



## PRESS RELEASE

8<sup>th</sup> April 2010

### **Offshore Hydrocarbon Mapping plc ("OHM") £3.36 million raised in Placing of New Ordinary Shares**

- £3.36 million raised in placing of New Shares with Sector Asset Management
- Sector Asset Management to increase interest in OHM from 1.24% to 24.15%

The Directors of Offshore Hydrocarbon Mapping are pleased to announce that Sector Asset Management has agreed to invest up to £3.36 million in the Company via a cash subscription for 21,000,000 new Ordinary Shares at a price of 16 pence per share, representing a premium of approximately 220 per cent. to the closing mid-market price at 7 April 2010. The new Ordinary Shares will be issued in two tranches, the first 3,475,000 new Ordinary Shares under existing shareholder authorities. The balance of 17,525,000 new Ordinary Shares shall be issued if Shareholder approval is obtained at a General Meeting of OHM to be held on 28th April 2010.

The funds of £556,000 received from the first tranche will largely provide working capital for the recently announced CSEM surveys in India. The net proceeds of approximately £2.7 million from the second tranche will, if Shareholder approval is obtained, be invested in further improvements in WISE data processing and interpretation technology, upgrading the Group's marine CSEM acquisition equipment, further investment in sales and marketing activities directed towards seismic inversion and appraisal and monitoring applications for CSEM and general working capital purposes.

Richard Cooper, Offshore Hydrocarbon Mapping's CEO commenting on the Placings said:

"I am very pleased to welcome Sector Asset Management as a significant new shareholder in the Company. Sector is an experienced and sophisticated investor in the oil service arena with a track-record of successful ventures in the upstream geophysical market. Already in 2010 we are experiencing increasing enquiries in both our marine CSEM survey business and our Rock Solid Images seismic business and this fundraising demonstrates Sector's confidence in the Group and its WISE integrated data interpretation offerings for clients."

A circular to Shareholders will be despatched shortly and will be available on the Company's website ([www.ohmsurveys.com](http://www.ohmsurveys.com)) pursuant to AIM Rule 26.

#### **Offshore Hydrocarbon Mapping plc**

Richard Cooper – Chief Executive Officer  
Bob Auckland - Finance Director

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#### **KBC Peel Hunt (NOMAD and Broker)**

Julian Blunt/David Anderson

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Peter Reilly

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The summary above should be read in conjunction with the full text of the following announcement. Defined terms in this announcement have the same meaning as set out in the Company's circular dated 8 April 2010 unless the context otherwise requires.

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**This announcement does not constitute an offer to sell or an invitation or solicitation to purchase or subscribe for any securities.**

## **WAIVER OF THE OBLIGATION TO MAKE AN OFFER UNDER RULE 9 OF THE CITY CODE ON TAKEOVERS AND MERGERS**

### **PLACING OF 17,525,000 NEW ORDINARY SHARES AT 16 PENCE PER SHARE**

#### **Introduction**

OHM was founded in 2002 to exploit the market for marine Controlled Source ElectroMagnetic (CSEM) surveying for use in hydrocarbon exploration. Following the acquisition of Rock Solid Images in August 2007, the Group's main business has been to enhance oil and gas exploration and exploitation activities through delivering improved subsurface understanding. This is currently achieved by resistivity mapping, principally using CSEM marine surveys, and through advanced analysis of well and surface seismic data.

With oil and gas companies facing challenges in replacing produced reserves, the Directors believe that the long term opportunity for such technology is clear.

In 2007 and 2008 the Group expected an increased uptake of its CSEM surveying services which did not materialise and this was compounded by the reduction in exploration activity following the drop in oil prices during 2008. The Group was not alone in experiencing this downturn in CSEM survey activity.

The Directors believe that the market for marine CSEM will improve over the coming years as the technology matures, successful and compelling case-studies become available demonstrating the high intrinsic value of surface based resistivity measurements and overall market conditions in the upstream E&P market improve.

In August 2009, the Company raised approximately £2.5 million (net of expenses) through a placing in order for the Group to continue to be viable, to conserve the Company's existing assets (including its people and intellectual property) and to strengthen the Company's cash position for the future. The Group also restructured its vessel charter agreements with ETS by exchanging most of its fixed cost charter liabilities for Ordinary Shares.

