deemed relevant by the board of directors.

Liquidation

On a winding-up or other return of capital, subject to any special rights attaching to any other class of shares, holders of ordinary shares will be entitled to participate in any surplus assets in proportion to their shareholdings.

Differences in Company Law

Cayman Islands companies are governed by the Cayman Companies Act. The Cayman Companies Act is modelled on English Law but does not follow recent English Law statutory enactments, and differs from laws applicable to United States corporations and their shareholders. Set forth below is a summary of the material differences between the provisions of the Cayman Companies Act applicable to the Company and the laws applicable to companies incorporated in the United States and their shareholders.

Mergers and Similar Arrangements

In certain circumstances, the Cayman Companies Act allows for mergers or consolidations between two Cayman Islands companies, or between a Cayman Islands exempted company and a company incorporated in another jurisdiction (*provided* that is facilitated by the laws of that other jurisdiction).

Where the merger or consolidation is between two Cayman Islands companies, the directors of each company must approve a written plan of merger or consolidation containing certain prescribed information. That plan or merger or consolidation must then be authorized by either (a) a special resolution (usually a majority of two thirds of the voting shares voted at a general meeting) of the shareholders of each company; and (b) such other authorization, if any, as may be specified in such constituent company's articles of association. No shareholder resolution is required for a merger between a parent company (i.e., a company that owns at least 90% of the issued shares of each class in a subsidiary company) and its subsidiary company.

The consent of each holder of a fixed or floating security interest of a constituent company must be obtained, unless the court waives such requirement. If the Registrar of Companies of the Cayman Islands is satisfied that the requirements of the Cayman Companies Act (which includes certain other formalities) have been complied with, the Registrar of Companies of the Cayman Islands will register the plan of merger or consolidation.

Where the merger or consolidation involves a foreign company, the procedure is similar, save that with respect to the foreign company, the directors of the Cayman Islands exempted company are required to make a declaration to the effect that, having made due enquiry, they are of the opinion that the requirements set out below have been met: (i) that the merger or consolidation is permitted or not prohibited by the constitutional documents of the foreign company and by the laws of the jurisdiction in which the foreign company is incorporated, and that those laws and any requirements of those constitutional documents have been or will be complied with; (ii) that no petition or other similar proceeding has been filed and remains outstanding or order made or resolution adopted to wind up or liquidate the foreign company in any jurisdictions; (iii) that no receiver, trustee, administrator or other similar person has been appointed in any jurisdiction and is acting in respect of the foreign company, its affairs or its property or any part thereof; and (iv) that no scheme, order, compromise or other similar arrangement has been entered into or made in any jurisdiction whereby the rights of creditors of the foreign company are and continue to be suspended or restricted.

Where the surviving company is the Cayman Islands exempted company, the directors of the Cayman Islands exempted company are further required to make a declaration to the effect that, having made due enquiry, they are of the opinion that the requirements set out below have been met: (i) that the foreign company is able to pay its debts as they fall due and that the merger or consolidation is bona fide and not intended to defraud unsecured creditors of the foreign company; (ii) that in respect of the transfer of any security interest granted by the foreign company to the surviving or consolidated company (a) consent or approval to the transfer has been obtained, released or waived; (b) the transfer is permitted by and has been approved in accordance with the constitutional documents of the foreign company; and (c) the laws of the jurisdiction of the foreign company with respect to the transfer have been or will be complied with; (iii) that the foreign company will, upon the merger or consolidation becoming effective, cease to be incorporated, registered or exist under the laws of the relevant foreign jurisdiction; and (iv) that there is no other reason why it would be against the public interest to permit the merger or consolidation.

Where the above procedures are adopted, the Cayman Companies Act provides for a right of dissenting shareholders to be paid a payment of the fair value of their shares upon their dissenting to the merger or consolidation if they follow a prescribed procedure. In essence, that procedure is as follows: (a) the shareholder must give his written objection to the merger or consolidation to the constituent company before the vote on the merger or consolidation, including a statement that the shareholder proposes to demand payment for his shares if the merger or consolidation is authorized by the vote; (b) within 20 days following the date on which the merger or consolidation is approved by the shareholders, the constituent company must give written notice to each shareholder who made a written objection; (c) a shareholder must within 20 days following receipt of such notice from the constituent company, give the constituent company a written notice of his intention to dissent including, among other details, a demand for payment of the fair value of his shares; (d) within seven days following the date of the expiration of the period set out in paragraph (b) above or seven days following the date on which the plan of merger or consolidation is filed, whichever is later, the constituent company, the surviving company or the consolidated company must make a written offer to each dissenting shareholder to

purchase his shares at a price that the company determines is the fair value and if the company and the shareholder agree the price within 30 days following the date on which the offer was made, the company must pay the shareholder such amount; and (e) if the company and the shareholder fail to agree a price within such 30 day period, within 20 days following the date on which such 30 day period expires, the company (and any dissenting shareholder) must file a petition with the Cayman Islands courts to determine the fair value and such petition must be accompanied by a list of the names and addresses of the dissenting shareholders with whom agreements as to the fair value of their shares have not been reached by the company. At the hearing of that petition, the court has the power to determine the fair value of the shares together with a fair rate of interest, if any, to be paid by the company upon the amount determined to be the fair value. Any dissenting shareholder whose name appears on the list filed by the company may participate fully in all proceedings until the determination of fair value is reached. These rights of a dissenting shareholder are not available in certain circumstances, for example, to dissenters holding shares of any class in respect of which an open market exists on a recognized stock exchange or recognized interdealer quotation system at the relevant date or where the consideration for such shares to be contributed are shares of any company listed on a national securities exchange or shares of the surviving or consolidated company.

Moreover, Cayman Islands law has separate statutory provisions that facilitate the reconstruction or amalgamation of companies in certain circumstances, schemes of arrangement will generally be more suited for complex mergers or other transactions involving widely held companies, commonly referred to in the Cayman Islands as a “scheme of arrangement” which may be tantamount to a merger. In the event that a merger was sought pursuant to a scheme of arrangement (the procedures for which are more rigorous and take longer to complete than the procedures typically required to consummate a merger in the United States), the arrangement in question must be approved by a majority in number of each class of shareholders and creditors with whom the arrangement is to be made and who must in addition represent three-fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by proxy at an annual general meeting, or extraordinary general meeting summoned for that purpose. The convening of the meetings and subsequently the terms of the arrangement must be sanctioned by the Cayman Islands courts. While a dissenting shareholder would have the right to express to the court the view that the transaction should not be approved, the court can be expected to approve the arrangement if it satisfies itself that:

- we are not proposing to act illegally or beyond the scope of our corporate authority and the statutory provisions as to majority vote have been complied with;
- the shareholders have been fairly represented at the meeting in question;
- the arrangement is such as a businessman would reasonably approve;
and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Cayman Companies Act or that would amount to a “fraud on the minority.”

If a scheme of arrangement or takeover offer (as described below) is approved, any dissenting shareholder would have no rights comparable to appraisal rights (providing rights to receive payment in cash for the judicially determined value of the shares), which would otherwise ordinarily be available to dissenting shareholders of United States corporations.

Squeeze-out Provisions

When a takeover offer is made and accepted by holders of 90% of the shares to whom the offer relates within four months, the offeror may, within a two-month period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection can be made to the Cayman Islands courts, but this is unlikely to succeed unless there is evidence of fraud, bad faith, collusion or inequitable treatment of the shareholders.

Further, transactions similar to a merger, reconstruction and/or an amalgamation may in some circumstances be achieved through means other than these statutory provisions, such as a share capital exchange, asset acquisition or control, or through contractual arrangements of an operating business.

Shareholders' Suits

Maples and Calder (Cayman) LLP, our Cayman Islands legal counsel, is not aware of any reported class action having been brought in a Cayman Islands court. Derivative actions have been brought in the Cayman Islands courts, and the Cayman Islands courts have confirmed the availability for such actions. In most cases, we will be the proper plaintiff in any claim based on a breach of duty owed to us, and a claim against (for example) our officers or directors usually may not be brought by a shareholder. However, based both on Cayman Islands authorities and on English authorities, which would in all likelihood be of persuasive authority and be applied by a court in the Cayman Islands, exceptions to the foregoing principle apply in circumstances in which:

- a company is acting, or proposing to act, illegally or beyond the scope of its authority;
- the act complained of, although not beyond the scope of the authority, could be effected if duly authorized by more than the number of votes which have actually been obtained; or
- those who control the company are perpetrating a “fraud on the minority.”

A shareholder may have a direct right of action against us where the individual rights of that shareholder have been infringed or are about to be infringed.

Enforcement of Civil Liabilities

The Cayman Islands has a different body of securities laws as compared to the United States and provides less protection to investors. Additionally, Cayman Islands companies may not have standing to sue before the Federal courts of the United States.

We have been advised by Maples and Calder (Cayman) LLP, our Cayman Islands legal counsel, that the courts of the Cayman Islands are unlikely (i) to recognize or enforce against us judgments of courts of the United States predicated upon the civil liability provisions of the federal securities laws of the United States or any state; and (ii) in original actions brought in the Cayman Islands, to impose liabilities against us predicated upon the civil liability provisions of the federal securities laws of the United States or any state, so far as the liabilities imposed by those provisions are penal in nature. In those circumstances, although there is no statutory enforcement in the Cayman Islands of judgments obtained in the United States, the courts of the Cayman Islands will recognize and enforce a foreign money judgment of a foreign court of competent jurisdiction without retrial on the merits based on the principle that a judgment of a competent foreign court imposes upon the judgment debtor an obligation to pay the sum for which judgment has been given provided certain conditions are met. For a foreign judgment to be enforced in the Cayman Islands, such judgment must be final and conclusive and for a liquidated sum, and must not be in respect of taxes or a fine or penalty, inconsistent with a Cayman Islands judgment in respect of the same matter, impeachable on the grounds of fraud or obtained in a manner, or be of a kind the enforcement of which is, contrary to natural justice or the public policy of the Cayman Islands (awards of punitive or multiple damages may well be held to be contrary to public policy). A Cayman Islands court may stay enforcement proceedings if concurrent proceedings are being brought elsewhere.

Special Considerations for Exempted Companies

We are an exempted company with limited liability under the Cayman Companies Act. The Cayman Companies Act distinguishes between ordinary resident companies and exempted companies. Any

company that is registered in the Cayman Islands but conducts business mainly outside of the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary company except for the exemptions and privileges listed below:

- an exempted company does not have to file an annual return of its shareholders with the Registrar of Companies of the Cayman Islands;
- an exempted company's register of members is not open to inspection;
- an exempted company does not have to hold an annual general meeting;
- an exempted company may issue shares with no par value;
- an exempted company may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 20 years in the first instance);
- an exempted company may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
- an exempted company may register as a limited duration company; and
- an exempted company may register as a segregated portfolio company.

“*Limited liability*” means that the liability of each shareholder is limited to the amount unpaid by the shareholder on the shares of the company (except in exceptional circumstances, such as involving fraud, the establishment of an agency relationship or an illegal or improper purpose or other circumstances in which a court may be prepared to pierce or lift the corporate veil).

Indemnification of Directors and Executive Officers and Limitation of Liability

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against willful default, willful neglect, civil fraud or the consequences of committing a crime. The Articles permit indemnification of officers and directors for any liability, action, proceeding, claim, demand, costs damages or expenses, including legal expenses, incurred in their capacities as such unless such liability (if any) arises from actual fraud, willful neglect or willful default which may attach to such directors or officers. This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation. In addition, we have entered into indemnification agreements with our directors and senior executive officers that provide such persons with additional indemnification beyond that provided in the Articles.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling us under the foregoing provisions, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Anti-Takeover Provisions in the Articles

Some provisions of the Articles may discourage, delay or prevent a change of control of our company or management that shareholders may consider favorable, including a provision that authorizes our board of directors to issue preference shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preference shares without any further vote or action by our shareholders.

Such shares could be issued quickly with terms calculated to delay or prevent a change in control of our company or make removal of management more difficult. If our board of directors decides to issue these preference shares, the price of our ordinary shares may fall and the voting and other rights of the holders of our ordinary shares may be materially adversely affected.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under the Articles for a proper purpose and for what they believe in good faith to be in the best interests of our company.

Directors' Fiduciary Duties

Under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself or herself of, and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director act in a manner he or she reasonably believes to be in the best interests of the corporation. A director must not use his or her corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interest of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, a director must prove the procedural fairness of the transaction, and that the transaction was of fair value to the corporation.

Under Cayman Islands law, directors and officers owe the following fiduciary duties:

- duty to act in good faith in what the director or officer believes to be in the best interests of the company as a whole;
- duty to exercise powers for the purposes for which those powers were conferred and not for a collateral purpose;
- directors should not improperly fetter the exercise of future discretion;
- duty to exercise powers fairly as between different sections of shareholders;
- duty not to put themselves in a position in which there is a conflict between their duty to the company and their personal interests; and
- duty to exercise independent judgment.

In addition to the above, directors also owe a duty of care which is not fiduciary in nature. This duty has been defined as a requirement to act as a reasonably diligent person having both the general knowledge, skill and experience that may reasonably be expected of a person carrying out the same functions as are carried out by that director in relation to the company and the general knowledge skill and experience of that director.

As set out above, directors have a duty not to put themselves in a position of conflict and this includes a duty not to engage in self-dealing, or to otherwise benefit as a result of their position. However, in some instances what would otherwise be a breach of this duty can be forgiven and/or authorized in advance by the shareholders provided that there is full disclosure by the directors. This can be done by way

of permission granted in the amended and restated memorandum and articles of association or alternatively by shareholder approval at general meetings.

Shareholder Action by Written Consent

Under the Delaware General Corporation Law, a corporation may eliminate the right of shareholders to act by written consent by amendment to its certificate of incorporation. The Articles provide that shareholders may approve corporate matters by way of a unanimous written resolution signed by or on behalf of each shareholder who would have been entitled to vote on such matter at a general meeting without a meeting being held.

Shareholder Proposals

Under the Delaware General Corporation Law, a shareholder has the right to put any proposal before the annual meeting of shareholders, provided it complies with the notice provisions in the governing documents. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

The Cayman Companies Act provides shareholders with only limited rights to requisition a general meeting and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. The Articles do not permit our shareholders to requisition either an annual general meeting or an extraordinary general meeting, or to put forth a proposal at a general meeting. As a Cayman Islands exempted company, we are not obliged by law to call annual general meetings.

Cumulative Voting

Under the Delaware General Corporation Law, cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholder's voting power with respect to electing such director. As permitted under Cayman Islands law, the Articles do not provide for cumulative voting. As a result, our shareholders are not afforded any less protections or rights on this issue than shareholders of a Delaware corporation.

Removal of Directors

Under the Delaware General Corporation Law, a director of a corporation with a classified board may be removed only for cause with the approval of a majority of the issued and outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under the Articles, directors may be removed only for cause by a special resolution (usually a majority of two thirds of the voting shares voted at a general meeting) of our shareholders. A director will also cease to be a director if he or she (i) becomes bankrupt or makes any arrangement or composition with his creditors; (ii) dies or is found to be or becomes of unsound mind; (iii) resigns his office by notice in writing; (iv) the director absents himself or herself (for the avoidance of doubt, without being represented by proxy) from three consecutive meetings of the board of directors without special leave of absence from the directors, and the directors pass a resolution that he or she has by reason of such absence vacated office; or (v) all of the other directors (being not less than two in number) determine that he or she should be removed as a director for "Cause" (i.e., a conviction for a criminal offence involving dishonesty or engaging in conduct which brings a director or the Company into disrepute or which results in a material financial detriment to the Company) (and not otherwise), either by a resolution passed by all of the other directors at a meeting of the directors

duly convened and held in accordance with the Articles or by a resolution in writing signed by all of the other directors.

Transactions with Interested Shareholders

The Delaware General Corporation Law contains a business combination statute applicable to Delaware corporations whereby, unless the corporation has specifically elected not to be governed by such statute under its certificate of incorporation, it is prohibited from engaging in certain business combinations with an “interested shareholder” for three years following the date that such person becomes an interested shareholder. An interested shareholder generally is a person or a group who or which owns or owned 15% or more of the target’s outstanding voting stock within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which such shareholder becomes an interested shareholder, the board of directors approves the transaction which resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware corporation to negotiate the terms of any acquisition transaction with the target’s board of directors.

Cayman Islands law has no comparable statute. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although Cayman Islands law does not regulate transactions between a company and its significant shareholders, it does provide that such transactions must be entered into bona fide in the best interests of the company and for a proper corporate purpose and not with the effect of constituting a fraud on the minority shareholders.

Dissolution; Winding Up

Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation’s outstanding shares. Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board.

Under Cayman Islands law, a company may be wound up by either an order of the courts of the Cayman Islands or by a special resolution of its members or, if the company is unable to pay its debts as they fall due, by an ordinary resolution of its members. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so.

Under the Articles, if the Company is wound up, the liquidator of our company may distribute the assets with the sanction of an ordinary resolution of the shareholders and any other sanction required by law.

Variation of Rights of Shares

Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise.

Under the Articles, if our share capital is divided into more than one class of shares, the rights attached to any such class may, whether or not the Company is being wound up, be varied without the consent of the holders of the issued shares of that class where such variation is considered by the directors not to have a material adverse effect upon such rights; otherwise, any such variation shall be made only with the consent in writing of the holders of not less than two thirds of the issued shares of that class or

with the approval of a resolution passed by a majority of not less than two thirds of the votes cast at a separate meeting of the holders of the shares of that class.

Amendment of Governing Documents

Under the Delaware General Corporation Law, a corporation's governing documents may be amended with the approval of a majority of the outstanding shares entitled to vote on the matter, unless the certificate of incorporation provides otherwise. As permitted by Cayman Islands law, the Articles may only be amended by a special resolution of the shareholders.

Rights of Non-Resident or Foreign Shareholders

There are no limitations imposed by the Articles on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares. In addition, there are no provisions in the Articles governing the ownership threshold above which shareholder ownership must be disclosed.

Directors' Power to Issue Shares

Subject to applicable law, our board of directors is empowered to issue or allot shares or grant options and warrants with or without preferred, deferred, or other rights or restrictions.

