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BLOCK ENERGY PLC

(incorporated in England and Wales under the Companies Act 2006 with registered number 05075088)

Circular related to

**General Meeting requisitioned pursuant to
section 303 of the Companies Act 2006**

to be held at

Landmark Office Space, 33 Cavendish Square, London W1G 0PW

on

11 August 2021 at 10:00 a.m.

**THE BOARD REITERATES ITS RECOMMENDATION THAT SHAREHOLDERS VOTE
AGAINST ALL OF THE RESOLUTIONS AT THE GENERAL MEETING**

FROM THE CHIEF EXECUTIVE OFFICER OF THE COMPANY

BLOCK ENERGY PLC

(Incorporated in England and Wales with Registered No. 05356303)
Registered office: 6th Floor 60 Gracechurch Street, London, EC3V 0HR

30 July 2021

Dear Shareholder,

S.314 Statement received from Forest Nominees Limited (on behalf of G.P. (Jersey) Limited)

On 23 July 2021, the Board of Block Energy Plc posted a notice of a general meeting to be held on 11 August 2021 at 10.00 a.m. at **Landmark Office Space, 33 Cavendish Square, London W1G 0PW** (“**General Meeting**”) to shareholders. The General Meeting has been called as a result of a Requisition Notice received by the Company from Forest Nominees Limited (on behalf of G.P. (Jersey) Limited) (“**GP Jersey**”) on 2 July 2021. At the General Meeting, the following ordinary resolutions will be proposed (“**Resolutions**”):

- (A) **THAT** Philip Dimmock be removed from office as a director of the Company with immediate effect.
- (B) **THAT** Charles Valceschini be appointed as non-executive Chairman of the Company with immediate effect.

G.P. (Jersey) Limited, as the beneficial owner of the 31,308,000 ordinary shares held by Forest Nominees Limited, has provided a statement to be circulated to Shareholders pursuant to s.314 of the Companies Act 2006 (“**Statement**”) outlining its position or explaining why the Resolutions have been proposed. The Statement has been reproduced at pages [] and [] of this document. **The Statement and its contents have been reproduced in this document as received and the Board have taken no steps to verify its accuracy and do not in any way endorse the Statement or the statements or views contained in it.**

As explained in the letter included in the notice of a general meeting dated 23 July 2021 that was sent to shareholders from the Chief Executive Officer of the Company, the Board recommends that you vote **AGAINST** the Resolutions. Further to the recommendation set out in that letter, please note the following additional statement from the Board which supports its recommendation to vote **AGAINST** the Resolutions and to address certain matters raised in the Statement.

Statement from the Board

As outlined in the circular posted to shareholders on 23 July 2021, the Board, in its current composition (i.e. with Philip Dimmock as non-executive Chairman), is best placed to continue building a robust and successful Company that creates significant value for the benefit of all Shareholders.

GP Jersey claims that it and other “concerned shareholders”, representing approximately 20% of the Company’s issued share capital, are only seeking to ensure that the Company is well placed to return value for all shareholders and that they are not seeking to take over the Company. While the Board welcomes constructive shareholder engagement, it is the Board’s view that this statement is inaccurate and that the Shareholder Group is not seeking to act in the best interests of the Company for the benefit of all Shareholders. This view is based on a consistent pattern of behaviour by the Shareholder Group over a three-year period aimed at gaining undue influence, which would further their interests, whilst putting the interests of other shareholders at risk.

In addition to G.P. (Jersey) Limited, a company in which Frazer Lang has a beneficial interest, the shareholder group includes Jon Fitzpatrick, Alastair Ferguson, Peter Young, Lindsay Strachan, Rathbone Investment Management, Raglan Road Capital Limited (owned and controlled by Cathal Friel) and Martin Lang (“**Shareholder Group**”).

Actions of the Shareholder Group, over the last three years, have included:

- **Attempts to engage the Company into transactions that would not be in the best interests of all shareholders**, such as the engagement of Gneiss Energy Limited, of which Jon Fitzpatrick is founder

and Managing Director. The Company understands that another AIM-quoted company, Angus Energy Plc, had appointed Gneiss Energy Limited as an advisor, and that appointment has led to Angus Energy Plc commencing litigation against Gneiss Energy Limited during July 2021 in the High Court of Justice of England and Wales. GP Jersey owns approximately 10% of the shares of Angus Energy plc.

- **Multiple attempts to remove and appoint Board directors**, including proposing the appointment of Alastair Ferguson, who is a member of the Shareholder Group, as a non-executive director of the Company.
- **Demands to delay the potentially Company-transforming WR-B1 well**, against the mandate of shareholders, who voted in December 2020 for the placing to fund the 2-well drilling programme. A delay would have resulted in new funds lying dormant, rather than driving shareholder value.