Furthermore, as announced in December 2009 the Company agreed the terms of the Credit Facility of up to \$2 million in order to increase cash reserves and to be able to accommodate delays in two significant CSEM opportunities which the Company had been anticipating would be converted into contracts. The facility is fully drawn and the Company requires further capital to accommodate working capital requirements and to invest in further improvements in data processing and interpretation technology, upgrading marine CSEM acquisition equipment as well as investing in sales and marketing activities directed towards appraisal and monitoring applications for CSEM.

In order to help the Group meet these working capital and investment needs Sector Asset Management Limited (a subsidiary of Sector Asset Management AS) acting solely in its capacity as manager for Sector Speculare IV, has conditionally agreed with the Company pursuant to the Subscription Deed to invest £3.36 million by subscribing for the Placing Shares at a price of 16 pence each representing a premium of approximately 220 per cent. to the closing mid-market price at 7 April 2010. The Placing Shares will be held by Sector Speculare IV. In order to meet the immediate working capital requirements associated with the New Indian Contracts (the "New Indian Contracts") the Company has agreed with Sector that Sector Speculare IV will subscribe for the First Placing Shares (the 3,475,000 new Ordinary Shares to be issued pursuant to the First Placing) at the Placing Price to raise £556,000 (before expenses) and this subscription will be completed on 14 April 2010. The Company is able to effect the First Placing under the existing authorities given by Shareholders.

The Panel considers that Sector is a member of the Concert Party, as more particularly described below.

Accordingly the Placings would result in the Concert Party holding more than 30 per cent. of the Company's issued share capital carrying voting rights and this would normally trigger an obligation to make an offer for all the shares in the capital of the Company pursuant to Rule 9 of the City Code. However, the Panel has agreed the Accelerated Panel Waiver as referred to below obviating this obligation.

On 8 April 2010 the Company entered into the Subscription Deed pursuant to which Sector Asset Management Limited has conditionally agreed, subject *inter alia* to the receipt of the Accelerated Panel Waiver and admission of the First Placing Shares to trading on AIM, to subscribe for the First Placing Shares as noted above and has conditionally agreed to subscribe for the Second Placing Shares (the 17,525,000 Ordinary Shares to be issued pursuant to the Second Placing). The Second Placing is subject to the passing of the Resolutions (other than Resolution 4) and Admission. Under the terms of the Subscription Deed, East Hill, ETS and Sector have undertaken to, and have undertaken that certain of their respective associates and affiliates will, vote in favour of the Resolutions.

The purpose of this announcement is to explain to Shareholders why the Directors believe the Second Placing is in the best interests of the Company and Shareholders and why the Directors recommend that Shareholders should vote in favour of the Resolutions.

## **The Group's Strategy**

The Directors believe the market size for marine CSEM in 2008 was approximately \$130 million, and that it fell to approximately \$90 million in 2009. Oil and gas companies, which form the Group's client base, cut back their expenditure in response to the global economic crisis and the sharp fall in oil price. This resulted in reductions in revenues across a wide range of oil service providers. However, the Directors anticipate that the marine CSEM market will recover and will grow to around \$210 million per annum by 2014.

The Directors believe that a factor in the slow uptake to date of CSEM technology has resulted from the technology primarily being positioned as an exploration tool. The Directors believe that CSEM has wider applications, especially in the appraisal and reservoir monitoring segments of the market. In the Directors' view, the technology assembled within the Group, including marine CSEM acquisition and processing capabilities and advanced seismic inversion and rock-physics tools, provides a considerable competitive advantage in this area.

In order to strengthen the Group's position in the marine CSEM market and for the Group to remain viable, the Directors propose to address the following issues:

- further increase investment in processing and interpretation products and services, with particular emphasis on building an integrated interpretation environment; and
- further invest in sales and marketing activities directed towards appraisal and monitoring applications for CSEM.

## **Current Trading and Prospects**

Since 16 November 2009 when OHM reported its results for the 12 months ended 31 August 2009, it has continued to move forward in developing its business. The Group conducted its second full commercial survey using its WISE (Well Integration with Seismic and Electromagnetics) technology in December 2009 for a customer in West Africa. The survey was completed on time and on budget and data have been processed and interpreted in the Group's Aberdeen and Kuala Lumpur facilities and delivered to clients.

The level of bid activity for marine CSEM surveys is higher now than for the same period last year. This fact, coupled with the overall reduction in CSEM industry fleet size, should lead to increased vessel utilisation for the Group and its competitors over the coming months. The Group currently has marine CSEM survey orders in hand and opportunities developing in India, China, West Africa and the North Sea. The Company has recently been awarded the New Indian Contracts and now has a total of three firm orders in backlog.