Inspection of Books

Under the Delaware General Corporation Law, any shareholder of a corporation may for any proper purpose inspect or make copies of the corporation's stock ledger, list of shareholders and other books and records.

Holders of our shares have no general right under Cayman Islands law to inspect or obtain copies of our register of members or our corporate records.

Directors

Appointment and removal

The Directors are divided into three classes designated as Class I, Class II and Class III, respectively. Directors were assigned to each class in accordance with a resolution or resolutions adopted by the board of Directors. At the 2023 annual general meeting of the Company, the term of office of the Class II Directors shall expire and Class II Directors shall be elected for a full term of three years. At the 2024 annual general meeting of the Company, the term of office of the Class III Directors shall expire and Class III Directors shall be elected for a full term of three years. At the 2025 annual general meeting of the Company, the term of office of the Class I Directors shall expire and Class I Directors shall be elected for a full term of three years. At each succeeding annual general meeting of the Company, Directors shall be elected for a full term of three years to succeed the Directors of the class whose terms expire at such annual general meeting. Notwithstanding the foregoing provisions of this Article, each Director shall hold office until the expiration of his term, until his successor shall have been duly elected and qualified or until his or her earlier death, resignation or removal.

There is no cumulative voting with respect to the appointment of directors.

An ordinary resolution under Cayman Islands law, which requires the affirmative vote of a majority of the shareholders who attend and vote at a general meeting of the company, is required to elect a director.

The office of a Director shall be vacated if all of the other Directors (being not less than two in number) determine that he or she should be removed as a Director for Cause (and not otherwise) (as such

term is defined in our amended and restated memorandum and articles of association), either by a resolution passed by all of the other Directors at a meeting of the Directors duly convened and held in accordance with the Articles or by a resolution in writing signed by all of the other Directors.

Warrants

Business Combination Warrants

This section “*Business Combination Warrants*” contains a description of the warrants issued by the Company in connection with the business combination transaction completed on September 3, 2021 pursuant to which Centricus Acquisition Corp. merged with and into Arqit Quantum Inc., with Arqit Quantum Inc. as the surviving entity, following which Arqit Quantum Inc. acquired all of the outstanding share capital of Arqit Limited, with Arqit Limited becoming a wholly-owned subsidiary of Arqit Quantum Inc.

Public Business Combination Warrants

Each whole warrant initially entitled the registered holder to purchase one ordinary share at a price of \$11.50 per share, subject to adjustment as discussed below, which became exercisable on February 8, 2022 (one year after the closing of Centricus’ IPO). On September 25, 2024 we completed a 25-to-1 reverse share split. Accordingly, instead of each whole warrant being exercisable for one ordinary share, at a price of \$11.50 per share, each warrant is now exercisable for 0.04 ordinary shares at a price of \$287.50 per share. Pursuant to the Warrant Agreement, a warrant holder may exercise its warrants only for a whole number of ordinary shares. This means only a whole warrant may be exercised at a given time by a warrant holder. The warrants will expire on September 3, 2026 (five years after closing of the Business Combination), at 5:00 p.m., New York City time, or earlier upon redemption or liquidation.

We will not be obligated to deliver any ordinary shares pursuant to the exercise of a warrant and will have no obligation to settle such warrant exercise unless a registration statement under the Securities Act with respect to the ordinary shares underlying the warrants is then effective and a prospectus relating thereto is current, subject to our satisfying our obligations described below with respect to registration, or a valid exemption from registration is available. No warrant will be exercisable and we will not be obligated to issue an ordinary share upon exercise of a warrant unless the ordinary share issuable upon such warrant exercise has been registered, qualified or deemed to be exempt under the securities laws of the state of residence of the registered holder of the warrants. In the event that the conditions in the two immediately preceding sentences are not satisfied with respect to a warrant, the holder of such warrant will not be entitled to exercise such warrant and such warrant may have no value and expire worthless. In no event will we be required to net cash settle any warrant.

We have agreed we will use our commercially reasonable efforts to maintain the effectiveness of a registration statement for the registration, under the Securities Act, of the ordinary shares issuable upon exercise of the warrants and a current prospectus relating to those ordinary shares until the warrants expire or are redeemed, as specified in the Warrant Agreement; provided that if our ordinary shares are at the time of any exercise of a warrant not listed on a national securities exchange such that they satisfy the definition of a “covered security” under Section 18(b)(1) of the Securities Act, we may, at our option, require holders of public warrants who exercise their warrants to do so on a “cashless basis” in accordance with Section 3(a)(9) of the Securities Act and, in the event we so elect, we will not be required to file or maintain in effect a registration statement, but we will use our commercially reasonable efforts to register or qualify the shares under applicable blue sky laws to the extent an exemption is not available. If a registration statement covering the ordinary shares issuable upon exercise of the warrants is not effective by the 60th day after the closing of the initial business combination, warrant holders may, until such time as there is an effective registration statement and during any period when we will have failed to maintain an effective registration statement, exercise warrants on a “cashless basis” in accordance with Section 3(a)(9) of the Securities Act or another exemption, but we will use our commercially reasonable efforts to register or qualify the shares under applicable blue sky laws to the extent an exemption is not available. In such event, each holder would pay the exercise price by surrendering the warrants for that number of ordinary

shares equal to the lesser of (A) the quotient obtained by dividing (x) the product of the number of ordinary shares underlying the warrants, multiplied by the excess of the “fair market value” (defined below) less the exercise price of the warrants by (y) the fair market value and (B) 0.361 per whole warrant. The “fair market value” as used in this paragraph shall mean the volume weighted average price of the ordinary shares for the 10 trading days ending on the trading day prior to the date on which the notice of exercise is received by the warrant agent.

No fractional ordinary shares will be issued upon exercise. If, upon exercise, a holder would be entitled to receive a fractional interest in a share, we will round down to the nearest whole number of the number of ordinary shares to be issued to the holder.

A holder of a warrant may notify us in writing in the event it elects to be subject to a requirement that such holder will not have the right to exercise such warrant, to the extent that after giving effect to such exercise, such person (together with such person’s affiliates), to the warrant agent’s actual knowledge, would beneficially own in excess of 4.9% or 9.8% (as specified by the holder) of the ordinary shares issued and outstanding immediately after giving effect to such exercise.

Redemption of warrants for cash when the price per ordinary share equals or exceeds \$450.00 We may redeem the outstanding warrants (except as described herein with respect to the private placement warrants):

- in whole and not in part;
- at a price of \$0.25 per warrant;
- upon a minimum of 30 days’ prior written notice of redemption to each warrant holder; and
- if, and only if, the closing price of the ordinary shares equals or exceeds \$450.00 per share (as adjusted for adjustments to the number of shares issuable upon exercise or the exercise price of a warrant as described under the heading “— *Warrants — Business Combination Warrants—Public Business Combination Warrants — Anti-Dilution Adjustments*”) for any 20 trading days within a 30-trading day period ending three trading days before we send the notice of redemption to the warrant holders.

We will not redeem the warrants as described above unless a registration statement under the Securities Act covering the issuance of the ordinary shares issuable upon exercise of the warrants is then effective and a current prospectus relating to those ordinary shares is available throughout the 30-day redemption period. If and when the warrants become redeemable by us, we may exercise our redemption right even if we are unable to register or qualify the underlying securities for sale under all applicable state securities laws.

We have established the last of the redemption criteria discussed above to prevent a redemption call unless there is at the time of the call a significant premium to the warrant exercise price. If the foregoing conditions are satisfied and we issue a notice of redemption of the warrants, each warrant holder will be entitled to exercise his, her or its warrant prior to the scheduled redemption date. However, the price of the ordinary shares may fall below the \$450.00 redemption trigger price (as adjusted for adjustments to the number of shares issuable upon exercise or the exercise price of a warrant as described under the heading “— *Warrants — Business Combination Warrants—Public Business Combination Warrants — Anti-Dilution Adjustments*”) as well as the \$287.50 (for whole shares) warrant exercise price after the redemption notice is issued.

Redemption of warrants for ordinary shares when the price per ordinary share equals or exceeds \$250.00. We may redeem the outstanding warrants:

- in whole and not in part;
- at \$2.50 per warrant upon a minimum of 30 days' prior written notice of redemption provided that holders will be able to exercise their warrants on a cashless basis prior to redemption and receive that number of shares determined by reference to the table below, based on the redemption date and the "fair market value" of our ordinary shares (as defined below) except as otherwise described below;
- if, and only if, the closing price of our ordinary shares equals or exceeds \$250.00 per public share (as adjusted for adjustments to the number of shares issuable upon exercise or the exercise price of a warrant as described under the heading "*— Warrants — Business Combination Warrants — Public Business Combination Warrants — Anti-Dilution Adjustments*") for any 20 trading days within the 30-trading day period ending three trading days before we send the notice of redemption to the warrant holders; and
- if the closing price of the ordinary shares for any 20 trading days within a 30-trading day period ending on the third trading day prior to the date on which we send the notice of redemption to the warrant holders is less than \$450.00 per share (as adjusted for adjustments to the number of shares issuable upon exercise or the exercise price of a warrant as described under the heading "*— Warrants — Business Combination Warrants — Public Business Combination Warrants — Anti-Dilution Adjustments*"), the private placement warrants must also be concurrently called for redemption on the same terms as the outstanding public warrants, as described above.

Beginning on the date the notice of redemption is given until the warrants are redeemed or exercised, holders may elect to exercise their warrants on a cashless basis. The numbers in the table below represent the number of ordinary shares that a warrant holder will receive upon such cashless exercise in connection with a redemption by us pursuant to this redemption feature, based on the "fair market value" of our ordinary shares on the corresponding redemption date (assuming holders elect to exercise their warrants and such warrants are not redeemed for \$2.50 per warrant), determined for these purposes based on volume weighted average price of our ordinary shares during the 10 trading days immediately following the date on which the notice of redemption is sent to the holders of warrants, and the number of months that the corresponding redemption date precedes the expiration date of the warrants, each as set forth in the table below. We will provide our warrant holders with the final fair market value no later than one business day after the 10-trading day period described above ends.

The share prices set forth in the column headings of the table below will be adjusted as of any date on which the number of shares issuable upon exercise of a warrant or the exercise price of a warrant is adjusted as set forth under the heading "*— Anti-Dilution Adjustments*" below. If the number of shares issuable upon exercise of a warrant is adjusted, the adjusted share prices in the column headings will equal the share prices immediately prior to such adjustment, multiplied by a fraction, the numerator of which is the exercise price of the warrant after such adjustment and the denominator of which is the price of the warrant immediately prior to such adjustment. In such an event, the number of shares in the table below shall be adjusted by multiplying such share amounts by a fraction, the numerator of which is the number of shares deliverable upon exercise of a warrant immediately prior to such adjustment and the denominator of which is the number of shares deliverable upon exercise of a warrant as so adjusted. If the exercise price of a warrant is adjusted, (a) in the case of an adjustment pursuant to the fifth paragraph under the heading "*— Anti-Dilution Adjustments*" below, the adjusted share prices in the column headings will equal the unadjusted share price multiplied by a fraction, the numerator of which is the higher of the Market Value and the Newly Issued Price as set forth under the heading "*— Anti-Dilution Adjustments*" and the denominator of which is \$10.00 and (b) in the case of an adjustment pursuant to the second paragraph under the heading "*— Anti-Dilution Adjustments*" below, the adjusted share prices in the column headings will equal the unadjusted share price less the decrease in the exercise price of a warrant pursuant to such exercise price adjustment.

Redemption Date (period to expiration of warrants)	Fair Market Value of the ordinary shares*								
	≤ \$10.00	11.00	12.00	13.00	14.00	15.00	16.00	17.00	≥ 18.00
21 months	0.161	0.193	0.223	0.252	0.279	0.304	0.326	0.347	0.361
18 months	0.146	0.179	0.211	0.242	0.271	0.298	0.322	0.345	0.361
15 months	0.130	0.164	0.197	0.230	0.262	0.291	0.317	0.342	0.361
12 months	0.111	0.146	0.181	0.216	0.250	0.282	0.312	0.339	0.361
9 months	0.090	0.125	0.162	0.199	0.237	0.272	0.305	0.336	0.361
6 months	0.065	0.099	0.137	0.178	0.219	0.259	0.296	0.331	0.361
3 months	0.034	0.065	0.104	0.150	0.197	0.243	0.286	0.326	0.361
0 months	—	—	0.042	0.115	0.179	0.233	0.281	0.323	0.361

*Table has not been adjusted to reflect the 25-to-1 reverse share split that we completed on September 25, 2024.

The exact fair market value and redemption date may not be set forth in the table above, in which case, if the fair market value is between two values in the table or the redemption date is between two redemption dates in the table, the number of ordinary shares to be issued for each warrant exercised will be determined by a straight-line interpolation between the number of shares set forth for the higher and lower fair market values and the earlier and later redemption dates, as applicable, based on a 365 or 366-day year, as applicable. For example, if the volume weighted average price of our ordinary shares during the 10 trading days immediately following the date on which the notice of redemption is sent to the holders of the warrants is \$11.00 per share, and at such time there are 57 months until the expiration of the warrants, holders may choose to, in connection with this redemption feature, exercise their warrants for 0.277 ordinary shares for each whole warrant. For an example where the exact fair market value and redemption date are not as set forth in the table above, if the volume weighted average price of our ordinary shares during the 10 trading days immediately following the date on which the notice of redemption is sent to the holders of the warrants is \$13.50 per share, and at such time there are 38 months until the expiration of the warrants, holders may choose to, in connection with this redemption feature, exercise their warrants for 0.298 ordinary shares for each whole warrant. In no event will the warrants be exercisable on a cashless basis in connection with this redemption feature for more than 0.361 ordinary shares per warrant (subject to adjustment). Finally, as reflected in the table above, if the warrants are out of the money and about to expire, they cannot be exercised on a cashless basis in connection with a redemption by us pursuant to this redemption feature, since they will not be exercisable for any ordinary shares.

This redemption feature differs from the typical warrant redemption features used in some other blank check offerings, which only provide for a redemption of warrants for cash (other than the private placement warrants) when the trading price for the ordinary shares exceeds \$450.00 per share for a specified period of time. This redemption feature is structured to allow for all of the outstanding warrants to be redeemed when the ordinary shares are trading at or above \$250.00 per public share, which may be at a time when the trading price of our ordinary shares is below the exercise price of the warrants. We have established this redemption feature to provide us with the flexibility to redeem the warrants without the warrants having to reach the \$450.00 per share threshold set forth above under “— *Redemption of warrants for cash when the price per ordinary share equals or exceeds \$450.00*”. Holders choosing to exercise their warrants in connection with a redemption pursuant to this feature will, in effect, receive a number of shares

for their warrants based on an option pricing model with a fixed volatility input as of the date of filing of this exhibit. This redemption right provides us with an additional mechanism by which to redeem all of the outstanding warrants, and therefore have certainty as to our capital structure as the warrants would no longer be outstanding and would have been exercised or redeemed. We will be required to pay the applicable redemption price to warrant holders if we choose to exercise this redemption right and it will allow us to quickly proceed with a redemption of the warrants if we determine it is in our best interest to do so. As such, we would redeem the warrants in this manner when we believe it is in our best interest to update our capital structure to remove the warrants and pay the redemption price to the warrant holders.

As stated above, we can redeem the warrants when the ordinary shares are trading at a price starting at \$250.00, which is below the exercise price of \$287.50 per share, because it will provide certainty with respect to our capital structure and cash position while providing warrant holders with the opportunity to exercise their warrants on a cashless basis for the applicable number of shares. If we choose to redeem the warrants when the ordinary shares are trading at a price below the exercise price of the warrants, this could result in the warrant holders receiving fewer ordinary shares than they would have received if they had chosen to wait to exercise their warrants for ordinary shares if and when such ordinary shares were trading at a price higher than the exercise price of \$287.50 per share.

Anti-Dilution Adjustments. If the number of outstanding ordinary shares is increased by a capitalization or share dividend payable in ordinary shares, or by a split-up of ordinary shares or other similar event, then, on the effective date of such capitalization or share dividend, split-up or similar event, the number of ordinary shares issuable on exercise of each warrant will be increased in proportion to such increase in the outstanding ordinary shares. A rights offering made to all or substantially all holders of ordinary shares entitling holders to purchase ordinary shares at a price less than the “historical fair market value” (as defined below) will be deemed a share dividend of a number of ordinary shares equal to the product of (i) the number of ordinary shares actually sold in such rights offering (or issuable under any other equity securities sold in such rights offering that are convertible into or exercisable for ordinary shares) and (ii) one minus the quotient of (x) the price per ordinary share paid in such rights offering and (y) the historical fair market value. For these purposes, (i) if the rights offering is for securities convertible into or exercisable for ordinary shares, in determining the price payable for ordinary shares, there will be taken into account any consideration received for such rights, as well as any additional amount payable upon exercise or conversion and (ii) “historical fair market value” means the volume weighted average price of ordinary shares as reported during the 10 trading day period ending on the trading day prior to the first date on which the ordinary shares trade on the applicable exchange or in the applicable market, regular way, without the right to receive such rights.

In addition, if we, at any time while the warrants are outstanding and unexpired, pay a dividend or make a distribution in cash, securities or other assets to all or substantially all of the holders of the ordinary shares on account of such ordinary shares (or other securities into which the warrants are convertible), other than (a) as described above or (b) any cash dividends or cash distributions which, when combined on a per share basis with all other cash dividends and cash distributions paid on the ordinary shares during the 365-day period ending on the date of declaration of such dividend or distribution does not exceed \$0.50 (as adjusted to appropriately reflect any other adjustments and excluding cash dividends or cash distributions that resulted in an adjustment to the exercise price or to the number of ordinary shares issuable on exercise of each warrant, including the 25-to-1 reverse share split that we completed on September 25, 2024) but only with respect to the amount of the aggregate cash dividends or cash distributions equal to or less than \$0.50 per share, then the warrant exercise price will be decreased, effective immediately after the effective date of such event, by the amount of cash and/or the fair market value of any securities or other assets paid on each ordinary share in respect of such event.