In order to protect the interests of all Shareholders, the Company refused to submit to the above demands.

However, it did the following:

- **Invited the Shareholder Group to participate in the December 2020 placing**, which was needed to fund the Company's plans to drill additional wells and develop a long-term value creation plan across its increased asset portfolio.
- **Appointed the recruitment firm requested by the Group and accepted the participation of Alastair Ferguson as an observer in the selection of two non-executive directors**, in December 2020.

These actions by the Company were undertaken on the basis the Shareholder Group would engage in a sustained period of constructive co-operation with the Company, which would have allowed the Board to concentrate on the business, at a key time in the planning of a potentially company-transforming well and the building of the long-term strategy.

However, these attempts to forge a constructive working relationship with the Shareholder Group went to no avail. Within two months of the appointments of the two non-executive directors and the placing funds being received, the Shareholder Group resumed their campaign to exert undue pressure and influence, with additional demands for changes to the Board by the removal of directors, including the CEO.

Furthermore, **GP Jersey's approach shows the Shareholder Group has a clear disregard for Company and shareholder funds and effective use of management time to support the growth of the business.**

If the resolution proposed for the second general meeting were to be passed, an independent forensic investigation would create a significant distraction for the Company and impair its ability to deliver on operations and plan its strategic development. The Company's Nominated Advisor, Spark Advisory Partners Limited, guides and advises the Company on its responsibilities to ensure compliance with the AIM regulatory regime and, each year, BDO audits the Company's accounts. Furthermore, the investigation specified by GP Jersey is unnecessary and would be very costly for a small company. Initial price indications received in line with GP Jersey's scope of work are in excess of \$1 million. Such a cost would have a material impact on the Company's financial position and prevent it from using its cash to fund further drilling operations. An independent forensic audit is unnecessary and would be a very poor use of shareholder funds.

The pattern of behaviour outlined above has continued through the current requisition process, with the use of selective information, which the Board considers to represent an incomplete and misleading portrayal of the circumstances. The Board expects this to continue, having received a threat to publish selective extracts of the Company's dialogue with the Shareholder Group. While these extracts may suggest the Company was reluctant to engage with the Shareholder Group, that needs to be considered in the context of wider communication throughout an extended period of time, via messaging and phone calls, which caused concern among the Board that continued efforts at constructive dialogue would only result in additional attempts to exert undue pressure, aimed at favouring the Shareholder Group over other shareholders.

There is therefore genuine concern amongst Block's Board that the Shareholder Group's ultimate wishes are to achieve similar outcomes to those observed at other companies, where individuals within the Shareholder Group have been appointed directors or exerted influence, with high levels of fees being paid to directors and related parties with no increase in share price for the benefit of other shareholders.

Board's Response to Specific Allegations by GP Jersey:

1. Directors have not invested their own funds in Block but instead received nil or nominal cost options.

The options were issued to Directors in lieu of part of their salaries and directors' fees. During the continuing Covid-19 pandemic, in order to support the Company and to ensure their interests were fully aligned with all shareholders, the Directors have voluntarily elected to take options in lieu of cash payment of 40% to 50% of their salaries and directors' fees. To claim that the Directors have not invested their own funds into Company shares is therefore both **misleading and incorrect**. Furthermore, most of the Directors have exercised options and paid the Income tax required to be paid on exercise in order to **hold** (and not sell) the shares.

Executive Directors also receive options under the Long Term Incentive Scheme.

2. Alleged failure of operational management and external communications

Since the start of 2021, Block has provided comprehensive quarterly operational updates, which informed all stakeholders on the status of its operations in Georgia. The Company's Q2 Operational Update, issued on 13 July, stated well WR-16aZ had been shut-in for most of Q1 and Q2, with the installation of artificial lift planned for Q3. In the same Q2 Operational Update, in addition to the RNS announcement about the spud of well WR-B1 released on 24 June, much detail was provided on the capabilities of the drilling team and the technologies assembled for the drilling of WR-B1. Furthermore, the RNS announcement on 28 July stated that the well WR-B1 is progressing as planned and expected to reach total depth in August, at which point a further update will be provided. This well, which the Shareholder Group wanted to delay for no good reason, is potentially transformative for the Company, targeting 2.1 MMboe of recoverable oil and gas and aims to significantly boost oil and gas production and revenue.

3. Alleged corporate governance failures or "serious governance issues" from breaches of AIM Rule 21 and the Market Abuse Regulation

The allegations relate to the disclosure of a change in the mechanism for calculating the gas price for a small proportion of the Company's overall revenue, which is not material to the current investment case of the Company. Furthermore, at the time the amendment was made to the pricing calculation, there was no change from the previously agreed fixed price of US\$5.24 per MCF, with the gas price variance occurring later and being reported to the market in a timely fashion once gas sales had commenced and the Company provided its Q1 Operational Update.