The Company's wholly owned subsidiary, Rock Solid Images, continues to perform well. The Group is processing several large seismic inversion projects from the active players in West Africa such as Kosmos, Vanco and PetroSA and Oranto and has recently been awarded its second project from the conjugate margin area of Latin America, considered to be an analogue for West Africa and hence potentially highly prospective.

The Group's half year ended on 28 February 2010 and in the absence of unforeseen circumstances revenues for each of its operating divisions for that period are expected to be as follows:

- as a result of the phasing of awarded work, seismic reservoir characterisation revenues from the Rock Solid Images division are in line with Board expectations at approximately £1.3 million (six months to 28 February 2009: £2.3 million);
- the WISE seismic/CSEM integrated product line will achieve revenues of approximately £0.4 million (six months to 28 February 2009: £0.1 million); and

- as discussed above, CSEM acquisition, data library and processing revenues were disappointing due to delays in two significant projects and for the six months to 28 February 2010 amounted to £1.5 million (six months to 28 February 2009: £3.9 million).

In aggregate, the Group's revenues are expected to be approximately £3.2 million for the six months to 28 February 2010 compared to £6.2 million for the six months to 28 February 2009. Overheads for the Group before foreign currency differences have been reduced to an average of £410,000 per month for the six months to 28 February 2010 compared to £630,000 per month for the first half of 2009, following the cost reductions implemented this time last year.

Pre-tax loss for the six months to 28 February 2010 is expected to be in the £4.1 to £4.4 million range, (before impairment provisions and before accounting for the one-off charge arising from the removal of most of the Group's future financial commitments on two vessel charters last September), compared to a £5.6 million loss for the same period last year.

The EBITDA loss for the Group's six months to 28 February 2010 will be in the £2.8 to £3.1 million range compared to an EBITDA loss of £4.6 million for the six months to 28 February 2009.

The Group's cash balance at 28 February 2010 was £1.4 million, compared to £1.1 million at 31 August 2009.

The figures for the six months to 28 February 2010 are unaudited and have yet to be reviewed by the Group's auditors. The final results for the first half of the financial year will be announced on 22 April 2010.

#### **Information on the Credit Facility**

Since December 2009, the Company has drawn the full amount of \$2 million available to it under the Credit Facility. The main terms of the Credit Facility include an interest rate of 5 per cent. above US prime (which is currently 3.25 per cent.) with interest being paid quarterly in arrears. The Credit Facility is available until 30 June 2010 unless otherwise agreed in writing by the Lenders and the loan balance outstanding at 30 June 2010 is to be repaid as soon as possible by OHM, but in any event in four quarterly instalments commencing on 31 December 2010 unless otherwise agreed by the Lenders. Security cover is a joint floating charge in favour of the Lenders covering all of the assets of the Company and its principal trading subsidiaries OHM Limited and Rock Solid Images, Inc.

#### **Details of the Placing**

The Company proposes to raise approximately £3.36 million (before expenses) in aggregate through the issue of the Placing Shares at the Placing Price. The expenses of the Placings are estimated to be approximately £100,000 (exclusive of VAT). The Placing Price represents a premium of approximately 220 per cent. to the closing mid-market price of £0.05 per Existing Share on 7 April 2010, being the last dealing day prior to the announcement of the Placings. The Placing Shares will represent approximately 23.20 per cent. of the Enlarged Share Capital.

The Board considers that the issue of new equity is the only viable source of funding for the Company. The Board has considered making a pre-emptive offer to Shareholders – by way of a rights issue or open offer. However there is a significant cost associated with producing a UK Listing Authority vetted prospectus which would be necessary to follow this route. It is the Board's view that the incremental subscription received from Shareholders in a pre-emptive offer at 16 pence is unlikely to exceed the costs of facilitating such an issue. Additionally the distraction of management time involved in such an exercise would be significant.

The Second Placing is conditional upon, *inter alia*, the Resolutions numbered 1, 2 and 3 being duly passed at the General Meeting and Admission becoming effective on or before 8.00 a.m. on 17 May 2010 (or such later date as the parties may agree).

The respective shareholdings of Sector (together with its affiliates and associates), ETS (together with its affiliates and associates) and East Hill (together with its affiliates and associates) as at the date of this announcement and following Admission are expected to be as follows:

Shareholder	Number of Existing Shares	% of Existing Share Capital	Number of Ordinary Shares immediately following Admission	% of Enlarged Share Capital
Sector, and its affiliates	863,348	1.24	21,863,348	24.15
ETS, and its affiliates	19,904,457	28.63	19,904,457	21.99
East Hill and its affiliates and associates	16,102,359	23.16	16,102,359	17.79
Skips	87,500	0.13	87,500	0.10

Sector's existing shareholding in the Company is held by Sector Asset Management Limited, acting solely in its capacity as manager of Sector Speculare III, which is under the discretionary fund management of Sector.