If the number of outstanding ordinary shares is decreased by a consolidation, combination, reverse share sub-division or reclassification of ordinary shares or other similar event, then, on the effective date of such consolidation, combination, reverse share sub-division, reclassification or similar event, the number of ordinary shares issuable on exercise of each warrant will be decreased in proportion to such decrease in outstanding ordinary shares.

Whenever the number of ordinary shares purchasable upon the exercise of the warrants is adjusted, as described above, the warrant exercise price will be adjusted by multiplying the warrant exercise price immediately prior to such adjustment by a fraction (x) the numerator of which will be the number of ordinary shares purchasable upon the exercise of the warrants immediately prior to such adjustment and (y) the denominator of which will be the number of ordinary shares so purchasable immediately thereafter.

In case of any reclassification or reorganization of the outstanding ordinary shares (other than those described above or that solely affects the par value of such ordinary shares), or in the case of any merger or consolidation of us with or into another corporation (other than a consolidation or merger in which we are the continuing corporation and that does not result in any reclassification or reorganization of our outstanding ordinary shares), or in the case of any sale or conveyance to another corporation or entity of the assets or other property of us as an entirety or substantially as an entirety in connection with which we are dissolved, the holders of the warrants will thereafter have the right to purchase and receive, upon the basis and upon the terms and conditions specified in the warrants and in lieu of the ordinary shares immediately theretofore purchasable and receivable upon the exercise of the rights represented thereby, the kind and amount of ordinary shares or other securities or property (including cash) receivable upon such reclassification, reorganization, merger or consolidation, or upon a dissolution following any such sale or transfer, that the holder of the warrants would have received if such holder had exercised their warrants immediately prior to such event. However, if such holders were entitled to exercise a right of election as to the kind or amount of securities, cash or other assets receivable upon such consolidation or merger, then the kind and amount of securities, cash or other assets for which each warrant will become exercisable will be deemed to be the weighted average of the kind and amount received per share by such holders in such consolidation or merger that affirmatively make such election, and if a tender, exchange or redemption offer has been made to and accepted by such holders (other than a tender, exchange or redemption offer made by the company in connection with redemption rights held by shareholders of the company as provided for in the company's amended and restated memorandum and articles of association or as a result of the redemption of ordinary shares by the company if a proposed initial business combination is presented to the shareholders of the company for approval) under circumstances in which, upon completion of such tender or exchange offer, the maker thereof, together with members of any group (within the meaning of Rule 13d-5(b)(1) under the Exchange Act) of which such maker is a part, and together with any affiliate or associate of such maker (within the meaning of Rule 12b-2 under the Exchange Act) and any members of any such group of which any such affiliate or associate is a part, own beneficially (within the meaning of Rule 13d-3 under the Exchange Act) more than 50% of the issued and outstanding ordinary shares, the holder of a warrant will be entitled to receive the highest amount of cash, securities or other property to which such holder would actually have been entitled as a shareholder if such warrant holder had exercised the warrant prior to the expiration of such tender or exchange offer, accepted such offer and all of the ordinary shares held by such holder had been purchased pursuant to such tender or exchange offer, subject to adjustment (from and after the consummation of such tender or exchange offer) as nearly equivalent as possible to the adjustments provided for in the Warrant Agreement. If less than 70% of the consideration receivable by the holders of ordinary shares in such a transaction is payable in the form of ordinary shares in the successor entity that is listed for trading on a national securities exchange or is quoted in an established over-the-counter market, or is to be so listed for trading or quoted immediately following such event, and if the registered holder of the warrant properly exercises the warrant within thirty days following public disclosure of such transaction, the warrant exercise price will be reduced as specified in the Warrant Agreement based on the Black-Scholes value (as defined in the Warrant Agreement) of the warrant. The purpose of such exercise price reduction is to provide additional value to holders of the warrants when an extraordinary transaction occurs during the exercise period of the warrants pursuant to which the holders of the warrants otherwise do not receive the full potential value of the warrants.

The warrants have been issued in registered form under a Warrant Agreement (the "Warrant Agreement") between Continental Stock Transfer & Trust Company, as warrant agent, and us. The Warrant Agreement provides that the terms of the warrants may be amended without the consent of any holder for the purpose of (i) curing any ambiguity or correct any mistake, including to conform the provisions of the Warrant Agreement to the description of the terms of the warrants and the Warrant Agreement set forth in this section, or defective provision, (ii) amending the provisions relating to cash

dividends on ordinary shares as contemplated by and in accordance with the Warrant Agreement or (iii) adding or changing any provisions with respect to matters or questions arising under the Warrant Agreement as the parties to the Warrant Agreement may deem necessary or desirable and that the parties deem to not adversely affect the rights of the registered holders of the warrants, provided that the approval by the holders of at least 50% of the then-outstanding public warrants is required to make any change that adversely affects the interests of the registered holders. You should review a copy of the Warrant Agreement, which has been filed as an exhibit to our annual report on Form 20-F for the fiscal year ended September 30, 2024, for a complete description of the terms and conditions applicable to the warrants.

The warrantholders do not have the rights or privileges of holders of ordinary shares and any voting rights until they exercise their warrants and receive ordinary shares. After the issuance of ordinary shares upon exercise of the warrants, each holder will be entitled to one vote for each share held of record on all matters to be voted on by shareholders.

If, upon exercise of the warrants, a holder would be entitled to receive a fractional interest in a share, we will, upon exercise, round down to the nearest whole number the number of ordinary shares to be issued to the warrantholder.

Private Placement Business Combination Warrants

Except as described below, the private placement warrants have terms and provisions that are identical to those of the warrants. The private placement warrants (including the ordinary shares issuable upon exercise of the private placement warrants) will not be redeemable by us (except as described under “— *Warrants — Public Business Combination Warrants — Redemption of warrants when the price per ordinary share equals or exceeds \$10.00*”) so long as they are held by the Sponsor or its permitted transferees (except as otherwise set forth herein). The Sponsor, or its permitted transferees, has the option to exercise the private placement warrants on a cashless basis. If the private placement warrants are held by holders other than the Sponsor or its permitted transferees, the private placement warrants will be redeemable by us in all redemption scenarios and exercisable by the holders on the same basis as the warrants.

Except as described above under “— *Public Business Combination Warrants — Redemption of warrants when the price per ordinary share equals or exceeds \$250.00*,” if holders of the private placement warrants elect to exercise them on a cashless basis, they would pay the exercise price by surrendering his, her or its warrants for that number of ordinary shares equal to the quotient obtained by dividing (x) the product of the number of ordinary shares underlying the warrants, multiplied by the excess of the “historical fair market value” (defined below) over the exercise price of the warrants by (y) the historical fair market value. For these purposes, the “historical fair market value” shall mean the average reported closing price of the ordinary shares for the 10 trading days ending on the third trading day prior to the date on which the notice of warrant exercise is sent to the warrant agent or on which the notice of redemption is sent to the holders of warrants, as applicable. We have policies in place that restrict insiders from selling our securities except during specific periods of time. Even during such periods of time when insiders will be permitted to sell our securities, an insider cannot trade in our securities if he or she is in possession of material non-public information. Accordingly, unlike Centricus public shareholders who could exercise their warrants and sell the ordinary shares received upon such exercise freely in the open market in order to recoup the cost of such exercise, the insiders could be significantly restricted from selling such securities. As a result, we believe that allowing the holders to exercise such warrants on a cashless basis is appropriate.

Registered Direct Warrants

This section “ *Registered Direct Warrants*” contains a description of the following warrants issued by the Company in connection with registered direct offerings: (i) 300,000 warrants to purchase its ordinary shares at an exercise price of \$50.00 per share, which were issued on February 22, 2023 (the “February 2023 Investor Warrants”); (ii) 22,000 warrants to purchase its ordinary shares at an exercise

price of \$62.50 per share, which were issued on February 22, 2023 (the “February 2023 Placement Agent Warrants”); (iii) 830,228 warrants to purchase its ordinary shares at an exercise price of \$19.50 per share, which were issued on September 12, 2023 (the “September 2023 Investor Warrants”); (iv) 28,206 warrants to purchase its ordinary shares at an exercise price of \$24.375 per share, which were issued on September 12, 2023 (the “September 2023 Placement Agent Warrants”) and (v) 5,440,000 warrants to purchase its ordinary shares at an exercise price of \$2.50 per share, which were issued in September and October 2024 (the “September 2024 Investor Warrants” and together with the February 2023 Investor Warrants, the February 2023 Placement Agent Warrants, the September 2023 Investor Warrants and the September 2023 Placement Agent Warrants, the “Registered Direct Warrants”).

Exercisability

The February 2023 Investor Warrants, the February 2023 Placement Agent Warrants, the September 2023 Investor Warrants and the September 2023 Placement Agent Warrants are currently exercisable and will be exercisable for five years from the date of issuance.

The September 2024 Investor Warrants will become exercisable only upon the later of (i) one year from the issuance date of the warrants, (ii) the date of the approval by our shareholders of an increase in authorized capital sufficient to permit the issuance of shares issuable upon exercise of the September 2024 Investor Warrants and (iii) the date that the closing trading price of our ordinary shares on the Nasdaq Capital Market has exceeded \$5.00 for 60 consecutive trading days. The September 2024 Investor Warrants will be exercisable for a period of one year following the date they become exercisable. The September 2024 Investor Warrants will terminate on the earlier of (x) 5:00 p.m. (New York City time) on the last day of the exercise period or (y) 5:00 p.m. (New York City time) on the date falling five years after the date of issuance.

The exercise price and number of ordinary shares issuable upon exercise are subject to appropriate adjustment in the event of share dividends, share splits, reorganizations or similar events affecting our ordinary shares. Warrants will be issued in certificated form only.

Exercisability

The Warrants will be exercisable, at the option of each holder, in whole or in part, by delivering to us a duly executed exercise notice accompanied by payment in full for the number of ordinary shares purchased upon such exercise (except in the case of a cashless exercise as discussed below). A holder (together with its affiliates) may not exercise any portion of such holder’s warrants to the extent that the holder would own more than 4.99% (or, at the election of the purchaser, 9.99%) of our outstanding ordinary shares immediately after exercise, except that upon at least 61 days’ prior notice from the holder to us, the holder may increase the amount of ownership of outstanding ordinary shares after exercising the holder’s Warrants up to 9.99% of the number of ordinary shares outstanding immediately after giving effect to the exercise, as such percentage ownership is determined in accordance with the terms of the Warrants. Purchasers in this offering may also elect prior to the issuance of Warrants to have the initial exercise limitation set at 9.99% of our ordinary shares.

Cashless Exercise

With respect to the February 2023 Investor Warrants, the February 2023 Placement Agent Warrants, the September 2023 Investor Warrants and the September 2023 Placement Agent Warrants, if at the time of exercise of the warrant there is no effective registration statement registering, or the prospectus contained therein is not available for the resale of ordinary shares issuable upon exercise of the warrant, then the warrants will only be exercisable on a “cashless exercise” basis under which the holder will receive upon such exercise a net number of common shares determined according to a formula set forth in the warrants.

Fundamental Transactions

In the event of any fundamental transaction, as described in the warrants and generally including any merger with or into another entity, sale of all or substantially all of our assets, tender offer or exchange offer, or reclassification of our ordinary shares, then upon any subsequent exercise of a warrant, the holder will have the right to receive as alternative consideration, for each Ordinary Share that would have been issuable upon such exercise immediately prior to the occurrence of such fundamental transaction, the number of ordinary shares of the successor or acquiring corporation or of our company, if it is the surviving corporation, and any additional consideration receivable upon or as a result of such transaction by a holder of the number of ordinary shares for which the warrant is exercisable immediately prior to such event. In certain circumstances, the holder will have the right to receive the Black Scholes Value of the warrant calculated pursuant to a formula set forth in the warrants, payable either in cash or in the same type or form of consideration that is being offered and being paid to the holders of our ordinary shares as described in the warrants.

Transferability

In accordance with its terms and subject to applicable laws, a warrant may be transferred at the option of the holder upon surrender of the warrant to us together with the appropriate instruments of transfer and payment of funds sufficient to pay any transfer taxes (if applicable).

Fractional Shares

No fractional ordinary shares will be issued upon the exercise of the warrants. Rather, the number of ordinary shares to be issued will, at our election, either be rounded up to the nearest whole number or we will pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the exercise price.

Trading Market

Unlike our Business Combination Warrants, there is no established trading market for the Registered Direct Warrants, and we do not expect a market to develop. The Registered Direct Warrants are distinct from, and are not fungible with, our Business Combination Warrants. We have not and do not intend to apply for a listing for the Registered Direct Warrants on any securities exchange or other nationally recognized trading system. Without an active trading market, the liquidity of the Registered Direct Warrants is and will be limited.

Rights as a Shareholder

Except as otherwise provided in the warrants or by virtue of the holders' ownership of ordinary shares, the holders of warrants do not have the rights or privileges of holders of our ordinary shares, including any voting rights, until such warrant holders exercise their warrants.

Enforceability of Civil Liability under Cayman Islands Law

The Company has been advised by Maples and Calder (Cayman) LLP, its Cayman Islands legal counsel, that the courts of the Cayman Islands are unlikely (i) to recognize, or enforce against the Company, judgments of courts of the United States predicated upon the civil liability provisions of the securities laws of the United States or any State; and (ii) in original actions brought in the Cayman Islands, to impose liabilities against the Company predicated upon the civil liability provisions of the securities laws of the United States or any State, so far as the liabilities imposed by those provisions are penal in nature. In those circumstances, although there is no statutory enforcement in the Cayman Islands of judgments obtained in the United States, the courts of the Cayman Islands will recognize and enforce a foreign money judgment of a foreign court of competent jurisdiction without retrial on the merits based on the principle that a judgment of a competent foreign court imposes upon the judgment debtor an obligation to pay the sum for which judgment has been given provided certain conditions are met. For a foreign judgment to be enforced in the Cayman Islands, such judgment must be final and conclusive and for a liquidated sum, and must not be in respect of taxes or a fine or penalty, inconsistent with a Cayman Islands

judgment in respect of the same matter, impeachable on the grounds of fraud or obtained in a manner, or be of a kind the enforcement of which is, contrary to natural justice or the public policy of the Cayman Islands (awards of punitive or multiple damages may well be held to be contrary to public policy). A Cayman Islands court may stay enforcement proceedings if concurrent proceedings are being brought elsewhere. There is recent Privy Council authority (which is binding on the Cayman Islands court) in the context of a reorganization plan approved by the New York Bankruptcy Court which suggests that due to the universal nature of bankruptcy/insolvency proceedings, foreign money judgments obtained in foreign bankruptcy/insolvency proceedings may be enforced without applying the principles outlined above. However, a more recent English Supreme Court authority (which is highly persuasive but not binding on the Cayman Islands court), has expressly rejected that approach in the context of a default judgment obtained in an adversary proceeding brought in the New York Bankruptcy Court by the receivers of the bankruptcy debtor against a third party, and which would not have been enforceable upon the application of the traditional common law principles summarized above and held that foreign money judgments obtained in bankruptcy/insolvency proceedings should be enforced by applying the principles set out above, and not by the simple exercise of the Courts' discretion. Those cases have now been considered by the Cayman Islands court. The Cayman Islands court was not asked to consider the specific question of whether a judgment of a bankruptcy court in an adversary proceeding would be enforceable in the Cayman Islands, but it did endorse the need for active assistance of overseas bankruptcy proceedings. We understand that the Cayman Islands court's decision in that case has been appealed and it remains the case that the law regarding the enforcement of bankruptcy/insolvency related judgments is still in a state of uncertainty.

Anti-Money Laundering — Cayman Islands

If any person in the Cayman Islands knows or suspects or has reasonable grounds for knowing or suspecting that another person is engaged in criminal conduct or money laundering or is involved with terrorism or terrorist financing and property and the information for that knowledge or suspicion came to their attention in the course of business in the regulated sector, or other trade, profession, business or employment, the person will be required to report such knowledge or suspicion to (i) the Financial Reporting Authority of the Cayman Islands, pursuant to the Proceeds of Crime Law (2020 Revision) of the Cayman Islands if the disclosure relates to criminal conduct or money laundering, or (ii) a police officer of the rank of constable or higher, or the Financial Reporting Authority, pursuant to the Terrorism Law (2018 Revision) of the Cayman Islands, if the disclosure relates to involvement with terrorism or terrorist financing and property. Such a report shall not be treated as a breach of confidence or of any restriction upon the disclosure of information imposed by any enactment or otherwise.

Data Protection — Cayman Islands

We have certain duties under the Data Protection Act (As Revised) of the Cayman Islands (the "DPL") based on internationally accepted principles of data privacy.

Privacy Notice

Introduction

This privacy notice puts our shareholders on notice that through your investment in the Company you will provide us with certain personal information which constitutes personal data within the meaning of the DPL ("personal data"). In the following discussion, the "company" refers to us and our affiliates and/or delegates, except where the context requires otherwise.

Investor Data

We will collect, use, disclose, retain and secure personal data to the extent reasonably required only and within the parameters that could be reasonably expected during the normal course of business. We will only process, disclose, transfer or retain personal data to the extent legitimately required to conduct our

activities of on an ongoing basis or to comply with legal and regulatory obligations to which we are subject. We will only transfer personal data in accordance with the requirements of the DPL, and will apply appropriate technical and organizational information security measures designed to protect against unauthorized or unlawful processing of the personal data and against the accidental loss, destruction or damage to the personal data.

In our use of this personal data, we will be characterized as a “data controller” for the purposes of the DPL, while our affiliates and service providers who may receive this personal data from us in the conduct of our activities may either act as our “data processors” for the purposes of the DPL or may process personal information for their own lawful purposes in connection with services provided to us.

We may also obtain personal data from other public sources. Personal data includes, without limitation, the following information relating to a shareholder and/or any individuals connected with a shareholder as an investor: name, residential address, email address, contact details, corporate contact information, signature, nationality, place of birth, date of birth, tax identification, credit history, correspondence records, passport number, bank account details, source of funds details and details relating to the shareholder’s investment activity.

Who this Affects

If you are a natural person, this will affect you directly. If you are a corporate investor (including, for these purposes, legal arrangements such as trusts or exempted limited partnerships) that provides us with personal data on individuals connected to you for any reason in relation your investment in the company, this will be relevant for those individuals and you should transmit the content of this Privacy Notice to such individuals or otherwise advise them of its content.