This gas price is a spot price for small quantities of associated gas consumed in the motor fuel market. It is not related to the price that would be achieved if and when the Company develops its significant natural gas resources and sells them to the state or large industrial and commercial consumers under long-term contracts. Variations in the current spot gas price therefore have a negligible impact on the Company's current net asset value.

4. That Directors of the Company traded shares, while in possession of inside information

These allegations are again incorrect, with the directors not being in possession of inside information at the time shares were traded. The allegations are based on a comment made by the Chairman, Philip Dimmock, in an email to the Shareholder Group. On 24 February 2021, Philip Dimmock wrote, "*Currently, we have nothing more to report and are now hampered by insider knowledge of activities that have occurred since the last RNS announcement*". This comment was made to discourage the Shareholder Group's unreasonable and relentless pursuit of information about the Company's affairs and attempts to direct the Board in how it should operate the business. For the sake of clarity, the reference to "insider knowledge of activities" did not refer to price sensitive information as referred to in the AIM Rules for Companies nor inside information in the context of the Market Abuse Regulation.

5. That the Board have not been transparent in their disclosure of information to shareholders:

The Company's Q1 Operational Update, issued on 7 April 2021, and Q2 Operational Update, issued on 13 July 2021 both included a summary of the quantity of oil sold, the amount of revenue earned during the quarter and the weighted average revenue per barrel of oil achieved.

The information the Shareholder Group refers to is commercially sensitive, is not disclosable under AIM Rule 11 nor Market Abuse Regulation, is detail at a level that is not material to a shareholder's understanding of the Company's investment case and is information that peer group companies do not usually disclose. The very limited basis on which the allegation is made strongly suggests the opposite to the alleged argument and that there is in fact no lack of transparency or disclosure.

6. Alleged Failure of Leadership and inadequate challenges of the management.

The basis of the Shareholder Group's allegations, which is the recent resignation of two directors, is not only invalid but the recent actions of GP Jersey and additional members of the Shareholder Group, have been a contributing factor in these two resignations.

The remaining members of the Board were sad to see Chris Brown and Dato Sandroshvili depart their roles. Following these departures, now is not the time to remove another non-executive director of the Company, particularly the Chairman, as it would weaken the ability of the Board to properly function whilst it is in the midst of a potentially transformative drilling programme.

The Board, therefore, believes that Shareholders' interests are best served by a Board that is independent of the Shareholder Group. It should be led by a chairman selected by the Board and independent of the Shareholder Group, and therefore not proposed by the Shareholder Group or any other particular shareholder. Philip Dimmock has already demonstrated his independence and his value to the Company and was re-elected as a director by Shareholders at the Annual General Meeting as recently as 30 June 2021.

Recommendation

For the reasons noted above, the non-conflicted directors reiterate their unanimous position that the Resolutions are not in the best interests of the Company and its Shareholders and, therefore, recommend that Shareholders **VOTE AGAINST** both of the Resolutions to be proposed at the General Meeting.

Yours faithfully

PAUL HAYWOOD

Chief Executive Officer and Director

STATEMENT FROM G.P. (JERSEY) LIMITED

Note: This Statement and its contents have been reproduced in this document as received and the Board have taken no steps to verify its accuracy and do not in any way endorse the Statement or the statements or views contained in it.

Long-term underperformance caused by operational and governance failures

Chairman needs to be replaced by a new independent Chairman to provide fresh leadership

Shareholders must submit proxies WITHOUT DELAY to be received before 9 August 2021

Over the last 12 months, concerned shareholders, including GP Jersey, representing approximately 20% of the issued share capital of Block Energy (“the Company”) have been in communication with Company management with regard to the underperformance of the share price (**DOWN c.87% since May 2019**); operational failures; corporate governance concerns; and the reliability of its market disclosures.

Recently, questions have been raised about the motivation of the concerned shareholders whose aim has always been to ensure that the Company is well placed to return value for all shareholders. These concerned shareholders are not seeking to take over the Company, merge the Company with another, sell the Company’s assets, or provide any non-equity finance, such as debt.

The success of the Company, and efficient operations run by a capable management team, is the only goal of the concerned shareholders. To support this, a number of these shareholders participated in the December 2020 fundraise of £5 million, demonstrating their support for the Company.

This contrasts with the Directors of the Company. Almost all the stock acquired by these Directors has been through the exercise of options at nil or nominal cost pursuant to the Company’s salary sacrifice scheme or through bonuses awarded rather than investing their own funds.

The concerned shareholders believe there are significant long-standing issues that the Board have failed to address. These include:

1. **Failure of Operational Management** - Despite investing over £20 million of shareholders’ money, the operational performance of the Company is of major concern. All three wells drilled have encountered problems, and despite requests, the Company has not explained how it will prevent a repeat of these issues.