Accordingly, assuming that no further shares were issued by the Company prior to completion of the Placings, the Concert Party would hold 46.24 per cent. of the Enlarged Share Capital.

If the Second Placing did not take place the Concert Party would hold 33.33 per cent. of the issued share capital of the Company immediately following completion of the First Placing.

Application will be made to the London Stock Exchange for the Placing Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Second Placing Shares on AIM will commence at 8.00 a.m. on 29 April 2010. Admission in respect of the First Placing Shares is expected to take place on 14 April 2010.

The Placing Shares will rank *pari passu* in all respects with the Existing Shares, including the right to receive all dividends and other distributions declared on or after the date on which they are allotted.

### Conditions to the First Placing

The First Placing is conditional, *inter alia*, upon:

- Independent Shareholders giving the Accelerated Panel Waiver; and
- the admission of the First Placing Shares to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules, on or before 16 April 2010.

### Conditions to the Second Placing

The Second Placing is conditional, *inter alia*, upon:

- completion of the First Placing;
- the Resolutions numbered 1, 2 and 3 being passed at the General Meeting without amendment in any material respect; and
- Admission occurring, on or before 17 May 2010 (or such later date as the parties may agree).

## **Use of Proceeds**

The Placings are expected to raise approximately £3.26 million (net of expenses). Of these proceeds:

- £1.30 million will be used to invest in further improvements in WISE data processing and interpretation technology;
- £0.30 million will be used to invest in upgrading the Group's marine CSEM acquisition equipment;
- £0.26 million will be invested in sales and marketing activities directed towards seismic inversion and appraisal and monitoring applications for CSEM;
- £0.40 million as initial working capital for the New Indian Contracts; and
- £1.00 million will be used to help finance working capital and day to day needs for the Group's marine CSEM acquisition business.

## **The Concert Party**

ETS is a company under the control (within the meaning of the City Code) of Johan Hvide, as further described below. Sector is an investment management company and part of the Sector Asset Management group, a group that was co-founded by Wollert Hvide and Peter Andersland, Sector's CEO. Wollert Hvide is on the board of directors of Sector and holds over 20 per cent. of the issued share capital of Sector. Wollert Hvide and Peter Andersland are Sector's Chief Investment Managers. As a result of the level of control and influence that the Panel considers Wollert Hvide is capable of exercising over Sector, Wollert Hvide and Sector are considered by the Panel to be acting in concert and therefore, funds under the discretionary management of Sector are also treated as acting in concert with Wollert Hvide. Wollert Hvide and Johan Hvide are brothers and Johan Hvide also holds shares, directly and indirectly, in certain Sector group companies.

Skips is a company controlled by Lars Helge Kyrkjeboe, who is the business partner of Johan Hvide in Seatrans. As a result of the level of control and influence that the Panel considers Lars Helge Kyrkjeboe is capable of exercising over Skips, Johan Hvide and Skips are considered by the Panel to be acting in concert.

Accordingly as a result of the professional and familial relationships between Johan Hvide, Wollert Hvide and Lars Helge Kyrkjeboe and the level of control exercised by them over ETS, Sector and Skips respectively, the Panel deems ETS, Sector and Skips to be "acting in concert". This Concert Party currently holds 20,855,305 Ordinary Shares representing 29.99 per cent. of the Company's existing issued share capital before the First Placing.

## **Information on Sector**

Sector, based in Filipstad Brygge 2, 0250 Oslo, Norway, is an asset management company incorporated under the laws of Norway on 6 August 1999, with company registration number 981122089. Sector is regulated by the Securities Trading Act of 2007 and the Financial Supervisory Authority of Norway, from which it was granted its licence on 21 December 1999. Sector provides discretionary investment management of investors' portfolios of financial instruments. All clients at the date of this announcement are either hedge funds or private equity funds.

Sector forms part of the Sector Asset Management group, a leading, independent, specialist asset management group. The Sector Asset Management group had in excess of US\$2 billion under discretionary management as at 30 June 2009 and has successfully managed hedge funds and private equity funds since January 2000, with 5 independent investment teams managing 16 different funds.