How the Company May Use a Shareholder’s Personal Data

The company, as the data controller, may collect, store and use personal data for lawful purposes, including, in particular:

- where this is necessary for the performance of our rights and obligations under any purchase agreements;
- where this is necessary for compliance with a legal and regulatory obligation to which we are subject (such as compliance with anti-money laundering and FATCA/CRS requirements); and/or
- where this is necessary for the purposes of our legitimate interests and such interests are not overridden by your interests, fundamental rights or freedoms.

Should we wish to use personal data for other specific purposes (including, if applicable, any purpose that requires your consent), we will contact you.

Why We May Transfer Your Personal Data

In certain circumstances we may be legally obliged to share personal data and other information with respect to your shareholding with the relevant regulatory authorities such as the Cayman Islands Monetary Authority or the Tax Information Authority. They, in turn, may exchange this information with foreign authorities, including tax authorities.

We anticipate disclosing personal data to persons who provide services to us and their respective affiliates (which may include certain entities located outside the United States, the Cayman Islands or the European Economic Area), who will process your personal data on our behalf.

The Data Protection Measures We Take

Any transfer of personal data by us or our duly authorized affiliates and/or delegates outside of the Cayman Islands shall be in accordance with the requirements of the DPL.

We and our duly authorized affiliates and/or delegates shall apply appropriate technical and organizational information security measures designed to protect against unauthorized or unlawful processing of personal data, and against accidental loss or destruction of, or damage to, personal data.

We shall notify you of any personal data breach that is reasonably likely to result in a risk to your interests, fundamental rights or freedoms or those data subjects to whom the relevant personal data relates.

ARQIT QUANTUM INC.

AMENDED AND RESTATED 2021 INCENTIVE AWARD PLAN

1. *Establishment of the Plan; Effective Date; Duration.*

(a) *Establishment of the Plan; Effective Date.* Arqit Quantum Inc., a Cayman Islands corporation (the “Company”), hereby establishes this incentive compensation plan to be known as the “Arqit Quantum Inc. 2021 Incentive Award Plan,” as amended from time to time (the “Plan”). The Plan permits the grant of Incentive Stock Options, Nonqualified Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Other Stock-Based Awards, Other Cash-Based Awards, Dividend Equivalents, and Performance Compensation Awards. The Plan shall become effective on the Effective Date. The effectiveness of the Plan shall be subject to approval of the Plan by the stockholders of the Company within twelve months following the date the Plan is first approved by the Board. The Plan shall remain in effect as provided in Section 1(b) of the Plan. Capitalized but undefined terms shall have the meaning set forth in Section 3 of the Plan.

(b) *Duration of the Plan.* The Plan shall commence on the Effective Date and shall remain in effect, subject to the right of the Board to amend or terminate the Plan at any time pursuant to Section 14. However, in no event may an Award be granted under the Plan on or after ten years from the Effective Date, provided, however, in the case of an Award that is an Incentive Stock Option, no Incentive Stock Option shall be granted on or after ten years from the *earlier* of (i) the date the Plan is approved by the Board and (ii) date the Company’s stockholders approve the Plan.

2. *Purpose.* The purpose of the Plan is to provide a means through which the Company and its Affiliates may attract and retain key personnel and to provide a means whereby certain directors, officers, employees, consultants and advisors of the Company and its Affiliates can acquire and maintain an equity interest in the Company, or be paid incentive compensation, which may be measured by reference to the value of Common Shares, thereby strengthening their commitment to the welfare of the Company and its Affiliates and aligning their interests with those of the Company’s stockholders. 3. *Definitions.* Certain terms used herein have the definitions given to them in the first instance in which they are used. In addition, for purposes of the Plan, the following terms are defined as set forth below: (a) “*Affiliate*” means (i) any person or entity that directly or indirectly controls, is controlled by or is under common control with the Company and/or (ii) to the extent provided by the Committee, any person or entity in which the Company has a significant interest. The term “control” (including, with correlative meaning, the terms “controlled by” and “under common control with”), as applied to any person or entity, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such person or entity, whether through the ownership of voting or other securities, by contract or otherwise.

(b) “*Award*” means, individually or collectively, any Incentive Stock Option, Nonqualified Stock Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit, Other Stock-Based Awards, Other Cash-Based Awards, Dividend Equivalents, and/or Performance Compensation Award granted under the Plan.

(c) “*Award Agreement*” means a written agreement between a Participant and the Company which sets out the terms of the grant of an Award.

(d) “*Board*” means the Board of Directors of the Company.

(e) “*Cause*” means, in the case of a particular Award, unless the applicable Award Agreement states otherwise, (i) the Company or an Affiliate having “cause” to terminate a Participant’s employment or service, as defined in any employment or consulting or similar agreement between the Participant and the Company or an Affiliate in effect at the time of such termination, or (ii) in the absence of any such employment or consulting or similar agreement (or the absence of any definition of “Cause” contained therein), a Participant’s (A) conviction of, or the entry of a plea of guilty or no contest to, a felony or any other crime that causes the Company or its Affiliates public disgrace or disrepute, or materially and adversely affects the Company’s or its Affiliates’ operations or financial performance or the relationship the Company has with its customers; (B) gross negligence or willful misconduct with respect to the Company or any of its Affiliates, including, without limitation, fraud, embezzlement, theft or proven dishonesty in the course of his employment or other service to the Company or an Affiliate; (C) alcohol abuse or use of controlled substances other than in accordance with a physician’s prescription; (D) refusal to perform any lawful, material obligation or fulfill any duty (other than any duty or obligation of the type described in clause (F) below) to the Company or its Affiliates (other than due to a disability, as determined by the Committee), which refusal, if curable, is not cured within 15 days after delivery of written notice thereof; (E) material breach of any agreement with or duty owed to the Company or any of its Affiliates, which breach, if curable, is not cured within 15 days after the delivery of written notice thereof; or (F) any breach of any obligation or duty to the Company or any of its Affiliates (whether arising by statute, common law or agreement) relating to confidentiality, noncompetition, nonsolicitation and/or proprietary rights.

(f) “*Change in Control*” shall, in the case of a particular Award, unless the applicable Award Agreement states otherwise or contains a different definition of “Change in Control,” be deemed to occur upon any of the following events:

(i) any “person” as such term is used in Sections 13(d) and 14(d) of the Exchange Act (other than (A) the Company or any of its Affiliates, (B) any trustee or other fiduciary holding securities under any employee benefit plan of the Company or any of its Affiliates, (C) an underwriter temporarily holding securities pursuant to an offering of such securities, or (D) an entity owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of Common Shares) becomes the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, by way of merger, consolidation, recapitalization, reorganization or otherwise, of fifty percent (50%) or more of the total voting power of the then outstanding voting securities of the Company;

(ii) the cessation of control (by virtue of their not constituting a majority of directors) of the Board by the individuals (the “*Continuing Directors*”) who (x) were directors on the Effective Date or (y) become directors after Effective Date and whose election or nomination for election by the Company’s stockholders was approved by a vote of at least two-thirds of the directors then in office who were directors on the Effective Date or whose election or nomination for election was previously so approved;

(iii) the consummation of a merger or consolidation of the Company with any other company, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation;

(iv) the consummation of a plan of complete liquidation of the Company or the sale or disposition by the Company of all or substantially all the Company’s assets; or

(v) any other event specified as a “Change in Control” in an applicable Award Agreement.

Notwithstanding the foregoing, if a Change in Control constitutes a payment event with respect to any Award (or any portion of an Award) that provides for the deferral of compensation that is subject to Section 409A of the Code, to the extent required to avoid the imposition of additional taxes under Section 409A of the Code, the transaction or event described in subsection (i), (ii), (iii), (iv), or (v) with respect to such Award (or portion thereof) shall only constitute a Change in Control for purposes of the payment timing of such Award if such transaction also constitutes a “change in control event,” as defined in Treasury Regulation Section 1.409A-3(i)(5).

(g) “Claim” means any claim, liability or obligation of any nature, arising out of or relating to the Plan or an alleged breach of the Plan or an Award Agreement.

(h) “*Code*” means the Internal Revenue Code of 1986, as amended, and any successor thereto. Reference in the Plan to any section of the Code shall be deemed to include any regulations or other interpretative guidance under such section, and any amendments or successor provisions to such section, regulations or guidance.

(i) “*Committee*” means a committee of at least two people as the Board may appoint to administer the Plan or, if no such committee has been appointed by the Board, the Board.

(j) “*Common Shares*” means the Company’s ordinary shares, par value \$0.0025 per share (and any shares or other securities into which such ordinary shares may be converted or into which they may be exchanged).

(k) “*Company*” means Arqit Quantum Inc., a Cayman Islands corporation.

(l) “*Date of Grant*” means the date on which the granting of an Award is authorized, or such other date as may be specified in such authorization.

(m) “*Dividend Equivalent*” means a right awarded under Section 11 to receive the equivalent value (in cash or Common Shares) of ordinary dividends that would otherwise be paid on the Common Shares subject to an Award that is a full-value award but that have not been issued or delivered.

(n) “*Effective Date*” shall mean the date on which the transactions contemplated by that certain Business Combination Agreement, by and among Centricus Acquisition Corp., Centricus Heritage, LLC, Arqit Limited, David Williams as the Company Shareholder Representative, the shareholders of Arqit Limited and, Arqit Quantum Inc., dated as of May 12, 2021 as amended from time to time, are consummated, *provided* that the Board has adopted the Plan prior to or on such date, subject to approval of the Plan by the Company’s stockholders.

(o) “*Eligible Director*” means a person who is a “non-employee director” within the meaning of Rule 16b-3 under the Exchange Act.

(p) “*Eligible Person*” with respect to an Award denominated in Common Shares, means any (i) individual employed by the Company or an Affiliate; (ii) director of the Company or an Affiliate; (iii) consultant or advisor to the Company or an Affiliate; provided that if the Securities Act applies such persons must be eligible to be offered securities registrable on Form S-8 under the Securities Act; or (iv) prospective employees, directors, officers, consultants or advisors who have accepted offers of employment or consultancy from the Company or its Affiliates (and would satisfy the provisions of clauses (i) through (iii) above once he begins employment with or begins providing services to the Company or its Affiliates, provided that the Date of Grant of any Award to such individual shall not be prior to the date he begins employment with or begins providing services to the Company or its Affiliates).

- (q) “*Exchange Act*” means the U.S. Securities Exchange Act of 1934, as it may be amended from time to time, including the rules and regulations promulgated thereunder and successor provisions and rules and regulations thereto.
- (r) “*Exercise Price*” has the meaning given such term in Section 7(b) of the Plan.
- (s) “*Fair Market Value*” means, as of any date, the value of Common Shares determined as follows:
- (i) If the Common Shares are listed on any established stock exchange or a national market system, the closing sales price for such shares (or the closing bid, if no sales were reported) as quoted on such exchange or system on the day of determination, as reported in *The Wall Street Journal* or such other source as the Committee deems reliable;
- (ii) If the Common Shares are regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value of a Common Share will be the mean between the high bid and low asked prices for the Common Shares on the day of determination, as reported in *The Wall Street Journal* or such other source as the Committee deems reliable; or
- (iii) In the absence of an established market for the Common Shares, the Fair Market Value will be determined in good faith by the Committee (acting on the advice of an Independent Third Party, should the Committee elect in its sole discretion to utilize an Independent Third Party for this purpose).
- (iv) Notwithstanding the foregoing, the determination of Fair Market Value in all cases shall be in accordance with the requirements set forth under Section 409A of the Code to the extent necessary for an Award to comply with, or be exempt from, Section 409A of the Code.
- (t) “*Immediate Family Members*” shall have the meaning set forth in Section 15(b)(ii).
- (u) “*Incentive Stock Option*” means an Option that is designated by the Committee as an incentive stock option as described in Section 422 of the Code and otherwise meets the requirements set forth in the Plan for incentive stock options.
- (v) “*Indemnifiable Person*” shall have the meaning set forth in Section 4(e) of the Plan.
- (w) “*Independent Third Party*” means an individual or entity independent of the Company having experience in providing investment banking or similar appraisal or valuation services and with expertise generally in the valuation of securities or other property for purposes of the Plan. The Committee may utilize one or more Independent Third Parties.
- (x) “*Mature Shares*” means Common Shares owned by a Participant that are not subject to any pledge or security interest and that have been either previously acquired by the Participant on the open market or meet such other requirements, if any, as the Committee may determine are necessary in order to avoid an accounting earnings charge on account of the use of such shares to pay the Exercise Price or satisfy a tax or deduction obligation of the Participant.
- (y) “*Nonqualified Stock Option*” means an Option that is not designated by the Committee as an Incentive Stock Option.
- (z) “*Option*” means an Award granted under Section 7 of the Plan.
- (aa) “*Option Period*” has the meaning given such term in Section 7(c) of the Plan.

- (bb) “*Other Cash-Based Award*” means a cash Award granted to a Participant under Section 10 of the Plan, including cash awarded as a bonus or upon the attainment of Performance Goals or otherwise as permitted under the Plan.
- (cc) “*Other Stock-Based Award*” means an equity-based or equity-related Award, other than an Option, SAR, Restricted Stock, Restricted Stock Unit or Dividend Equivalent, granted in accordance with the terms and conditions set forth under Section 10 of the Plan
- (dd) “*Participant*” means an Eligible Person who has been selected by the Committee to participate in the Plan and to receive an Award pursuant to Section 6 of the Plan.
- (ee) “*Performance Compensation Award*” shall mean any Award designated by the Committee as a Performance Compensation Award pursuant to Section 12 of the Plan.
- (ff) “*Performance Criteria*” shall mean the criterion or criteria that the Committee shall select for purposes of establishing the Performance Goal(s) for a Performance Period with respect to any Performance Compensation Award under the Plan pursuant to Section 12 of the Plan.
- (gg) “*Performance Formula*” shall mean, for a Performance Period, the one or more formulae applied against the relevant Performance Goal to determine, with regard to the Performance Compensation Award of a particular Participant, whether all, some portion but less than all, or none of the Performance Compensation Award has been earned for the applicable Performance Period.
- (hh) “*Performance Goals*” shall mean, for a Performance Period, the one or more goals established by the Committee for the Performance Period based upon the Performance Criteria pursuant to Section 12 of the Plan.
- (ii) “*Performance Period*” shall mean the one or more periods of time, as the Committee may select, over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Participant’s right to, and the payment of, a Performance Compensation Award.
- (jj) “*Permitted Transferee*” shall have the meaning set forth in Section 15(b)(ii) of the Plan.
- (kk) “*Person*” means any individual, entity or group within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act.
- (ll) “*Plan*” means this Arqit Quantum Inc.. 2021 Incentive Award Plan, as amended from time to time.
- (mm) “*Restricted Period*” means the period of time determined by the Committee during which an Award is subject to restrictions or, as applicable, the period of time within which performance is measured for purposes of determining whether an Award has been earned.
- (nn) “*Restricted Stock Unit*” means an unfunded and unsecured promise to deliver Common Shares, cash, other securities or other property, subject to certain performance or time-based restrictions (including, without limitation, a requirement that the Participant remain continuously employed or provide continuous services for a specified period of time), granted under Section 9 of the Plan.
- (oo) “*Restricted Stock*” means Common Shares, subject to certain specified performance or time-based restrictions (including, without limitation, a requirement that the Participant remain continuously employed or provide continuous services for a specified period of time), granted under Section 9 of the Plan.
- (pp) “*SAR Period*” has the meaning given such term in Section 8(c) of the Plan.

(qq) “*Securities Act*” means the Securities Act of 1933, as amended, and any successor thereto. Reference in the Plan to any section of the Securities Act shall be deemed to include any rules, regulations or other interpretative guidance under such section, and any amendments or successor provisions to such section, rules, regulations or guidance.

(rr) “*Stock Appreciation Right*” or “*SAR*” means an Award granted under Section 8 of the Plan.

(ss) “*Strike Price*” means, except as otherwise provided by the Committee in the case of Substitute Awards, (i) in the case of a SAR granted in tandem with an Option, the Exercise Price of the related Option, or (ii) in the case of a SAR granted independent of an Option, the Fair Market Value on the Date of Grant.

(tt) “*Subsidiary*” means, with respect to any specified Person:

(i) any corporation, association or other business entity of which more than 50% of the total voting power of shares (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders’ agreement that effectively transfers voting power) is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(ii) any partnership (or any comparable foreign entity (A) the sole general partner (or functional equivalent thereof) or the managing general partner of which is such Person or Subsidiary of such Person or (B) the only general partners (or functional equivalents thereof) of which are that Person or one or more Subsidiaries of that Person (or any combination thereof).

(uu) “*Substitute Award*” has the meaning given such term in Section 5(e).

4. *Administration.*

(a) The Committee shall administer the Plan. To the extent required to comply with the provisions of Rule 16b-3 promulgated under the Exchange Act (if the Board is not acting as the Committee under the Plan), it is intended that each member of the Committee shall, at the time he takes any action with respect to an Award under the Plan, be an Eligible Director. However, the fact that a Committee member shall fail to qualify as an Eligible Director shall not invalidate any Award granted by the Committee that is otherwise validly granted under the Plan.

(b) Subject to the provisions of the Plan and applicable law, the Committee shall have the sole and plenary authority, in addition to other express powers and authorizations conferred on the Committee by the Plan, to: (i) designate Participants; (ii) determine the type or types of Awards to be granted to a Participant; (iii) determine the number of Common Shares to be covered by, or with respect to which payments, rights, or other matters are to be calculated in connection with, Awards; (iv) determine the terms and conditions of any Award; (v) determine whether, to what extent, and under what circumstances Awards may be settled or exercised in cash, Common Shares, other securities, other Awards or other property, or canceled, forfeited, or suspended and the method or methods by which Awards may be settled, exercised, canceled, forfeited, or suspended; (vi) determine whether, to what extent, and under what circumstances the delivery of cash, Common Shares, other securities, other Awards or other property and other amounts payable with respect to an Award shall be deferred either automatically or at the election of the Participant or of the Committee; (vii) interpret, administer, reconcile any inconsistency in, correct any defect in and/or supply any omission in the Plan and any instrument or agreement relating to, or Award granted under, the Plan; (viii) establish, amend, suspend, or waive any rules and regulations and appoint such agents as the Committee shall deem appropriate for the proper administration of the Plan; (ix) accelerate the vesting or exercisability of, payment for or lapse of restrictions on, Awards; and (x) make any other determination

and take any other action that the Committee deems necessary or desirable for the administration of the Plan, in each case, to the extent consistent with the terms of the Plan.

