

RNS Number : 8546V  
Prospex Oil and Gas PLC  
21 April 2016

Prospex Oil and Gas plc

("Prospex" or the "Company")

Notice of General Meeting

Issue of Shareholder Letter

Further to the announcement of 13 April 2016, the Company confirms that it has now dispatched a circular ("**Circular**") and notice of general meeting ("**Notice of GM**") to all shareholders. The general meeting will be held at the offices of Peterhouse Corporate Finance Ltd, 3rd Floor, New Liverpool House, 15 Eldon Street, London, EC2M 7LD at 9 a.m. on 11<sup>th</sup> May 2016.

At the general meeting shareholders will be asked to re-approve the current investing policy of the Company, with an amendment as set out in the Circular, namely the addition of a new paragraph stating that the Company will undertake an acquisition or acquisitions within the natural resources and/or energy sector, which constitutes a reverse takeover under AIM Rule 14 of the AIM Rules for Companies, within 12 months of the date of the general meeting. This additional paragraph is also set out below.

The board is also seeking authority to allot ordinary shares in the capital of the Company, and to disapply pre-emption rights in respect thereof, up to a maximum nominal value of three million pounds (£3,000,000) for a period of five years from the date of the resolution.

The Company also confirms its intention to issue a shareholder letter to supplement the Circular, which should be dispatched on or around 21 April 2016. The shareholder letter contains more details of the proposals for the information of shareholders but does not vary the Notice of GM or the text of the resolutions themselves.

The information contained in the Circular, Notice of GM and in the shareholder letter can be summarised as follows:

Background to and reason for the Proposals

As announced on 13 April 2016, Prospex is deemed to have satisfactorily implemented its investing policy (as adopted on 15 April 2015). However, as the Company moves forward into the next stage of its development it is seeking a number of changes to enable it to take the steps that the Directors believe will lead to an increase in shareholder value. Firstly, the directors are seeking shareholder approval for the existing investing policy with an amendment to that investing policy stating that the Company will undertake an acquisition or acquisitions that will constitute a reverse takeover pursuant to AIM Rule 14 of the AIM Rules for Companies within 12 months of the date of

the General Meeting.

The Directors are also seeking shareholder authority to increase their ability to issue ordinary shares (up to a nominal value of £3,000,000) to enable them to raise equity funds. The board intend to invest such funds in accordance with the stated investing strategy of the Company. The board believe that the Company's work in the last 12 months and improving sector sentiment should give rise to a number of exciting opportunities in the short to medium term if sufficient funds can be identified.

### Consequences of the Proposals

If the approval of the investing policy is not accepted by shareholders then, in accordance with the AIM Rules, Prospex would be expected to propose amendments to its investing policy and seek shareholder approval for those amendments, as soon as possible

If the Company was to progress with an acquisition or acquisitions that would lead to a reverse takeover under AIM Rule 14, then any agreement which would effect a reverse takeover would be:

- conditional on the consent of its shareholders being given in general meeting;
- notified without delay disclosing the information specified by Schedule 4 to the AIM Rules; and
- accompanied by the publication of an admission document in respect of the proposed enlarged entity and convening the general meeting.

Further announcements would be made as appropriate, if any such acquisition or acquisitions were identified.

### Current Investing Policy

The Company's Investing Policy is to invest in and/or acquire companies and/or projects within the natural resources and/or energy sector with potential for growth and/or income. The Company may also directly apply for new exploration licences or invest in existing licences. It is anticipated that the geographical focus will primarily be Europe, however, investments may also be considered in other regions to the extent that the Directors consider that valuable opportunities exist and returns can be achieved.

In selecting investment opportunities, the Directors will focus on businesses, assets and/or projects that are available at attractive valuations and hold opportunities to unlock embedded value. Where appropriate, the Directors may seek to invest in businesses where it may influence the business at a board level, add their expertise to the management of the business, and utilise their significant industry relationships and access to finance; as such investments are likely to be actively managed.

The Company's interests in a proposed investment and/or acquisition may range from a minority position to full ownership and may comprise one investment or multiple investments. The proposed investments may be in either quoted or unquoted companies; be made by direct applications, acquisitions or farm-ins; and may be in companies, partnerships, earn-in joint ventures, debt or other loan structures or direct or indirect interests in assets, projects or licences. The Directors may focus on investments where intrinsic value can be achieved from the restructuring of investments or merger of complementary businesses.

The Directors expect that investments will typically be held for the medium to long term, although short term disposal of assets cannot be ruled out if there is an opportunity to generate an attractive return for Shareholders. The Directors will place no minimum or maximum limit on the length of time that any investment may be held.

There is no limit on the number of projects into which the Company may invest, and the Company's financial resources may be invested in a number of propositions or in just one investment, which may be deemed to be a reverse takeover under the AIM Rules. The Directors intend to mitigate risk by appropriate due diligence and transaction analysis. Any transaction constituting a reverse takeover under the AIM Rules will also require Shareholders' approval. The Directors consider that as investments are made, and new promising investment opportunities arise, further funding of the Company may also be required.