The Sector Asset Management group is based in Oslo, Norway and has a staff of 50 professionals. Sector acts as discretionary fund manager to a number of sub-funds of Sector Investment Funds plc, an

investment company with variable capital organised under the laws of Ireland and whose shares are listed on the Irish Stock Exchange. Sector Speculare IV is a sub-fund of Sector Umbrella Trust, a trust constituted by Sector Investment Funds plc. As at 30 June 2009, based on the unaudited interim accounts for Sector Investment Funds plc, Sector Speculare IV had total assets of over US\$400 million.

Sector is operated on a day to day basis by its Chief Executive Officer, Peter Andersland and has two Chief Investment Managers, Peter Andersland and Wollert Hvide, further details of both being set out below. Peter Andersland and Wollert Hvide co-founded Sector Asset Management.

Wollert Hvide holds 21.75 per cent. of the issued share capital of Sector. In addition, 34.35 per cent. of the issued share capital of Sector is held by Sector Asset Management, which also has voting control (as to more than 50 per cent.) of Sector. Wollert Hvide, together with his brothers Johan Hvide and Hans Jacob Hvide, own, directly and indirectly, over 30 per cent. of the issued share capital of Sector Asset Management.

#### *Peter Andersland*

Peter Andersland, born 1961, is Chief Executive Officer and a Chief Investment Manager of Sector and cofounder of Sector Asset Management. He has 18 years' experience in the shipping industry, consulting, corporate finance and capital markets. He co-founded Sector Asset Management in 1999 from a position as Head of Equities in Handelsbanken Markets where he was responsible for Norwegian operations related to equities research, sales and trading. In 1986, Mr. Andersland joined Gearbulk Ltd., a major London-based shipping company, where he held various positions related to finance, research and business development, including restructuring of the group's container liner operations and the group's business strategy analysis and formulation. He left Gearbulk Ltd. in 1991 for an investment analyst position with Christiania Markets. Mr. Andersland has also been Head of Equities at Christiania Markets where he was responsible for corporate finance, research, sales and proprietary trading. At Christiania he developed Christiania Maritime Strategies, a strategic alliance between Christiania Markets and Marsoft, engaged in global research, analysis and valuation of publicly trading shipping companies. Mr. Andersland was also Managing Partner of Marsoft Capital (1995-1997), where he acted as a strategic and financial adviser to some of the world's major shipping companies. He was also a member of the investment committee of Diogenes Investments Ltd., a \$75m private equity oil tanker fund initiated by Harvard University, Lehman Brothers and Marsoft. Mr Andersland holds a BBA and an MBA.

#### *Wollert Hvide*

Wollert Hvide, born 1961, is a Chief Investment Manager of Sector, and co-founder of Sector Asset Management. He has 18 years' experience in the air transportation, management consulting and shipping industries. He co-founded Sector Asset Management in 1999 from a position as Deputy Managing Director of R.S. Platou Shipbrokers (joined in 1990) where he was responsible for strategic advice to R.S. Platou's prime customers. In 1987 Mr. Hvide joined McKinsey & Co on their Fellowship Program, which included an MBA at INSEAD (distinction). During this period with McKinsey & Co, Mr. Hvide worked on strategic and operational issues. Mr. Hvide holds a Master of Science in naval architecture and marine engineering from the Norwegian School of Technology (1984).

#### ***Information on Skips***

Skips AS Sol is a company incorporated in Norway which is 100 per cent. owned by Lars Helge Kyrkjeboe and his siblings (and their children) through various holding companies. Lars Helge Kyrkjeboe and his children own 29.7 per cent. of the shares in Skips (and 49 per cent. of the votes that may be cast) through a holding company called Solfjord AS. Both Skips and Solfjord are holding companies with no trading activity.

#### ***Information on ETS***

ETS, based at Wernersholmvei 5, Hop, PO Box 15 Nesttun, 5852 Bergen, Norway is a member of the Seatrans Group. The Seatrans Group, which is headquartered in Bergen, Norway, is a fully integrated

ship owning group with in-house chartering and operations, ship management and crewing. The Seatrans Group operates 29 vessels of which 20 are fully owned, and had group turnover in 2008 of NOK 1.564 million (US\$277 million). The Seatrans Group has a shore staff of 160, and employs about 510 shipping personnel from Norway, Poland, Croatia and Romania.

The Seatrans Group is active in the following marine shipping market segments:

*Chemicals*

Transportation of chemicals in the North Sea, Mediterranean and Trans Atlantic with mainly stainless steel parcel tankers.