(c) The Committee may delegate to one or more officers of the Company or any Affiliate the authority to act on behalf of the Committee with respect to any matter, right, obligation, or election that is the responsibility of or that is allocated to the Committee herein, and that may be so delegated as a matter of law, except for grants of Awards to persons subject to Section 16 of the Exchange Act.

(d) Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations, and other decisions under or with respect to the Plan or any Award or any documents evidencing Awards granted pursuant to the Plan shall be within the sole discretion of the Committee, may be made at any time and shall be final, conclusive and binding upon all persons or entities, including, without limitation, the Company, any Affiliate, any Participant, any holder or beneficiary of any Award, and any stockholder of the Company.

(e) No member of the Board, the Committee, delegate of the Committee or any employee or agent of the Company (each such person, an “Indemnifiable Person”) shall be liable for any action taken or omitted to be taken or any determination made in good faith with respect to the Plan or any Award hereunder. Each Indemnifiable Person shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense (including attorneys’ fees) that may be imposed upon or incurred by such Indemnifiable Person in connection with or resulting from any action, suit or proceeding to which such Indemnifiable Person may be a party or in which such Indemnifiable Person may be involved by reason of any action taken or omitted to be taken under the Plan or any Award Agreement and against and from any and all amounts paid by such Indemnifiable Person with the Company’s approval, in settlement thereof, or paid by such Indemnifiable Person in satisfaction of any judgment in any such action, suit or proceeding against such Indemnifiable Person, provided that the Company shall have the right, at its own expense, to assume and defend any such action, suit or proceeding and once the Company gives notice of its intent to assume the defense, the Company shall have sole control over such defense with counsel of the Company’s choice. The foregoing right of indemnification shall not be available to an Indemnifiable Person to the extent that a final judgment or other final adjudication (in either case not subject to further appeal) binding upon such Indemnifiable Person determines that the acts or omissions of such Indemnifiable Person giving rise to the indemnification claim resulted from such Indemnifiable Person’s bad faith, fraud or willful criminal act or omission or that such right of indemnification is otherwise prohibited by law or by the Company’s Articles of Incorporation or Bylaws. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such Indemnifiable Persons may be entitled under the Company’s Articles of Incorporation or Bylaws, as a matter of law, or otherwise, or any other power that the Company may have to indemnify such Indemnifiable Persons or hold them harmless.

(f) Notwithstanding anything to the contrary contained in the Plan, the Board may, in its sole discretion, at any time and from time to time, grant Awards and administer the Plan with respect to such Awards. In any such case, the Board shall have all the authority granted to the Committee under the Plan.

5. *Grant of Awards; Shares Subject to the Plan; Limitations .*

(a) The Committee may, from time to time, grant Awards to one or more Eligible Persons.

(b) Subject to Section 13 of the Plan, Awards granted under the Plan shall be subject to the following limitations: (i) the Committee is authorized to deliver under the Plan an aggregate of 1,000,000 Common Shares; provided, that the total number of Common Shares that will be reserved, and that may be issued, under the Plan will automatically increase on the first trading day of each calendar year, beginning with calendar year 2022, by a number of Common Shares equal to one percent (1%) of the total outstanding

Common Shares on the last day of the prior calendar year, and (ii) the maximum number of Common Shares that may be granted under the Plan during any single fiscal year to any Participant who is a non-employee director shall not exceed \$250,000 in total value (calculating the value of any such Awards based on the Fair Market Value on the Date of Grant of such Awards for financial reporting purposes), provided further that when taken together with any cash fees paid to such non-employee director during such fiscal year in respect of his service as a non-employee director (including service as a member or chair of any committee of the Board), the value of such total awards and cash fees paid shall not exceed \$750,000; provided that the non-employee directors who are considered independent (under the rules of The NASDAQ Stock Market or other securities exchange on which the Common Shares are traded) may make exceptions to this limit for a non-executive chair of the Board, if any, in which case the non-employee director receiving such additional compensation may not participate in the decision to award such compensation. Notwithstanding the automatic annual increase set forth in (i) above, the Board may act prior to January 1st of a given year to provide that there will be no such increase in the share reserve for such year or that the increase in the share reserve for such year will be a lesser number of Common Shares than would otherwise occur pursuant to the stipulated percentage.

(c) In the event that (i) any Option or other Award granted hereunder is exercised through the tendering of Common Shares (either actually or by attestation) or by the withholding of Common Shares by the Company, or (ii) tax or deduction liabilities arising from such Option or other Award are satisfied by the tendering of Common Shares (either actually or by attestation) or by the withholding of Common Shares by the Company, then in each such case the Common Shares so tendered or withheld shall be added to the Common Shares available for grant under the Plan on a one-for-one basis. Shares underlying Awards under the Plan that are forfeited, canceled, expire unexercised, or are settled in cash shall also be available again for issuance as Awards under the Plan.

(d) Common Shares delivered by the Company in settlement of Awards may be authorized and unissued shares, shares held in the treasury of the Company, shares purchased on the open market or by private purchase, or a combination of the foregoing.

(e) Awards may, in the sole discretion of the Committee, be granted under the Plan in assumption of, or in substitution for, outstanding awards previously granted by an entity acquired by the Company or with which the Company combines (“Substitute Awards”). The number of Common Shares underlying any Substitute Awards shall not be counted against the aggregate number of Common Shares available for Awards under the Plan.

6. *Eligibility.* Participation shall be limited to Eligible Persons who have entered into an Award Agreement or who have received written notification from the Committee, or from a person designated by the Committee, that they have been selected to participate in the Plan.

7. *Options.*

(a) *Generally.* Each Option granted under the Plan shall be evidenced by an Award Agreement (whether in paper or electronic medium (including email or the posting on a web site maintained by the Company or a third party under contract with the Company)). Each Option so granted shall be subject to the conditions set forth in this Section 7 and to such other conditions not inconsistent with the Plan as may be reflected in the applicable Award Agreement. All Options granted under the Plan shall be Nonqualified Stock Options unless the applicable Award Agreement expressly states that the Option is intended to be an Incentive Stock Option. Subject to Section 13, the maximum aggregate number of Common Shares that may be issued through the exercise of Incentive Stock Options granted under the Plan is 15,000,000 Common Shares, which, for the avoidance of doubt, such share limit shall not be subject to the annual adjustment provided in Section 5(b)(i). Incentive Stock Options shall be granted only to Eligible Persons

who are employees of the Company and its Affiliates, and no Incentive Stock Option shall be granted to any Eligible Person who is ineligible to receive an Incentive Stock Option under the Code. No Option shall be treated as an Incentive Stock Option unless the Plan has been approved by the stockholders of the Company in a manner intended to comply with the stockholder approval requirements of Section 422(b)(1) of the Code; provided that any Option intended to be an Incentive Stock Option shall not fail to be effective solely on account of a failure to obtain such approval, but rather such Option shall be treated as a Nonqualified Stock Option unless and until such approval is obtained. In the case of an Incentive Stock Option, the terms and conditions of such grant shall be subject to and comply with such rules as may be prescribed by Section 422 of the Code. If for any reason an Option intended to be an Incentive Stock Option (or any portion thereof) shall not qualify as an Incentive Stock Option, then, to the extent of such nonqualification, such Option or portion thereof shall be regarded as a Nonqualified Stock Option appropriately granted under the Plan.

(b) *Exercise Price.* Except with respect to Substitute Awards, the exercise price (“Exercise Price”) per Common Share for each Option shall not be less than 100% of the Fair Market Value of such share determined as of the Date of Grant; provided, however, that in the case of an Incentive Stock Option granted to an employee who, at the time of the grant of such Option, owns shares representing more than 10% of the total combined voting power of all classes of shares of the Company or any related corporation (as determined in accordance with Treasury Regulation Section 1.422-2(f)), the Exercise Price per share shall not be less than 110% of the Fair Market Value per share on the Date of Grant and provided further, that, notwithstanding any provision herein to the contrary, the Exercise Price shall not be less than the par value per Common Share.

(c) *Vesting and Expiration.* Options shall vest and become exercisable in such manner and on such date or dates determined by the Committee and shall expire after such period, not to exceed ten years, as may be determined by the Committee (the “Option Period”); provided, however, that the Option Period shall not exceed five years from the Date of Grant in the case of an Incentive Stock Option granted to a Participant who on the Date of Grant owns shares representing more than 10% of the total combined voting power of all classes of shares of the Company or any related corporation (as determined in accordance with Treasury Regulation Section 1.422-2(f)); provided, further, that notwithstanding any vesting dates set by the Committee, the Committee may, in its sole discretion, accelerate the exercisability of any Option, which acceleration shall not affect the terms and conditions of such Option other than with respect to exercisability. If the Option would expire at a time when the exercise of the Option would violate applicable securities laws, the expiration date applicable to the Option will be automatically extended to a date that is 30 calendar days following the date such exercise would no longer violate applicable securities laws (so long as such extension shall not violate Section 409A of the Code); provided, that in no event shall such expiration date be extended beyond the expiration of the Option Period.

(d) *Method of Exercise and Form of Payment.* No Common Shares shall be delivered pursuant to any exercise of an Option until payment in full of the Exercise Price therefor is received by the Company and the Participant has paid to the Company an amount equal to any taxes required to be withheld or paid upon exercise of such Option. Options that have become exercisable may be exercised by delivery of written or electronic notice of exercise to the Company in accordance with the terms of the Option, accompanied by payment of the Exercise Price. The Exercise Price shall be payable (i) in cash, check, cash equivalent and/or Common Shares valued at the Fair Market Value at the time the Option is exercised (including, pursuant to procedures approved by the Committee, by means of attestation of ownership of a sufficient number of Common Shares in lieu of actual delivery of such shares to the Company); provided that such Common Shares are not subject to any pledge or other security interest and are Mature Shares; and (ii) by such other method as the Committee may permit in accordance with applicable law, in its sole discretion, including without limitation: (A) in other property having a Fair Market Value on the date of exercise equal to the Exercise Price, (B) if there is a public market for the Common Shares at such time, by means of a broker-assisted “cashless exercise” pursuant to which the Company is delivered a copy of

irrevocable instructions to a stockbroker to sell the Common Shares otherwise deliverable upon the exercise of the Option and to deliver promptly to the Company an amount equal to the Exercise Price, or (C) by a “net exercise” method whereby the Company withholds from the delivery of the Common Shares for which the Option was exercised that number of Common Shares having a Fair Market Value equal to the aggregate Exercise Price for the Common Shares for which the Option was exercised. No fractional Common Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash, other securities or other property shall be paid or transferred in lieu of any fractional Common Shares, or whether such fractional Common Shares or any rights thereto shall be canceled, terminated or otherwise eliminated.

(e) *Notification upon Disqualifying Disposition of an Incentive Stock Option.* Each Participant awarded an Incentive Stock Option under the Plan shall notify the Company in writing immediately after the date he makes a disqualifying disposition of any Common Shares acquired pursuant to the exercise of such Incentive Stock Option. A disqualifying disposition is any disposition (including, without limitation, any sale) of such Common Shares before the later of (i) two years after the Date of Grant of the Incentive Stock Option or (ii) one year after the date of exercise of the Incentive Stock Option. The Company may, if determined by the Committee and in accordance with procedures established by the Committee, retain possession of any Common Shares acquired pursuant to the exercise of an Incentive Stock Option as agent for the applicable Participant until the end of the period described in the preceding sentence.

(f) *Compliance With Laws, etc.* Notwithstanding the foregoing, in no event shall a Participant be permitted to exercise an Option in a manner that the Committee determines would violate the Sarbanes-Oxley Act of 2002, if applicable; any other applicable law; the applicable rules and regulations of the Securities and Exchange Commission; or the applicable rules and regulations of any securities exchange or inter-dealer quotation system on which the securities of the Company are listed or traded.

8. *Stock Appreciation Rights.*

(a) *Generally.* Each SAR granted under the Plan shall be evidenced by an Award Agreement (whether in paper or electronic medium (including email or the posting on a web site maintained by the Company or a third party under contract with the Company)). Each SAR so granted shall be subject to the conditions set forth in this Section 8 and to such other conditions not inconsistent with the Plan as may be reflected in the applicable Award Agreement. Any Option granted under the Plan may include tandem SARs. The Committee also may award SARs to Eligible Persons independent of any Option.

(b) *Strike Price.* The Strike Price per Common Share for each SAR shall not be less than 100% of the Fair Market Value of such share determined as of the Date of Grant.

(c) *Vesting and Expiration.* A SAR granted in connection with an Option shall become exercisable and shall expire according to the same vesting schedule and expiration provisions as the corresponding Option. A SAR granted independent of an Option shall vest and become exercisable and shall expire in such manner and on such date or dates determined by the Committee and shall expire after such period, not to exceed ten years, as may be determined by the Committee (the “SAR Period”); provided, however, that notwithstanding any vesting dates set by the Committee, the Committee may, in its sole discretion, accelerate the exercisability of any SAR, which acceleration shall not affect the terms and conditions of such SAR other than with respect to exercisability. If the SAR would expire at a time when the exercise of the SAR would violate applicable securities laws, the expiration date applicable to the SAR will be automatically extended to a date that is 30 calendar days following the date such exercise would no longer violate applicable securities laws (so long as such extension shall not violate Section 409A of the Code); provided, that in no event shall such expiration date be extended beyond the expiration of the SAR Period.

(d) *Method of Exercise*. SARs that have become exercisable may be exercised by delivery of written or electronic notice of exercise to the Company in accordance with the terms of the Award, specifying the number of SARs to be exercised and the date on which such SARs were awarded.

(e) *Payment*. Upon the exercise of a SAR, the Company shall pay to the Participant an amount equal to the number of shares subject to the SAR that are being exercised, multiplied by the excess, if any, of the Fair Market Value of one Common Share on the exercise date over the Strike Price, less an amount equal to any taxes required to be withheld or paid. The Company shall pay such amount in cash, in Common Shares having a Fair Market Value equal to such amount, or any combination thereof, as determined by the Committee. No fractional Common Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash, other securities or other property shall be paid or transferred in lieu of any fractional Common Shares, or whether such fractional Common Shares or any rights thereto shall be canceled, terminated or otherwise eliminated.

9. *Restricted Stock and Restricted Stock Units*.

(a) *Generally*. Each grant of Restricted Stock and Restricted Stock Units shall be evidenced by an Award Agreement (whether in paper or electronic medium (including email or the posting on a web site maintained by the Company or a third party under contract with the Company)). Each such grant shall be subject to the conditions set forth in this Section 9 and to such other conditions not inconsistent with the Plan as may be reflected in the applicable Award Agreement.

(b) *Restricted Accounts; Escrow or Similar Arrangement*. Upon the grant of Restricted Stock, a book entry in a restricted account shall be established in the Participant's name at the Company's transfer agent and, if the Committee determines that the Restricted Stock shall be held by the Company or in escrow rather than held in such restricted account pending the release of the applicable restrictions, the Committee may require the Participant to additionally execute and deliver to the Company (i) an escrow agreement satisfactory to the Committee, if applicable, and (ii) the appropriate stock power (endorsed in blank) with respect to the Restricted Stock covered by such agreement. If a Participant shall fail to execute an agreement evidencing an Award of Restricted Stock and, if applicable, an escrow agreement and blank stock power within the amount of time specified by the Committee, the Award shall be null and void. Subject to the restrictions set forth in this Section 9 and the applicable Award Agreement, the Participant generally shall have the rights and privileges of a stockholder as to such Restricted Stock, including, without limitation, the right to vote such Restricted Stock and the right to receive dividends, if applicable. To the extent shares of Restricted Stock are forfeited, any share certificates issued to the Participant evidencing such shares shall be returned to the Company, and all rights of the Participant to such shares and as a stockholder with respect thereto shall terminate without further obligation on the part of the Company.

(c) *Vesting*. Unless otherwise provided by the Committee in an Award Agreement the unvested portion of Restricted Stock and Restricted Stock Units shall terminate and be forfeited upon termination of employment or service of the Participant granted the applicable Award.

(d) *Delivery of Restricted Stock and Settlement of Restricted Stock Units*.

(i) Upon the expiration of the Restricted Period with respect to any shares of Restricted Stock, the restrictions set forth in the applicable Award Agreement shall be of no further force or effect with respect to such shares, except as set forth in the applicable Award Agreement. If an escrow arrangement is used, upon such expiration, the Company shall deliver to the Participant, or his beneficiary, without charge, the share certificate evidencing the shares of Restricted Stock that have not then been forfeited and with respect to which the Restricted Period has expired (rounded down to the nearest full share) or shall register such shares in the Participant's name without any such restrictions. Dividends, if any, that may have been withheld by the

Committee and attributable to any particular share of Restricted Stock shall be distributed to the Participant in cash or, at the sole discretion of the Committee, in Common Shares having a Fair Market Value equal to the amount of such dividends, upon the release of restrictions on such share and, if such share is forfeited, the Participant shall have no right to such dividends (except as otherwise set forth by the Committee in the applicable Award Agreement).

(ii) Unless otherwise provided by the Committee in an Award Agreement, upon the expiration of the Restricted Period with respect to any outstanding Restricted Stock Units, the Company shall deliver to the Participant, or his beneficiary, without charge, one Common Share for each such outstanding Restricted Stock Unit; provided, however, that the Committee may, in its sole discretion, elect to (A) pay cash or part cash and part Common Share in lieu of delivering only Common Shares in respect of such Restricted Stock Units or (B) defer the delivery of Common Shares (or cash or part Common Shares and part cash, as the case may be) beyond the expiration of the Restricted Period if such delivery would result in a violation of applicable law until such time as is no longer the case. If a cash payment is made in lieu of delivering Common Shares, the amount of such payment shall be equal to the Fair Market Value of the Common Shares as of the date on which the Restricted Period lapsed with respect to such Restricted Stock Units, less an amount equal to any taxes required to be withheld or paid.