Where the Company builds a portfolio of related assets it is possible that there may be cross holdings between such assets. The Company does not currently intend to fund any investments with debt or other borrowings but may do so if appropriate. Investments in early stage assets are expected to be mainly in the form of equity, with debt potentially being raised later to fund the development of such assets. Investments in later stage assets are more likely to include an element of debt to equity gearing. The Directors may also offer new Ordinary Shares by way of consideration as well as cash, thereby helping to preserve the Company's cash for working capital and as a reserve against unforeseen contingencies including, for example, delays in collecting accounts receivable, unexpected changes in the economic environment and operational problems.

The Directors will conduct initial due diligence appraisals of potential business or projects and, where they believe further investigation is warranted, intend to appoint appropriately qualified persons to assist. The Directors believe they have a broad range of contacts through which they are aware of various opportunities which may prove suitable, although at this point only preliminary due diligence has been undertaken. The Directors believe their expertise will enable them to determine quickly which opportunities could be viable and so progress quickly to formal due diligence. The Company will not have a separate investment manager. The Company proposes to carry out a comprehensive and thorough project review process in which all material aspects of a potential project or business will be subject to rigorous due diligence, as appropriate. Due to the nature of the sector in which the Company is focused it is unlikely that cash returns will be made in the short to medium term; rather the Company expects a focus on capital returns over the medium to long term

#### Proposed Amendment to Investing Policy:

The Company will undertake an acquisition or acquisitions within the natural resources and/or energy sector, which constitutes a reverse takeover under AIM Rule 14 of the AIM Rules for Companies, within 12 months of the date of the general meeting.

#### Directors' Experience in Relation to the Investing Policy

The current directors of Prospex, and their experience, are as follows:

Edward Roland Dawson, CEO & Managing Director (aged 41)

Edward holds a BEng and a MSc in Investment Analysis and has over 10 years' experience in the sector, as a financier of, investor in or holding senior management roles in junior oil and gas companies. Positions held include: Managing Director of Peppercoast Petroleum plc and Managing Director of Black Star Petroleum plc, Analyst on RAB Capital's Energy fund, Business Development and Finance Manager for Oilexco Incorporated and a Fund Manager for Park Place

Capital. Edward's experiences are broad but he brings in depth knowledge of the capital markets, valuations and industry deal making.

Richard Paul Mays, Non-Executive Director (aged 55)

Richard holds LLB, LLM, PhD degrees and is a Solicitor in Scotland. Formerly Professor and Depute Dean of the Aberdeen Business School he has extensive industry, commercial and legal experience. He is VP and General Counsel at Canadian Overseas Petroleum Limited a TSX and FTSE listed company. He has leadership and senior management experience of other London Stock Exchange listed companies (formerly at DEO Petroleum plc and at Oilexco North Sea Limited). He has also served as Executive Chairman of Peppercoast Petroleum plc and Black Star Petroleum plc. Richard's experiences are broad but he brings in depth knowledge of the industry deal making, government relations and corporate governance.

William ("Bill") Hartman Smith, Non-Executive Director (aged 63)

Bill is a resident of Calgary, Alberta, Canada. He is a director of a number of listed and private companies including Orca Exploration Group (TSXV); Mosaic Capital Corporation (TSXV); Axia NetMedia Corporation (TSX); PFB Corporation (TSX). He holds a license to practice law in Alberta and is a past senior partner of McCarthy Tetrault LLP in Canada. He has extensive corporate experience including a number of start-up ventures and also in the oil and gas sector and brings an international prospective to the board. Bill's experiences are broad but he brings in depth knowledge of investment selection, corporate governance and deal closing.

Gavin John Burnell *Non-Executive Director (aged 37)*

Gavin is a Director, Corporate Finance with Sanlam Securities UK Limited. He holds a degree in Accounting & Finance and has specialised in advising AIM and ISDX-traded smaller companies for the last thirteen years. Gavin is a co-founder and / or director of a number of private and publicly traded entities, including Globo plc, Elephant Oil Limited, Magnolia Petroleum plc, Stratex International plc, Icen Oil and Gas Limited (sold to then TSXV-listed Bridge Resources Corp), Silvrex Limited (sold to Stratex), Sula Iron & Gold plc and Hot Rocks Investments plc. Gavin has taken a number of companies from start-up through to sale or flotation. Gavin's experiences are broad but he brings significant deal flow to be reviewed by the team.

## Company Updates

The directors also confirm to shareholders they will provide biannual updates on the Company's investments to shareholders.

## Documentation

A copy of the Circular is located on the Company's website at <http://www.prospexoilandgas.com/> and a copy of the supplemental shareholder letter will also be posted on the Company's website on or around 21 April 2016.

## Contacts:

Prospex Oil and Gas plc  
Edward Dawson, Managing Director 0207 887 1461

WH Ireland Limited (Nominated Adviser and Broker)  
Katy Mitchell / Nick Prowting 0113 394 6600

Peterhouse Corporate Finance Limited (Joint Broker)  
Lucy Williams / Charles Goodfellow / Eran Zucker 0207 469 0932

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