*Forestry*

Transportation of newsprint and paper reels in specialised side port paper carriers.

*Offshore*

Offshore survey vessels for CSEM.

*Liner services*

Roll-on/roll-off container liner service in the North Sea through Sea-Cargo (approximately 60 per cent. owned).

### **The City Code**

Under Rule 9 of the City Code, where any person acquires, whether by a series of transactions over a period of time or not, an interest in shares which (taken together with shares already held by him and an interest in shares held or acquired by persons acting in concert with him) carry 30 per cent. or more of the voting rights of a company which is subject to the City Code, that person is normally required to make a general offer to all the holders of any class of equity share capital or other class of transferable securities carrying voting rights in that company to acquire the balance of their interests in the company.

Rule 9 of the City Code also provides that, among other things, where any person who, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent. but not more than 50 per cent. of the voting rights of a company which is subject to the City Code, and such person, or any person acting in concert with him, acquires an additional interest in shares which increases the percentage of shares carrying voting rights in which he is interested, then such person is normally required to make a general offer to all the holders of any class of equity share capital or other class of transferable securities carrying voting rights of that company to acquire the balance of their interests in the company.

An offer under Rule 9 must be in cash (or with a cash alternative) and at the highest price paid within the preceding 12 months for any shares in the company by the person required to make the offer or any person acting in concert with him.

Under the City Code a concert party arises when persons who, pursuant to an agreement or understanding (whether formal or informal), actively co-operate, through the acquisition by any of them of shares in a company, to obtain or consolidate control of that company. Under the City Code, control means an interest or interest in shares carrying in aggregate 30 per cent. or more of the voting rights of a company, irrespective of whether such interest or interests give de facto control.

Rule 9 of the City Code further provides, among other things, that where any person who, together with persons acting in concert with him holds over 50 per cent. of the voting rights of a company, acquires an interest in shares which carry additional voting rights, then they will not generally be required to make a general offer to the other shareholders to acquire the balance of their shares.

As described above, the members of the Concert Party are deemed to be acting in concert for the purposes of the City Code. At present the Concert Party owns 20,855,305 Ordinary Shares representing 29.99 per cent. of the issued share capital as of the date of this announcement.

In the event that the First Placing becomes unconditional and the Resolutions are passed to enable the Second Placing to occur then (assuming that no other Ordinary Shares are issued by the Company), the

Concert Party will own 41,855,305 Ordinary Shares representing 46.24 per cent. of the Company's enlarged issued share capital immediately following Admission.

### **Dispensation from Rule 9 of the City Code in relation to the Placings**

Sector's acquisition of the First Placing Shares pursuant to the First Placing and the subsequent acquisition of the Second Placing Shares pursuant to the Second Placing would each normally result in the Concert Party having to make a general offer to Shareholders pursuant to Rule 9 of the Takeover Code.

Under Note 1 on the Notes on the Dispensations from Rule 9 of the City Code, the Takeover Panel will normally waive the requirement for a general offer to be made in accordance with Rule 9 of the City Code (a "**Rule 9 Offer**") if, *inter alia*, the shareholders of the company who are independent of the person who would otherwise be required to make an offer and any person acting in concert with him (the "**Independent Shareholders**") pass an ordinary resolution on a poll at a general meeting (a "**Whitewash Resolution**") approving such a waiver. The Takeover Panel may waive the requirement for a Whitewash Resolution to be considered at a general meeting (and for a circular to be prepared in accordance with Section 4 of Appendix 1 to the City Code) if Independent Shareholders holding more than 50 per cent. of the company's shares capable of being voted on such a resolution confirm in writing that they would vote in favour of the Whitewash Resolution were such a resolution to be put to the shareholders of the company at a general meeting.

Each of the Independent Shareholders (who together are the beneficial owners of 25,026,617 Ordinary Shares, representing 51.4 per cent. of the Company's issued share capital carrying voting rights and which is independent for the purposes of the City Code) have written to the Takeover Panel to confirm:

1. that it/he/she has absolute discretion over the manner in which its/his/her respective Ordinary Shares are voted and that these Ordinary Shares are held free of all liens, pledges, charges and encumbrances;

2. that:

(a) save for their interest in the Company, there is no connection between it/him/her and the Concert Party;

(b) it/he/she does not have any interest or potential interest, whether commercial, financial or personal, which is conditional on the outcome of the Placing; and

(c) it/he/she is an Independent Shareholder of the Company; and

3. that, in connection with the Placing:

(a) it/he/she has consented to the Takeover Panel granting a waiver from the obligation for the Concert Party to make a Rule 9 offer to the Company's Shareholders;

(b) subject to Independent Shareholders of the Company holding more than 50 per cent. of the shares capable of being voted on a Whitewash Resolution giving separate confirmations in writing, it/he/she consents to the Takeover Panel dispensing with the requirement that Independent Shareholders approve a Whitewash Resolution at a general meeting of the Company; and

(c) it/he/she would vote in favour of a Whitewash Resolution were such a resolution put to the Independent Shareholders of the Company at a general meeting.