10. *Other Stock-Based Awards and Other Cash-Based Awards* .

(a) *Other Stock-Based Awards* . The Committee may grant types of equity-based or equity-related Awards not otherwise described by the terms of the Plan (including the grant or offer for sale of unrestricted Common Shares), in such amounts and subject to such terms and conditions, as the Committee shall determine. Such Other Stock-Based Awards may involve the transfer of actual Common Shares to Participants, or payment in cash or otherwise of amounts based on the value of Common Shares. The terms and conditions of such Awards shall be consistent with the Plan and set forth in the Award Agreement and need not be uniform among all such Awards or all Participants receiving such Awards.

(b) *Other Cash-Based Awards* . The Committee may grant a Participant a cash Award not otherwise described by the terms of the Plan, including cash awarded as a bonus or upon the attainment of Performance Goals or otherwise as permitted under the Plan.

(c) *Value of Awards* . Each Other Stock-Based Award shall be expressed in terms of Common Shares or units based on Common Shares, as determined by the Committee, and each Other Cash-Based Awards shall be shall be expressed in terms of cash, as determined by the Committee. The Committee may establish Performance Goals in its discretion pursuant to Section 12, and any such Performance Goals shall be set forth in the applicable Award Agreement. If the Committee exercises its discretion to establish Performance Goals, the number and/or value of Other Stock-Based Awards or Other Cash-Based Awards that will be paid out to the Participant will depend on the extent to which such Performance Goals are met.

(d) *Payment of Awards* . Payment, if any, with respect to an Other Stock-Based Award or Other Cash-Based Award shall be made in accordance with the terms of the Award, as set forth in the Award Agreement, in cash, Common Shares or a combination of cash and Common Shares, as the Committee determines.

(e) *Vesting* . The Committee shall determine the extent to which the Participant shall have the right to receive Other Stock-Based Awards or Other Cash-Based Awards following the Participant's termination of employment or service (including by reason of such Participant's death, disability (as determined by the Committee), or termination without Cause). Such provisions shall be determined in the sole discretion of the Committee and will be included in the applicable Award Agreement but need not be

uniform among all Other Stock-Based Awards or Other Cash-Based Awards issued pursuant to the Plan and may reflect distinctions based on the reasons for the termination of employment or service.

11. *Dividend Equivalents.* No adjustment shall be made in the Common Shares issuable or taken into account under Awards on account of cash dividends that may be paid or other rights that may be issued to the holders of Common Shares prior to issuance of such Common Shares under such Award. The Committee may grant Dividend Equivalents based on the dividends declared on Common Shares that are subject to any Award (other than an Option or Stock Appreciation Right). Any Award of Dividend Equivalents may be credited as of the dividend payment dates, during the period between the Date of Grant of the Award and the date the Award becomes payable or terminates or expires, as determined by the Committee; however, Dividend Equivalents shall not be payable unless and until the Award becomes payable, and shall be subject to forfeiture to the same extent as the underlying Award. Dividend Equivalents may be subject to any additional limitations and/or restrictions determined by the Committee. Dividend Equivalents shall be payable in cash, Common Shares or converted to full-value Awards, calculated based on such formula, as may be determined by the Committee.

12. *Performance Compensation Awards.*

(a) *Generally.* The Committee shall have the authority, at the time of grant of any Award described in Sections 7 through 10 of the Plan, to designate such Award as a Performance Compensation Award. The Committee shall have the authority to make an award of a cash bonus to any Participant and designate such Award as a Performance Compensation Award. Unless otherwise determined by the Committee, all Performance Compensation Awards shall be evidenced by an Award Agreement.

(b) *Discretion of Committee with Respect to Performance Compensation Awards.* The Committee shall have the discretion to establish the terms, conditions and restrictions of any Performance Compensation Award. With regard to a particular Performance Period, the Committee shall have sole discretion to select the length of such Performance Period, the type(s) of Performance Compensation Awards to be issued, the Performance Criteria that will be used to establish the Performance Goal(s), the kind(s) and/or level(s) of the Performance Goals(s) that is (are) to apply and the Performance Formula.

(c) *Performance Criteria.* The Committee may establish Performance Criteria that will be used to establish the Performance Goal(s) for Performance Compensation Awards which may be based on the attainment of specific levels of performance of the Company (and/or one or more Affiliates, divisions, business segments or operational units, or any combination of the foregoing) and may include, without limitation, any of the following: (i) net earnings or net income (before or after taxes); (ii) basic or diluted earnings per share (before or after taxes); (iii) revenue or revenue growth (measured on a net or gross basis); (iv) gross profit or gross profit growth; (v) operating profit (before or after taxes); (vi) return measures (including, but not limited to, return on assets, capital, invested capital, equity, or sales); (vii) cash flow (including, but not limited to, operating cash flow, free cash flow, net cash provided by operations and cash flow return on capital); (viii) financing and other capital raising transactions (including, but not limited to, sales of the Company's equity or debt securities); (ix) earnings before or after taxes, interest, depreciation and/or amortization; (x) gross or operating margins; (xi) productivity ratios; (xii) share price (including, but not limited to, growth measures and total stockholder return); (xiii) expense targets; (xiv) margins; (xv) productivity and operating efficiencies; (xvi) customer satisfaction; (xvii) customer growth; (xviii) working capital targets; (xix) measures of economic value added; (xx) inventory control; (xxi) enterprise value; (xxii) sales; (xxiii) debt levels and net debt; (xxiv) combined ratio; (xxv) timely launch of new facilities; (xxvi) client retention; (xxvii) employee retention; (xxviii) timely completion of new product rollouts; (xxix) cost targets; (xxx) reductions and savings; (xxxii) productivity and efficiencies; (xxxiii) strategic partnerships or transactions; (xxxiii) personal targets, goals or completion of projects; and (xxxiv) such other criteria as established by the Committee in its discretion from time to time. Any one or more of

the Performance Criteria may be used on an absolute or relative basis to measure the performance of the Company and/or one or more Affiliates as a whole or any business unit(s) of the Company and/or one or more Affiliates or any combination thereof, as the Committee may deem appropriate, or any of the above Performance Criteria may be compared to the performance of a selected group of comparable or peer companies, or a published or special index that the Committee, in its sole discretion, deems appropriate, or as compared to various stock market indices. The Committee also has the authority to provide for accelerated vesting of any Award based on the achievement of Performance Goals pursuant to the Performance Criteria specified in this paragraph. Any Performance Criteria that are financial metrics, may be determined in accordance with United States Generally Accepted Accounting Principles (“GAAP”) or may be adjusted when established to include or exclude any items otherwise includable or excludable under GAAP.

(d) *Modification of Performance Goal(s)*. The Committee is authorized at any time to adjust or modify the calculation of a Performance Goal for such Performance Period, based on and in order to appropriately reflect any specified circumstance or event that occurs during a Performance Period, including but not limited to the following: (i) asset write-downs; (ii) litigation or claim judgments or settlements; (iii) the effect of changes in tax laws, accounting principles, or other laws or regulatory rules affecting reported results; (iv) any reorganization and restructuring programs; (v) unusual and/or infrequently occurring items as described in Accounting Principles Board Opinion No. 30 (or any successor pronouncement thereto) and/or in management’s discussion and analysis of financial condition and results of operations appearing in the Company’s annual report to stockholders for the applicable year; (vi) acquisitions or divestitures; (vii) discontinued operations; (viii) any other specific unusual or infrequently occurring or non-recurring events, or objectively determinable category thereof; (ix) foreign exchange gains and losses; and (x) a change in the Company’s fiscal year.

(e) *Terms and Condition to Receipt of Payment*. Unless otherwise provided in the applicable Award Agreement, a Participant must be employed by the Company on the last day of a Performance Period to be eligible for payment in respect of a Performance Compensation Award for such Performance Period. A Participant shall be eligible to receive payment in respect of a Performance Compensation Award only to the extent that: (i) the Performance Goals for such period are achieved; and (ii) all or some of the portion of such Participant’s Performance Compensation Award has been earned for the Performance Period based on the application of the Performance Formula to such achieved Performance Goals. Following the completion of a Performance Period, the Committee shall determine whether, and to what extent, the Performance Goals for the Performance Period have been achieved and, if so, calculate the amount of the Performance Compensation Awards earned for the period based upon the Performance Formula. The Committee shall then determine the amount of each Participant’s Performance Compensation Award actually payable for the Performance Period.

(f) *Timing of Award Payments*. Except as provided in an Award Agreement, Performance Compensation Awards granted for a Performance Period shall be paid to Participants as soon as administratively practicable following the Committee’s determination in accordance with Section 12(e); provided, however, that in the event a Performance Compensation Award is subject to Code Section 409A, payment of any amounts determined in accordance with Section 12(e) shall be paid to the Participant no later than March 15th of the year following the year in which the last day of the applicable Performance Period occurred.

13. *Changes in Capital Structure and Similar Events*. In the event of (a) any dividend (other than ordinary cash dividends) or other distribution (whether in the form of cash, Common Shares, other securities or other property), recapitalization, stock split, reverse stock split, reorganization, merger, amalgamation, consolidation, spin-off, split-up, split-off, combination, repurchase or exchange of Common Shares or other securities of the Company, issuance of warrants or other rights to acquire Common Shares

or other securities of the Company, or other similar corporate transaction or event (including, without limitation, a Change in Control) that affects the Common Shares, or (b) unusual or infrequently occurring events (including, without limitation, a Change in Control) affecting the Company, any Affiliate, or the financial statements of the Company or any Affiliate, or changes in applicable rules, rulings, regulations or other requirements of any governmental body or securities exchange or inter-dealer quotation system, accounting principles or law, such that in either case an adjustment is determined by the Committee in its sole discretion to be necessary or appropriate, then the Committee shall make any such adjustments in such manner as it may deem equitable, subject to the requirements of Code Sections 409A, 421, and 422, if applicable, including without limitation any or all of the following:

(a) adjusting any or all of (i) the number of Common Shares or other securities of the Company (or number and kind of other securities or other property) that may be delivered in respect of Awards or with respect to which Awards may be granted under the Plan (including, without limitation, adjusting any or all of the limitations under Section 5 of the Plan) and (ii) the terms of any outstanding Award, including, without limitation, (A) the number of Common Shares or other securities of the Company (or number and kind of other securities or other property) subject to outstanding Awards or to which outstanding Awards relate, (B) the Exercise Price or Strike Price with respect to any Award or (C) any applicable performance measures (including, without limitation, Performance Criteria and Performance Goals);

(b) providing for a substitution or assumption of Awards in a manner that substantially preserves the applicable terms of such Awards;

(c) accelerating the exercisability or vesting of, lapse of restrictions on, or termination of, Awards or providing for a period of time for exercise prior to the occurrence of such event;

(d) modifying the terms of Awards to add events, conditions or circumstances (including termination of employment within a specified period after a Change in Control) upon which the exercisability or vesting of or lapse of restrictions thereon will accelerate;

(e) deeming any performance measures (including, without limitation, Performance Criteria and Performance Goals) satisfied at target, maximum or actual performance through closing or such other level determined by the Committee in its sole discretion, or providing for the performance measures to continue (as is or as adjusted by the Committee) after closing;

(f) providing that for a period prior to the Change in Control determined by the Committee in its sole discretion, any Options or SARs that would not otherwise become exercisable prior to the Change in Control will be exercisable as to all Common Shares subject thereto (but any such exercise will be contingent upon and subject to the occurrence of the Change in Control and if the Change in Control does not take place after giving such notice for any reason whatsoever, the exercise will be null and void) and that any Options or SARs not exercised prior to the consummation of the Change in Control will terminate and be of no further force and effect as of the consummation of the Change in Control; and

(g) canceling any one or more outstanding Awards and causing to be paid to the holders thereof, in cash, Common Shares, other securities or other property, or any combination thereof, the value of such Awards, if any, as determined by the Committee (which if applicable may be based upon the price per Common Share received or to be received by other stockholders of the Company in such event), including without limitation, in the case of an outstanding Option or SAR, a cash payment in an amount equal to the excess, if any, of the Fair Market Value (as of a date specified by the Committee) of the Common Shares subject to such Option or SAR over the aggregate Exercise Price or Strike Price of such Option or SAR, respectively (it being understood that, in such event, any Option or SAR having a per share Exercise Price or Strike Price equal to, or in excess of, the Fair Market Value of a Common Share subject thereto may be canceled and terminated without any payment or consideration therefor); provided, however,

that in the case of any “equity restructuring” (within the meaning of the Financial Accounting Standards Board Accounting Standards Codification Topic 718), the Committee shall make an equitable or proportionate adjustment to outstanding Awards to reflect such equity restructuring. The Company shall give each Participant notice of an adjustment hereunder and, upon notice, such adjustment shall be final, conclusive and binding for all purposes.

14. *Amendments and Termination.*

(a) *Amendment and Termination of the Plan.* The Board may amend, alter, suspend, discontinue, or terminate the Plan or any portion thereof at any time; provided that (i) no amendment to Section 14(b) (to the extent required by the proviso in such Section 14(b)) shall be made without stockholder approval and (ii) no such amendment, alteration, suspension, discontinuation or termination shall be made without stockholder approval if such approval is necessary to comply with any tax or regulatory requirement applicable to the Plan (including, without limitation, as necessary to comply with any rules or requirements of any securities exchange or inter-dealer quotation system on which the Common Shares may be listed or quoted); provided, further, that any such amendment, alteration, suspension, discontinuance or termination that would materially and adversely affect the rights of any Participant or any holder or beneficiary of any Award theretofore granted shall not to that extent be effective without the consent of the affected Participant, holder or beneficiary.

(b) *Amendment of Award Agreements.* The Committee may, to the extent consistent with the terms of any applicable Award Agreement, waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate, any Award theretofore granted or the associated Award Agreement, prospectively or retroactively; provided that any such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination that would materially and adversely affect the rights of any Participant with respect to any Award theretofore granted shall not to that extent be effective without the consent of the affected Participant, unless the Committee determines, in its sole discretion, that the amendment is necessary for the Award to comply with Code Section 409A; provided, further, that without stockholder approval, except as otherwise permitted under Section 13 of the Plan, (i) no amendment or modification may reduce the Exercise Price of any Option or the Strike Price of any SAR, (ii) the Committee may not cancel any outstanding Option or SAR where the Fair Market Value of the Common Shares underlying such Option or SAR is less than its Exercise Price and replace it with a new Option or SAR, another Award or cash and (iii) the Committee may not take any other action that is considered a “repricing” for purposes of the stockholder approval rules of the applicable securities exchange or inter-dealer quotation system on which the Common Shares are listed or quoted.

15. *General.*

(a) *Award Agreements.* Each Award under the Plan shall be evidenced by an Award Agreement, which shall be delivered to the Participant (whether in paper or electronic medium (including email or the posting on a web site maintained by the Company or a third party under contract with the Company)) and shall specify the terms and conditions of the Award and any rules applicable thereto, including, without limitation, the effect on such Award of the death, disability or termination of employment or service of a Participant, or of such other events as may be determined by the Committee.

(b) *Nontransferability.*

(i) Each Award shall be exercisable only by a Participant during the Participant’s lifetime, or, if permissible under applicable law, by the Participant’s legal guardian or representative. No Award may be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by a Participant other than by will or by the laws of descent and

distribution and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company or an Affiliate; provided that the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance.

(ii) Notwithstanding the foregoing, the Committee may, in its sole discretion, permit Awards (other than Incentive Stock Options) to be transferred by a Participant, without consideration, subject to such rules as the Committee may adopt consistent with any applicable Award Agreement to preserve the purposes of the Plan, to: (A) any person who is a “family member” of the Participant, as such term is used in the instructions to Form S-8 under the Securities Act (collectively, the “Immediate Family Members”); (B) a trust solely for the benefit of the Participant and his Immediate Family Members; (C) a partnership or limited liability company whose only partners or stockholders are the Participant and his Immediate Family Members; or (D) any other transferee as may be approved either (I) by the Board or the Committee in its sole discretion, or (II) as provided in the applicable Award Agreement (each transferee described in clauses (A), (B), (C) and (D) above is hereinafter referred to as, a “Permitted Transferee”); provided that the Participant gives the Committee advance written notice describing the terms and conditions of the proposed transfer and the Committee notifies the Participant in writing that such a transfer would comply with the requirements of the Plan.

(iii) The terms of any Award transferred in accordance with the immediately preceding sentence shall apply to the Permitted Transferee and any reference in the Plan, or in any applicable Award Agreement, to a Participant shall be deemed to refer to the Permitted Transferee, except that (A) Permitted Transferees shall not be entitled to transfer any Award, other than by will or the laws of descent and distribution; (B) Permitted Transferees shall not be entitled to exercise any transferred Option unless there shall be in effect a registration statement on an appropriate form covering the Common Shares to be acquired pursuant to the exercise of such Option if the Committee determines, consistent with any applicable Award Agreement, that such a registration statement is necessary or appropriate; (C) the Committee or the Company shall not be required to provide any notice to a Permitted Transferee, whether or not such notice is or would otherwise have been required to be given to the Participant under the Plan or otherwise; and (D) the consequences of the termination of the Participant’s employment by, or services to, the Company or an Affiliate under the terms of the Plan and the applicable Award Agreement shall continue to be applied with respect to the Participant, including, without limitation, that an Option shall be exercisable by the Permitted Transferee only to the extent, and for the periods, specified in the Plan and the applicable Award Agreement.

(c) *Tax Withholding and Deductions.*

(i) A Participant shall be required to pay to the Company or any Affiliate, and the Company or any Affiliate shall have the right and is hereby authorized to deduct and withhold, from any cash, Common Shares, other securities or other property deliverable under any Award or from any compensation or other amounts owing to a Participant, the amount (in cash, Common Shares, other securities or other property) of any required taxes (up to the maximum statutory rate under applicable law as in effect from time to time as determined by the Committee) and deduction in respect of an Award, its grant, vesting or exercise, or any payment or transfer under an Award or under the Plan and to take such other action as may be necessary in the opinion of the Committee or the Company to satisfy all obligations for the payment of such taxes.