There are important questions to be asked about the performance of the Company’s operations, including issues with the intervention on well WR16z. No announcement has been made which suggests that the intervention failed. Why has the market not been updated?

2. **Corporate Governance Failures** - The concerned shareholders have raised questions on serious governance issues, including a lack of clarity in market communications, for example, in the disclosure of information about gas sales agreements (GSA) and on director’s dealings.

A change in circumstances surrounding the GSA has not been communicated to the market despite a change to pricing having taken place in May 2020 under the provisions of a revised GSA. The c.40% reduction in pricing has major value implications for the Company and it is not clear if there are other undisclosed changes to the terms of the revised GSA. It is concerning that this information has not been provided to the market for 11 months, during which time the Company raised additional funds from shareholders.

In an email dated 24 February 2021, the Chairman stated in response to queries from the concerned shareholders: “Currently, we have nothing more to report and are now hampered by insider knowledge of activities that have occurred since the last RNS announcement.” The Chairman also confirmed on telephone calls with shareholders that the Board was in possession of “insider knowledge”.

After this admission, a series of directors' dealings took place. It is not clear how these dealings would take place in accordance with AIM Rule 21 and the Market Abuse Regulation given that no price sensitive information was announced to the market.

None of these failures have been adequately addressed by the Chairman. As a result, the concerned shareholders have been forced to request an independent forensic audit and investigation to be conducted around the Company's disclosures and historic practices. This requirement only arose due to the Company's failure to respond to reasonable requests for information.

3. **Transparency and Disclosure** - Over an extended period, the Company has not answered a number of material questions raised by concerned shareholders. The Company appears to have a poor record of disclosing key information to shareholders.

For example, shareholders' understand from sources in Georgia there is a concern that oil from Block Energy operations was sold in Q1 2021 and that the buyer is not one of the two operating refineries in country. The terms of this transaction, and who the oil was sold to, has never been disclosed to the market. The Company should provide details of all oil sales in country to alleviate any concerns and set the record straight.

4. **Failure of Leadership** – The concerned shareholders believe that a failure of leadership, and inadequate challenge of the management, has resulted in the operational problems, poor governance, and the chronic underperformance of the share price.

Two independent non-executive directors, one only appointed in December 2020, have resigned in quick succession. This is a fundamental threat to the integrity, independence, and viability of the Board, and indicative of a complete breakdown in governance. Ultimate responsibility rests with the Chairman, which is why concerned shareholders believe urgent change is necessary.

That such circumstances have been allowed to go unremedied is unacceptable. The Company should have acted to alleviate shareholder concerns expressed on multiple occasions in detailed correspondence.

As a result, the resolutions propose the Chairman is removed from office immediately and that Mr Charles Valceschini (an independent non-executive previously appointed by the Board) be appointed as non-executive Chairman to implement a fresh approach designed to maximise shareholder value. We consider the Chairman's leadership has been a significant feature of the Company's underperformance.

Conclusion

The focus of the concerned shareholders is to improve the Company's share price and build shareholder value. To achieve this, concerned shareholders believe that this requires a fresh start and strong leadership from a chairman, and as such, recommends that all fellow shareholders vote in support of the resolutions at the General Meeting.

A website has been set up by concerned shareholders at www.blockenergysupport.group with additional information.

DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

“Board”	the board of Directors of the Company;
“Business Day”	any day other than a Saturday, Sunday or public holiday in England;
“Companies Act”	the UK Companies Act 2006 (as amended);
“Company” or “Block”	Block Energy Plc, a public limited company registered in England and Wales with company number 05356303;
“Directors”	Paul Haywood, William McAvock, Philip Dimmock and Charles Valceschini;
“FCA”	the Financial Conduct Authority;
“General Meeting”	the general meeting of the Company to be held at 10:00 a.m. on 11 August 2021 at Landmark Office Space, 33 Cavendish Square, London W1G 0PW, including any adjournment thereof;
“GP Jersey”	G.P. (Jersey) Limited, a company registered in Jersey with company number 46947;
“Requisition Notice”	the notice dated 2 July 2021 which Forest Nominees Limited served on the Company in accordance with section 303 of the Companies Act, requiring the Board to convene the General Meeting for the purposes of considering the Resolutions;
“Shareholder Group”	GP Jersey, Jon Fitzpatrick, Alastair Ferguson, Peter Young, Lindsay Strachan, Rathbone Investment Management, Cathal Friel, Raglan Road Capital Limited and Martin Lang;
“Shareholders”	the holders of ordinary shares in the capital of the Company; and
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland.

All references to legislation in this document are to the legislation of England and Wales unless the contrary is indicated. Any reference to any provision of any legislation shall include any amendment, modification, re-enactment or extension of it.

Words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.