Where shares in the Company are held by nominees, the registered holder has confirmed that it will act in accordance with the beneficial owner's instructions and the beneficial owner has given these confirmations.

In giving the confirmations referred to above, each of the Independent Shareholders acknowledged:

1. that, if the Takeover Panel receives written confirmation from Independent Shareholders holding more than 50 per cent. of the shares capable of being voted on a Whitewash Resolution, the Takeover Panel will approve a waiver from the obligation for the Concert Party to make a Rule 9 Offer, without the requirement for the waiver to be approved by Independent Shareholders of the Company at a general meeting (an "**Accelerated Panel Waiver**"); and

2. that, if no general meeting is held to approve the Whitewash Resolution:

(a) there would not be an opportunity for any other person to make any alternative proposal to the Company conditional on such Whitewash Resolution not being approved by Independent Shareholders of the Company;

(b) there would not be an opportunity for any other Shareholders to make known their views on the Placing; and

(c) there would be no requirement for the Company either (i) to obtain and make known to the Shareholders competent independent advice under Rule 3 of the City Code on either the Placing or the waiver of the obligation for the Concert Party to make a Rule 9 offer or (ii) to publish a circular to Shareholders in compliance with Appendix 1 of the City Code in connection with this matter.

Independent Shareholders also confirmed that they would not sell, transfer, pledge, charge or grant any option or other right over, or create any encumbrance over, or otherwise dispose of their Ordinary Shares until after the conclusion of the proposed General Meeting to approve, amongst other things, the Second Placing.

**Completion of the Second Placing is conditional on the passing of the Resolutions numbered 1, 2 and 3.**

Following completion of the First Placing, the members of the Concert Party between them will hold 33.33 per cent. of the then enlarged share capital and following the Second Placing, the members of the Concert Party between them will hold 46.24 per cent. of the Enlarged Share Capital.

However, notwithstanding the Accelerated Panel Waiver, the Concert Party will not be able, without incurring an obligation under Rule 9 of the City Code to make a general offer to shareholders, to increase its holding in the Company if such increase would increase the percentage of shares carrying voting rights in which the Concert Party is interested. Further, notwithstanding the Accelerated Panel Waiver, the individual members of the Concert Party will not be able, without the Panel's consent, to increase their holdings in the Company if:

(a) to do so, the individual member of the Concert Party would come to hold 30 per cent. or more of the voting rights of the Company; or

(b) at the relevant time, the individual member of the Concert Party, holds not less than 30 per cent. but not more than 50 per cent. of the voting rights of the Company and such increase would increase the percentage of shares carrying voting rights in which that individual member is interested.

**Subscription Deed**

On 8 April 2010 (1) the Company (2) Sector Asset Management Limited acting solely in its capacity as manager of Sector Specular IV (3) East Hill and (4) ETS entered into the Subscription Deed pursuant to which Sector Asset Management Limited acting solely in its capacity as manager of Speculare IV conditionally agreed to apply for 21,000,000 Ordinary Shares in aggregate at 16 pence per Placing

Share by way of the Placings. These shares will rank *pari passu* with the existing Ordinary Shares in all respects including the right to receive dividends or other distributions declared, made or paid by the Company. The parties have provided limited warranties to each other and Sector Asset Management Limited and ETS have undertaken to vote in favour of the Resolutions and East Hill has undertaken that it and certain of its affiliates and associates who hold or control voting rights over, in aggregate, 16,102,359 existing Ordinary Shares of the Company shall vote in favour of the Resolutions.

If Admission does not occur before 17 May 2010 (or such later date as the parties may agree) the Subscription Deed will terminate and the Second Placing will not occur.

### **General Meeting**

A notice will be despatched today convening the General Meeting to be held on 28 April 2010 at 12.00 p.m. at the offices of KBC Peel Hunt Ltd at 111 Old Broad Street, London EC2N 1PH, at which the Resolutions will be proposed.