(ii) Without limiting the generality of clause (i) above, the Committee may, in its sole discretion, permit a Participant to satisfy, in whole or in part, the foregoing tax and deduction liability by (A) the delivery of Common Shares (which are not subject to any pledge or other

security interest and are Mature Shares, except as otherwise determined by the Committee) owned by the Participant having a Fair Market Value equal to such liability or (B) having the Company withhold from the number of Common Shares otherwise issuable or deliverable pursuant to the exercise or settlement of the Award a number of shares with a Fair Market Value equal to such liability.

(d) *No Claim to Awards; No Rights to Continued Employment; Waiver* . No employee of the Company or an Affiliate, or other person, shall have any Claim or right to be granted an Award under the Plan or, having been selected for the grant of an Award, to be selected for a grant of any other Award. A Participant's sole remedy for any Claim related to the Plan or any Award shall be against the Company, and no Participant shall have any Claim or right of any nature against any Subsidiary or Affiliate of the Company or any stockholder or existing or former director, officer or employee of the Company or any Subsidiary of the Company. There is no obligation for uniformity of treatment of Participants or holders or beneficiaries of Awards. The terms and conditions of Awards and the Committee's determinations and interpretations with respect thereto need not be the same with respect to each Participant and may be made selectively among Participants, whether or not such Participants are similarly situated. Neither the Plan nor any action taken hereunder shall be construed as giving any Participant any right to be retained in the employ or service of the Company or an Affiliate, nor shall it be construed as giving any Participant any rights to continued service on the Board. The Company or any of its Affiliates may at any time dismiss a Participant from employment or discontinue any consulting relationship, free from any liability or any Claim under the Plan, unless otherwise expressly provided in the Plan or any Award Agreement. By accepting an Award under the Plan, a Participant shall thereby be deemed to have waived any Claim to continued exercise or vesting of an Award or to damages or severance entitlement related to non-continuation of the Award beyond the period provided under the Plan or any Award Agreement, notwithstanding any provision to the contrary in any written employment contract or other agreement between the Company and its Affiliates and the Participant, whether any such agreement is executed before, on or after the Date of Grant.

(e) *International Participants*. With respect to Participants who reside or work outside of the United States of America, the Committee may in its sole discretion amend the terms of the Plan or outstanding Awards with respect to such Participants in order to conform such terms with the requirements of local law or to obtain more favorable tax or other treatment for a Participant, the Company or its Affiliates and, in furtherance of such purposes the Administrator may make such modifications, amendments, procedures, sub-plans and the like as may be necessary or advisable to comply with provisions of laws in other countries or jurisdictions in which the Company or its Subsidiaries operates or has employees.

(f) *Designation and Change of Beneficiary*. Each Participant may file with the Committee a written designation of one or more persons as the beneficiary(ies) who shall be entitled to receive the amounts payable with respect to an Award, if any, due under the Plan upon his death. A Participant may, from time to time, revoke or change his beneficiary designation without the consent of any prior beneficiary by filing a new designation with the Committee. The last such designation received by the Committee shall be controlling; provided, however, that no designation, or change or revocation thereof, shall be effective unless received by the Committee prior to the Participant's death, and in no event shall it be effective as of a date prior to such receipt. If no beneficiary designation is filed by a Participant, the beneficiary shall be deemed to be his spouse or, if the Participant is unmarried at the time of death, his estate.

(g) *Termination of Employment/Service*. Unless determined otherwise by the Committee at any time following such event: (i) neither a temporary absence from employment or service due to illness, vacation or leave of absence nor a transfer from employment or service with the Company to employment or service with an Affiliate (or vice-versa) shall be considered a termination of employment or service with the Company or an Affiliate; and (ii) if a Participant's employment with the Company and its Affiliates terminates, but such Participant continues to provide services to the Company and its Affiliates in a non-

employee capacity (or vice-versa), such change in status shall not be considered a termination of employment with the Company or an Affiliate.

(h) *No Rights as a Stockholder*. Except as otherwise specifically provided in the Plan or any Award Agreement, no person shall be entitled to the privileges of ownership in respect of Common Shares or other securities that are subject to Awards hereunder until such shares have been issued or delivered to that person.

(i) *Government and Other Regulations*.

(i) The obligation of the Company to settle Awards in Common Shares or other consideration shall be subject to all applicable laws, rules, and regulations, and to such approvals by governmental agencies as may be required. Notwithstanding any terms or conditions of any Award to the contrary, the Company shall be under no obligation to offer to sell or to sell, and shall be prohibited from offering to sell or selling, any Common Shares or other securities pursuant to an Award unless such shares have been properly registered for sale pursuant to the Securities Act with the Securities and Exchange Commission or unless the Company has received an opinion of counsel, satisfactory to the Company, that such shares may be offered or sold without such registration pursuant to an available exemption therefrom and the terms and conditions of such exemption have been fully complied with. The Company shall be under no obligation to register for sale under the Securities Act any of the Common Shares or other securities to be offered or sold under the Plan. The Committee shall have the authority to provide that all certificates for Common Shares or other securities of the Company or any Affiliate delivered under the Plan shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan, the applicable Award Agreement, the federal securities laws, or the rules, regulations and other requirements of the Securities and Exchange Commission, any securities exchange or inter-dealer quotation system upon which such shares or other securities are then listed or quoted and any other applicable federal, state, local or non-U.S. laws, and, without limiting the generality of Section 9 of the Plan, the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions. Notwithstanding any provision in the Plan to the contrary, the Committee reserves the right to add any additional terms or provisions to any Award granted under the Plan that it in its sole discretion deems necessary or advisable in order that such Award complies with the legal requirements of any governmental entity to whose jurisdiction the Award is subject.

(ii) The Committee may cancel an Award or any portion thereof if the Committee determines, in its sole discretion, that legal or contractual restrictions and/or blockage and/or other market considerations would make the Company's acquisition of Common Shares from the public markets, the Company's issuance of Common Shares or other securities to the Participant, the Participant's acquisition of Common Shares or other securities from the Company and/or the Participant's sale of Common Shares to the public markets, illegal, impracticable or inadvisable. If the Committee determines to cancel all or any portion of an Award denominated in Common Shares in accordance with the foregoing, the Company shall pay to the Participant an amount equal to the excess of (A) the aggregate Fair Market Value of the Common Shares subject to such Award or portion thereof that is canceled (determined as of the applicable exercise date, or the date that the shares would have been vested or delivered, as applicable), over (B) the aggregate Exercise Price or Strike Price (in the case of an Option or SAR, respectively) or any amount payable as a condition of delivery of Common Shares (in the case of any other Award). Such amount shall be delivered to the Participant as soon as practicable following the cancellation of such Award or portion thereof.

(j) *Payments to Persons Other Than Participants.* If the Committee shall find that any person to whom any amount is payable under the Plan is unable to care for his affairs because of illness or accident, or is a minor, or has died, then any payment due to such person or his estate (unless a prior Claim therefor has been made by a duly appointed legal representative) may, if the Committee so directs the Company, be paid to his spouse, child, relative, an institution maintaining or having custody of such person, or any other person deemed by the Committee to be a proper recipient on behalf of such person otherwise entitled to payment. Any such payment shall be a complete discharge of the liability of the Committee and the Company therefor.

(k) *Nonexclusivity of the Plan.* Neither the adoption of the Plan by the Board nor the submission of the Plan to the stockholders of the Company for approval shall be construed as creating any limitations on the power of the Board to adopt such other incentive arrangements as it may deem desirable, including, without limitation, the granting of stock options or other equity-based awards otherwise than under the Plan, and such arrangements may be either applicable generally or only in specific cases.

(l) *No Trust or Fund Created.* Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate, on the one hand, and a Participant or other person or entity, on the other hand. No provision of the Plan or any Award shall require the Company, for the purpose of satisfying any obligations under the Plan, to purchase assets or place any assets in a trust or other entity to which contributions are made or otherwise to segregate any assets, nor shall the Company maintain separate bank accounts, books, records or other evidence of the existence of a segregated or separately maintained or administered fund for such purposes. Participants shall have no rights under the Plan other than as unsecured general creditors of the Company, except that insofar as they may have become entitled to payment of additional compensation by performance of services, they shall have the same rights as other employees or service providers under general law.

(m) *Reliance on Reports.* Each member of the Committee and each member of the Board shall be fully justified in acting or failing to act, as the case may be, and shall not be liable for having so acted or failed to act in good faith, in reliance upon any report made by the independent public accountant of the Company and its Affiliates and/or any other information furnished in connection with the Plan by any agent of or service provider to the Company or the Committee or the Board, other than himself.

(n) *Relationship to Other Benefits.* No payment under the Plan shall be taken into account in determining any benefits under any pension, retirement, profit sharing, group insurance or other benefit plan of the Company except as otherwise specifically provided in such other plan.

(o) *Governing Law.* The Plan shall be governed by and construed in accordance with the internal laws of the Cayman Islands applicable to contracts made and performed wholly within the Cayman Islands, without giving effect to the conflict of laws provisions thereof.

(p) *Severability.* If any provision of the Plan or any Award or Award Agreement is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction or as to any person or entity or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to the applicable laws, or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall be construed or deemed stricken as to such jurisdiction, person or entity or Award and the remainder of the Plan and any such Award shall remain in full force and effect.

(q) *Obligations Binding on Successors.* The obligations of the Company under the Plan shall be binding upon any successor corporation or organization resulting from the merger, amalgamation,

consolidation or other reorganization of the Company, or upon any successor corporation or organization succeeding to substantially all of the assets and business of the Company.

(r) *Code Section 409A.*

(i) Notwithstanding any provision of the Plan to the contrary, all Awards made under the Plan are intended to be exempt from or, in the alternative, comply with Code Section 409A and the authoritative guidance thereunder, including the exceptions for stock rights and short-term deferrals. The Plan shall be construed and interpreted in accordance with such intent. Each payment under an Award shall be treated as a separate payment for purposes of Code Section 409A.

(ii) If a Participant is a “specified employee” (as such term is defined for purposes of Code Section 409A) at the time of his termination of service, no amount that is nonqualified deferred compensation subject to Code Section 409A and that becomes payable by reason of such termination of service shall be paid to the Participant (or in the event of the Participant’s death, the Participant’s representative or estate) before the earlier of (x) the first business day after the date that is six months following the date of the Participant’s termination of service, and (y) within 30 days following the date of the Participant’s death. For purposes of Code Section 409A, a termination of service shall be deemed to occur only if it is a “separation from service” within the meaning of Code Section 409A, and references in the Plan and any Award Agreement to “termination of service” or similar terms shall mean a “separation from service.” If any Award is or becomes subject to Code Section 409A, unless the applicable Award Agreement provides otherwise, such Award shall be payable upon the Participant’s “separation from service” within the meaning of Code Section 409A. If any Award is or becomes subject to Code Section 409A and if payment of such Award would be accelerated or otherwise triggered under a Change in Control, then the definition of Change in Control shall be deemed modified, only to the extent necessary to avoid the imposition of any additional tax under Code Section 409A, to mean a “change in control event” as such term is defined for purposes of Code Section 409A.

(iii) Any adjustments made pursuant to Section 13 to Awards that are subject to Code Section 409A shall be made in compliance with the requirements of Code Section 409A, and any adjustments made pursuant to Section 13 to Awards that are not subject to Code Section 409A shall be made in such a manner as to ensure that after such adjustment, the Awards either (x) continue not to be subject to Code Section 409A or (y) comply with the requirements of Code Section 409A.

(s) *Expenses; Gender; Titles and Headings.* The expenses of administering the Plan shall be borne by the Company and its Affiliates. Masculine pronouns and other words of masculine gender shall refer to both men and women. The titles and headings of the sections in the Plan are for convenience of reference only, and in the event of any conflict, the text of the Plan, rather than such titles or headings shall control.

(t) *Other Agreements.* Notwithstanding the above, the Committee may require, as a condition to the grant of and/or the receipt of Common Shares or other securities under an Award, that the Participant execute lock-up, stockholder or other agreements, as it may determine in its sole and absolute discretion.

(u) *Payments.* Participants shall be required to pay, to the extent required by applicable law, any amounts required to receive Common Shares or other securities under any Award made under the Plan.

(v) *Erroneously Awarded Compensation.* All Awards shall be subject (including on a retroactive basis) to (i) any clawback, forfeiture or similar incentive compensation recoupment policy established from time to time by the Company, including, without limitation, any such policy established to comply with the Dodd-Frank Wall Street Reform and Consumer Protection Act, (ii) applicable law (including, without limitation, Section 304 of the Sarbanes-Oxley Act and Section 954 of the Dodd-Frank

Wall Street Reform and Consumer Protection Act), and/or (iii) the rules and regulations of the applicable securities exchange or inter-dealer quotation system on which the Common Shares or other securities are listed or quoted, and such requirements shall be deemed incorporated by reference into all outstanding Award Agreements.

Subsidiaries of Arqit Quantum Inc.

Name of Subsidiary	Jurisdiction of Incorporation
Arqit Limited	United Kingdom
Arqit Inc.	Delaware
Arqit LLC	Delaware
Arqit Italia S.R.L.	Italy
Arqit Quantum (Singapore) Pte. Ltd	Singapore

**Certification by the Principal Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Andy Leaver, certify that:

1. I have reviewed this annual report on Form 20-F of Arqit Quantum Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: December 5, 2024

By: /s/ Andy Leaver

Name: Andy Leaver

Title: Chief Executive Officer (Principal Executive Officer)

**Certification by the Principal Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Nick Pointon, certify that:

1. I have reviewed this annual report on Form 20-F of Arqit Quantum Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: December 5, 2024

By: /s/ Nick Pointon
Name: Nick Pointon
Title: Chief Financial Officer (Principal Financial Officer)

**Certification by the Principal Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the annual report of Arqit Quantum Inc. (the "Company") on Form 20-F for the year ended September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Andy Leaver, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 5, 2024

By: /s/ Andy Leaver
Name: Andy Leaver
Title: Chief Executive Officer (Principal Executive Officer)

**Certification by the Principal Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the annual report of Arqit Quantum Inc. (the "Company") on Form 20-F for the year ended September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Nick Pointon, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934;
and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 5, 2024

By: /s/ Nick Pointon
Name: Nick Pointon
Title: Chief Financial Officer (Principal Financial Officer)

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the following Arqit Quantum Inc. registration statements:

- (1) registration statement on Form S-8 (File No. 333-262215);
- (2) registration statement on Form S-8 (File No. 333-275960);
- (3) registration statement on Form F-3 (File No. 333-268786); and
- (4) registration statement on Form F-3 (File No. 333-259982)

of our report dated December 5, 2024 relating to the financial statements which appears in the Arqit Quantum Inc. Annual Report on Form 20-F for the year ended September 30, 2024. We also consent to the reference to us under the heading “Experts” in such Registration Statements.

/s/ PKF Littlejohn LLP

PKF Littlejohn LLP

London, United Kingdom November
December 5, 2024

ARQIT QUANTUM INC.

INSIDER TRADING POLICY

This document sets forth the Insider Trading Policy (the “**Policy**”) of Arqit Quantum Inc. and its direct and indirect subsidiaries (collectively, “**Arqit**”). The Policy establishes the policies and procedures that govern trading by Arqit personnel in Arqit securities. The securities of any other company about which such personnel learns material, nonpublic information in the course of performing his or her duties for Arqit are also covered by this Policy (except for Section 4 through 7 which are specific to Arqit).

The Policy has been adopted by Arqit to fulfill its responsibilities as a public company under U.S. federal securities laws to prevent insider trading and to help its personnel avoid the severe consequences associated with violations of the insider trading laws. The Policy is intended to prevent even the appearance of improper conduct on the part of anyone employed by or associated with Arqit. Should you have any questions regarding this Policy, please contact Arqit’s Compliance Officer (the “**Compliance Officer**”).

It is important that all Arqit personnel review the Policy carefully. Noncompliance with the Policy is grounds for disciplinary action, including and up to immediate termination. Failure to comply with the policies and procedures set forth below also can result in a serious violation of the U.S. federal securities laws by the person trading, leading to potential civil and criminal penalties on that person.

1. Scope of Policy

All directors, officers and other employees of Arqit, and all contractors who devote all or substantially all of their time to Arqit, are subject to the prohibitions set forth in this Insider Trading Policy. Additionally, if designated by the Compliance Officer (1) all directors, officers and other employees of a joint venture in which Arqit has a financial interest (such a joint venture is referred to as a “**Related Company**”) and (2) all consultants or contractors to Arqit or a Related Company, are subject to the prohibitions set forth in this Insider Trading Policy.

Each person listed above as subject to the Policy is referred to as a “**Covered Person**”.

The restrictions imposed by the Policy apply to trading in any Arqit securities, as well as any instrument that derives its value from the price of Arqit securities, including but not limited to, puts, calls, warrants, options and convertible securities whether or not issued by Arqit (a “**Derivative Security**”), subject to the qualification, as provided in Section 4 of this Policy, that all Covered Persons are prohibited from engaging in certain types of transactions, including short sales of (and economically equivalent transactions relating to) Arqit securities. The restrictions imposed by the Policy also apply to trades in securities of any Related Company and any other company about which any Covered Person learns material, nonpublic information in the course of performing his or her duties for Arqit, such as securities of any company with which Arqit may be entering into or negotiating major transactions, and Derivative Securities of any of the foregoing securities.

2. Additional Persons Subject to this Policy

Each of the policies and procedures under the Policy that is binding on a Covered Person also applies to the Associates of such Covered Person (i.e., any reference to a Covered Person’s obligations under this Policy also relates to his or her Associates). “**Associates**” consist of:

- (i) anyone, whether a Family Member or not, who resides in the household as a Covered Person;
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- (ii) any Family Member who does not live in the household of a Restricted Person but whose transactions in Arqit securities or Derivative Securities are directed by or subject to the influence or control of a Covered Person (such as parents or children who consult with a Covered Person before they trade in Arqit securities or Derivative Securities).

“**Family Members**” consist of the following persons: any child, stepchild, grandchild, parent, stepparent, grandparent, spouse (or comparable co-habitation relationship), sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law, in each case including adoptive relationships.

This Policy applies to any entities that a Covered Person controls, including any controlled corporations, partnerships or trusts, and transactions by such entities should be treated for the purposes of this Policy as if they were for the account of the Covered Person, unless the entity engages in the investment of securities in the ordinary course of its business (e.g., an investment fund or partnership) and confirms to the reasonable satisfaction of the Compliance Officer that it has established its own policies and procedures for compliance with insider trading restrictions under applicable securities laws.

Situations may exist where a Covered Person has a record ownership of or beneficial interest in securities, but has no responsibility for investment decisions, such as, for example, where the investment decisions have been delegated to an investment adviser. In such cases, this Policy is not intended to proscribe dealings in securities so long as the Covered Person has neither discussed the merits of the investment with, nor provided inside information to, the person or persons having the decision-making investment responsibility. Similarly, this Policy does not proscribe the purchase, sale or holding of an interest in a publicly traded mutual fund, even if the fund holds or trades in Arqit securities or Derivative Securities.

For the avoidance of doubt, even if it is not explicitly stated so in the various sections of this Policy, all prohibitions, policies and procedures detailed in this Policy apply to each Covered Person, as well as to his or her Associates and all persons and entities listed in this Section 2. Each Covered Person is responsible for making sure that any Associate or other person/entity listed in this Section 2 that is subject to this Policy complies with it.

3. General Insider Trading Prohibition

Any Covered Person who possesses knowledge of any “material information” concerning Arqit that has not been disclosed to the public is prohibited from (i) trading in Arqit securities or Derivative Securities, (ii) advising others to trade or to refrain from trading in Arqit securities or Derivative Securities, or (iii) disclosing the material information to any other person for the purpose of enabling such person to trade or to refrain from trading in Arqit securities or Derivative Securities. These restrictions remain in effect until the information is fully disclosed to the public or until the information, although not disclosed, ceases to be material.

Any Covered Person who obtains, in the course of his or her employment with or engagement by Arqit, knowledge of any “material information” concerning any other company that has not been disclosed to the public is prohibited from (i) trading in securities of such other company or Derivative Securities of such other company, (ii) advising others to trade in securities of such other company or Derivative Securities of such other company, or (iii) disclosing the material information to any other person for the purpose of enabling such person to trade in securities of such other company or Derivative Securities of such other company. These restrictions remain in effect until the information is fully disclosed to the public or until the information, although not disclosed, ceases to be material.

For the avoidance of doubt, even if it is not explicitly stated so in the various sections of this Policy, all prohibitions, policies and procedures detailed in this Policy (except for Sections 4 through 7 which relate to Arqit only) apply to securities of any other company about which a Covered Person learns material, nonpublic information in the course of performing his or her duties for Arqit.

For purposes of insider trading liability, it does not matter that delaying the transaction until the material, nonpublic information is disclosed or ceases to be material might cause the Covered Person or an Associate of a Covered Person to incur a financial loss, or whether there is some independent reason for the transaction (such as the need to raise money for an emergency expenditure). In addition, except in the limited circumstances discussed below (see “**Approved Trading Plans**”), it does not matter that a Covered Person or an Associate of a Covered Person may have decided to engage in a transaction before learning of the undisclosed material information. Further, it also is irrelevant that publicly disclosed information about Arqit, a Related Company or any other applicable company would, without consideration of the undisclosed material information, provide a substantial basis for engaging in the transaction. The federal securities laws do not recognize any such mitigating circumstances and further, even the appearance of an improper transaction must be avoided to preserve Arqit’s reputation for adhering to the highest standards of conduct.

Material Information

In general, information is considered material as it relates to any company if there is a substantial likelihood that a reasonable investor would consider the information important in making a decision to buy, hold or sell securities of such company. While this standard is not always easy to apply, any information that could be expected to affect the price of a company’s ordinary shares (or any other securities that derives its value from such securities), whether positive or negative, should be considered material. Some examples of information that is almost always regarded as material include: significant transactions such as pending or proposed mergers, tender offers, acquisitions or dispositions; financial forecasts (especially earnings estimates); corporate restructurings; regulatory rulings; unanticipated changes in the level of sales, earnings or expenses or earnings that are not consistent with the consensus expectations of the investment community; material changes to previously filed financial statements; credit rating changes; stock splits; stock dividends; equity or debt offerings; management changes; entry into or loss of a substantial contract not in the ordinary course of business; impending bankruptcy or the existence of severe liquidity problems; and similar matters.

Any Covered Person who has questions as to the materiality of any nonpublic information is advised to contact the Compliance Officer for guidance. When in doubt as to the materiality of any nonpublic information, Covered Persons should refrain from trading.

Public Disclosure

Disclosure of material information to the public generally means the disclosure of the information in a filing with the Securities and Exchange Commission (the “**SEC**”) (such as Arqit’s annual report on Form 20-F or current reports on Form 6-K) or otherwise released broadly to the marketplace making it generally available to investors (such as by a press release or a Regulation FD-compliant conference call). More limited dissemination of the information, such as in a company communication to employees (even if it is to all employees generally) does not qualify as public disclosure. To ensure adequate disclosure, two full trading days should be permitted following public disclosure to allow the securities markets an opportunity to digest the news.

Tipping

Covered Persons who cannot trade in Arqit securities, securities of any other company, or Derivative Securities, by reason of the possession of material, nonpublic information also may not either (i) disclose such information to any other person for the purpose of allowing the other person to trade in the above securities or (ii) provide trading advice with respect to the above securities (even though the nonpublic information that provides the basis for the advice is not disclosed to the person). Any such disclosure or trading advice constitutes a violation of the federal securities laws (referred to as “tipping”) and can result in liability for both the tipper and the tippee, as well as for Arqit and supervisory personnel.

4. Blackout Periods

Covered Persons are prohibited from trading in Arqit securities or Derivative Securities during blackout periods, regardless of whether they actually possess material nonpublic information. In addition, Covered Persons must obtain pre-clearance before effecting any transaction in Arqit’s securities at any time in accordance with the procedures established from time to time by Arqit (“Pre-Trade Clearance”). Any request for pre-clearance must be made at least two business days in advance of the proposed transaction via Arqit’s “Pre-Clearance Request” form, which will be provided by the Compliance Officer upon request.

Semi-Annual Blackout Periods

There are two regular blackout periods with respect to trading per year (each, a “**Semi-Annual Blackout Period**”). The first Semi-Annual Blackout Period begins at 12:01 a.m. Eastern Time two weeks before the 1st day of the seventh month of Arqit’s fiscal year (i.e. 12:01 a.m. Eastern time on each March 16) and ends at 11:59 p.m. Eastern time after the close of trading on the second full trading day following the public dissemination by Arqit of its half-yearly financial results by press release to the national wire services or by making a filing with the SEC. The second Semi-Annual Blackout Period begins at 12:01 a.m. Eastern Time two weeks before the 1st day of the first month of Arqit’s next fiscal year (i.e. 12:01 a.m. Eastern time on each September 16) and ends at 11:59 p.m. Eastern time after the close of trading on the second full trading day following the public dissemination by Arqit of its annual financial results by press release to the national wire services or by making a filing with the SEC.

Covered Persons are prohibited from trading in Arqit securities or Derivative Securities during Semi-Annual Blackout Periods.

Designated Blackout Periods

Any Covered Person, at any time and from time to time, may be informed by the Compliance Officer that he or she, and his or her Associates, are subject to a designated blackout period due to such person’s involvement in or knowledge of a particular matter (a “**Designated Blackout Period**”, and together with a Semi-Annual Blackout Period, a “**Blackout Period**”). Covered Persons so advised are prohibited from trading in Arqit securities or Derivative Securities until they receive further written notice from the Compliance Officer. The existence of a Designated Blackout Period will not be announced other than to those who are subject to it. Any Covered Person or their Associates made aware of the existence of a Designated Blackout Period should not disclose the existence of such blackout for any reason.

The safest period for trading in Arqit securities or Derivative Securities, assuming the absence of material, nonpublic information, generally is the first ten trading days following the end of a Blackout Period. This is because officers, directors and employees will, as any semi-annual financial period progresses, be

increasingly likely to possess material, nonpublic information about the expected financial results for that semi-annual financial period.

It is important to keep in mind that, even if a Blackout Period is not in effect, the prohibition on trading on material, nonpublic information continues to apply at all times.

5. Approved Trading Plans

Transactions by Covered Persons and their Associates pursuant to a written trading plan (an “**Approved Plan**”) will not violate this Policy and are not subject to the Blackout Period restrictions or pre-approval procedures if the following conditions are met:

- the Approved Plan, any change or amendment thereof and trades thereunder must meet the requirements of Arqit’s guidelines for Rule 10b5-1 Plans (established by the Compliance Officer in consultation with Arqit’s outside counsel to the extent applicable).
- the Compliance Officer must approve the Approved Plan prior to it being executed;
- The Approved Plan must comply with the requirements of the Rule 10b5-1 under the Securities Exchange Act of 1934, as amended (the “**1934 Act**”), including the following:
 - (i) it must be a written, binding contract, instruction or plan entered into outside of a Blackout Period and at such time when the Covered Person is not in possession of material, nonpublic information;
 - (ii) the Approved Plan must expressly specify the amounts, prices and dates of transactions (specifically or through a written formula, or a combination thereof) or confer discretionary authority on another person (who is not a Covered Person or Associate and otherwise is not in possession of material non-public information) to effect one or more purchase or sale transactions for the account of the instructing person;
 - (iii) the instructing person may not exercise any subsequent influence over how, when or whether the transactions are effected; and
 - (iv) the purchase or sale must occur pursuant to the Approved Plan.

The Compliance Officer will approve any Approved Plan that complies with the terms of this Section 5.

A contract, instruction or plan of the type described above will generally only be necessary for Covered Persons, and other persons, who routinely come into contact with material non-public information, and should not generally be necessary for other Covered Persons.

6. Short Term Speculation; Hedging Transactions; Restrictions on Pledges

Arqit considers it improper and inappropriate for any Covered Person or their Associates to engage in short-term or speculative transactions in Arqit securities or in other transactions in Arqit securities that may transfer the full risks and rewards of ownership over Arqit securities. Therefore, it is Arqit’s policy that Covered Persons and their Associates may not engage, in any of the following transactions:

- *Publicly Traded Options.* A transaction in options is, in effect, a bet on the short-term movement of Arqit shares and therefore creates the appearance of trading based on inside information. Transactions in options also may focus attention on short-term performance at the expense of long-term objectives. Accordingly, transactions in puts, calls or other Derivative Securities, on an exchange or in any other organized market, are prohibited. Option positions arising from certain types of hedging transactions are governed by the next paragraph below.
 - *Standing Orders.* A standing order placed with a broker to sell or purchase Arqit shares at a specified price leaves the shareholder with no control over the timing of the transaction. A transaction pursuant to a standing order – which does not meet the standards of an Approved Plan – executed by the broker when the Covered Person is aware of material nonpublic information may result in unlawful insider trading. Accordingly, standing orders are prohibited during any Blackout Period and at any time that the Covered Person is aware of material, non-public information. Any pending standing order must be cancelled before the commencement of any Blackout Period.
 - *Hedging Transactions.* Certain forms of hedging or monetization transactions allow Covered Persons to lock in much of the value of their Arqit securities, often in exchange for all or part of the potential for upside appreciation in the securities. These transactions allow the Covered Person to continue to own the covered Arqit security, but without the full risks and rewards of ownership. Such transactions may use methodologies or financial instruments including, but not limited to, short sales, puts, calls, collars, prepaid variable forward contracts and exchange funds. When that occurs, the Covered Person may no longer have the same objectives as Arqit’s other securityholders. Therefore, Covered Persons are prohibited from employing any such methodologies or using any such financial instruments with respect to a Arqit security absent prior written approval of the Compliance Officer. Any Covered Person that wishes to seek such approval must submit a request to the Compliance Officer at least two weeks prior to the proposed execution of documents related to such transaction.
 - *Margin Accounts and Pledges.* A Covered Person may not hold Arqit securities in a margin account or pledge Arqit securities as collateral because a margin or foreclosure sale may occur when such Covered Person is aware of material nonpublic information or otherwise prohibited from trading in Arqit securities. Under certain circumstances an exception may be granted for a Covered Person to pledge Arqit securities as collateral for a loan (not including margin debt) where the Covered Person clearly demonstrates the financial capacity to repay the loan without resorting to the pledged securities. Any Covered Person that wishes to do so must submit a request for approval to the Compliance Officer at least two weeks prior to the proposed execution of documents evidencing the proposed pledge and the Compliance Officer shall have absolute discretion over approving or rejecting such proposed pledge.
 - *Short Sales.* Short sales of Arqit securities evidence an expectation on the part of the seller that the securities will decline in value, and therefore signal to the market that the seller has no confidence in Arqit or its short-term prospects. In addition, short sales may reduce the seller’s incentive to improve Arqit’s performance. For these reasons, short sales of Arqit securities are prohibited by the Policy. A short sale has occurred if the seller (i) does not own the securities sold or (ii) does own the securities sold, but does not deliver them within 20 days or place them in the mail within 5 days of the sale.
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Any Covered Person who has questions as to whether a particular strategy would violate the Policy is advised to contact the Compliance Officer.

7. Application of the Policy to Specific Transactions

The provisions of the Policy apply to various investment decisions concerning Arqit securities made by a Covered Person in connection with Arqit's equity incentive plans, as are in effect from time to time.

- *Equity Incentive Plans.* The Policy does not apply to the grant or the cash exercise of share options granted under Arqit's equity incentive plans as in effect from time to time, and also would not apply to the delivery of shares to any entity administrating said plans on behalf of Arqit upon exercise of such options to the extent such transactions are permissible under the equity incentive plans. However, the delivery of Arqit shares to any third party in payment for the exercise price of a share option and/or for tax withholding, known as a "cashless" or "same-day sale" exercise, as well as any sale to a third party of Arqit shares acquired upon the exercise of a share option, is subject to the same restrictions that apply to any other sale of Arqit securities, including Pre-Trade Clearance. These restrictions also apply to any Associate who acquires a transferred stock option.

The Policy also does not apply to the vesting or delivery of restricted shares or restricted share units. The sale of Arqit shares acquired on the date of vesting or delivery of shares issued pursuant to such awards to any third party (including for tax withholding purposes) is subject to the same restrictions that apply to any other sale of Arqit securities, including Pre-Trade Clearance.

- *Gifts.* Gifts of Arqit securities or Derivative Securities during a Blackout Period may only be made with the prior written approval of the Compliance Officer. To the extent approval is granted, the recipient of a gift who is a Covered Person or an Associate of a Covered Person would be subject to the restrictions of this Policy in connection with any subsequent sale of the gifted securities.
- *Employee Share Purchase Plan.* This Policy does not apply to purchases of Arqit ordinary shares pursuant to any employee share purchase plan resulting from a Covered Person's periodic contribution of money to such a plan pursuant to the election he or she made at the time of his or her enrollment in the plan. This Policy also does not apply to purchases of Arqit ordinary shares resulting from lump sum contributions to such a plan, provided that the Covered Person elected to participate by lump sum payment at the beginning of the applicable enrollment period. This Policy does apply, however, to a Covered Person's election to participate in such a plan for any enrollment period, and to his or her sales of Arqit ordinary shares purchased pursuant to such a plan.

In addition, this Policy does not apply to any other transaction the specific facts of which are reviewed by the Compliance Officer and determined by the Compliance Officer to not constitute a violation of applicable insider trading law.

8. Post-Termination Transactions

The restrictions imposed by the Policy, including any Blackout Period then in effect, will continue to apply to a Covered Person and their Associates after the termination of his or her employment with or engagement by Arqit for such period of time as such Covered Person is aware of material, nonpublic information until that information has become public or is no longer material. If a Covered Person's employment or

engagement has ended within a Blackout Period, he or she shall be subject to the Blackout Period restrictions detailed above.

9. Reason for the Prohibition

Under the federal securities laws, it is unlawful for any director, officer or employee of, or any person otherwise associated with, a public company to trade, or to enable others to trade, in the securities of that company while in possession of material, nonpublic information. Violators may be subject to criminal prosecution and/or civil liability.

A criminal prosecution can result in a fine of up to \$5 million (no matter how small the profit or even if there is a loss) and imprisonment for up to 20 years. Civil actions may be brought by a private plaintiff or the SEC. A person who has been found in a civil action brought by the SEC to have violated the prohibition on insider trading by purchasing or selling a security while in possession of material, nonpublic information, or by communicating such information to another person who engages in such trading, can be held liable for a penalty up to three times the profit gained, or the loss avoided, by the person who traded while in possession of material, nonpublic information. The SEC also has the authority to obtain a court order that bars a person who has engaged in insider trading from serving, either permanently or for a period of time, as a director or officer of a public company. There are no limits on the size of the transaction that can trigger insider trading liability. Relatively small trades have in the past occasioned civil and criminal investigations and lawsuits.

Insider trading also can generate significant adverse publicity and, as a result, cause a substantial loss of confidence in Arqit and its securities on the part of the public and the securities markets. This could have an adverse impact on the price of Arqit shares and other securities to the detriment of Arqit and its shareholders.

Remember, anyone scrutinizing your transactions in Arqit securities or Derivative Securities will be doing so after the fact, with the benefit of hindsight. As a practical matter, before engaging in any transaction, you should carefully consider how enforcement authorities and others might view the transaction in hindsight.

10. Conclusion

Arqit will strictly enforce the prohibitions against insider trading and the additional restrictions and procedures set forth in this Policy. Any Covered Person, or their Associate, of Arqit or any Related Company who is uncertain regarding the applicability of the Policy is urged to contact the Compliance Officer prior to executing any sale or purchase transaction involving Arqit securities or Derivative Securities to determine if he or she may properly proceed. Any decision made by the Compliance Officer pursuant to this Policy shall be considered final, and the basis for a particular decision may not necessarily be disclosed by the Compliance Officer. Directors and officers of Arqit should be particularly careful, since avoiding the appearance of engaging in share transactions on the basis of material, nonpublic information can be as important as avoiding consummating a transaction actually based on such information.

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Adopted: August 30, 2021, amended October 25, 2021, amended December 12, 2022, amended July 19, 2023