The Resolutions to be proposed at the General Meeting are as follows:

Resolution 1 is a special resolution to amend the Company's articles of association. The provisions regulating the operations of the Company are currently set out in the Company's memorandum and articles of association. The Company's memorandum contains, among other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake. This is drafted to give a wide scope.

The Act significantly reduces the constitutional significance of a company's memorandum. The Act provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the Act, for companies existing at 1 October 2009, the objects clause and all other provisions which are contained in a company's memorandum are deemed to be contained in the company's articles of association but the company can remove these provisions by special resolution.

Further the Act states that unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason the Company is proposing to remove its objects clause together with all other provisions of its memorandum which, by virtue of the Act, are treated as forming part of the Company's articles of association as of 1 October 2009.

The Company's current articles of association also specify the Company's authorised share capital. The concept of an authorised share capital is no longer recognised under the Act. The Company would need to increase the authorised share capital to facilitate the allotment and issue of the Second Placing Shares.

Accordingly it is proposed that the reference in the Company's articles of association to authorised share capital is removed. Directors will still be limited as to the number of shares they can at any time allot because authority to allot continues to be required under the Act, save in respect of employee share schemes.

Resolution 1 effects the removal of these provisions for the Company. As the effect of this resolution will be to remove the statement currently in the Company's memorandum of association regarding limited liability, the revised articles of association will, for the avoidance of all doubt, contain an express statement regarding the limited liability of shareholders. This is reflected in Resolution 1.

Resolution 2 is an ordinary resolution which will authorise the Directors to allot:

(a) the Second Placing Shares in connection with the Second Placing; and

(b) otherwise to allot equity securities (as defined in section 560 of the Act) of the Company of up to £301,725 in nominal value (representing approximately one third of the Enlarged Share Capital).

Unless revoked, varied or extended, such authority shall expire on the date falling 15 months after the date of the resolution or the next annual general meeting of the Company, whichever is the earlier.

Resolution 3 is a special resolution which disapplies the statutory pre-emption rights in relation to the issue of the Second Placing Shares.

Resolution 4 grants further authority to the Directors to allot equity securities (as defined in section 560 of the Act) of the Company for cash on a non pre-emptive basis provided that the power is limited to the allotment of equity securities (otherwise than under (a) above) up to an aggregate nominal value of £90,517 (representing approximately 10 per cent. of the Enlarged Share Capital) and in certain other limited circumstances. Unless revoked, varied or extended, such authority shall expire on the date falling 15 months after the date of the resolution or the next annual general meeting of the Company, whichever is the earlier.

In accordance with section 571(5) of the Act, the Directors believe that the proposed disapplication of preemption rights as detailed in Resolution 3 will be necessary in order to carry out the allotment and issue of the Second Placing Shares and the disapplication proposed in Resolution 4 gives the Company the ability to issue a limited number of shares for cash to third parties in the future should that be considered desirable.

## **Recommendation**

The Directors of the Company, having consulted with KBC Peel Hunt, consider the Placings to be in the best interests of the Company and its Shareholders as a whole. If Resolutions numbered 1, 2 and 3 are not passed or if the Subscription Deed does not become unconditional then certain parts of the Group may be unlikely to be in a position to meet their liabilities as they fall due, forcing the Directors to take action including but not limited to raising additional capital or considering alternative forms of financing. There can be no guarantee that any such remedial action would, if pursued, be successful and accordingly the Directors strongly urge Shareholders to vote in favour of the proposals set out in this announcement.

Accordingly, your Directors unanimously recommend that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting, as they intend to do in respect of their own beneficial and connected shareholdings, which amount to 1,687,992 Ordinary Shares representing approximately 2.43 per cent. of the existing issued share capital of the Company. Further, Sector and ETS have irrevocably undertaken to vote in favour of the Resolutions in respect of their shareholdings which amount to 20,767,805 Ordinary Shares in aggregate representing approximately 29.87 per cent. of the existing issued share capital of the Company and East Hill has irrevocably undertaken that it shall procure that it and certain of its affiliates and associates who hold or control voting rights over, in aggregate, 16,102,359 Ordinary Shares representing approximately 23.16 per cent. of the existing issued share capital of the Company shall vote in favour of the Resolutions. Accordingly, the Company has received irrevocable undertakings to vote in favour of the Resolutions in respect of 36,870,164 Ordinary Shares in aggregate representing 53.03 per cent. of the existing issued share capital of the Company.