

RNS Number : 5153S
Pires Investments PLC
12 March 2019

Pires Investments plc ("Pires" or the "Company")

Posting of Shareholder Circular

The Company announced on 25 February 2019 that it had received a valid request under section 303 of the Companies Act 2006 to convene a general meeting to consider resolutions to remove Peter Redmond and John May as directors of the Company and appoint Robert Jones and Roderick Murray as directors of the Company.

In accordance with the statutory timetable, the Company posted a circular to shareholders on 11 March 2019. The directors of Pires unanimously recommend that shareholders vote against the proposed resolutions. The circular includes a notice of the requisitioned general meeting, which has been convened for 11.00 am on Thursday 4 April 2019.

The Letter from the Chairman section of the circular is copied in full below and a copy of the shareholder circular containing the notice of general meeting will shortly be available on the Company's website <http://www.piresinvestments.com/>.

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) 596/2014.

For more information please contact:

Pires Investments plc: +44 20 7917 1817
Peter Redmond, Chairman

Nominated Advisor:
Cairn Financial Advisers LLP +44 20 7213 0880
Liam Murray
Tony Rawlinson
Ludovico Lazzaretti

Broker:
Peterhouse Corporate Finance +44 20 7469 0935
Duncan Vasey/Lucy Williams

LETTER FROM THE CHAIRMAN

PIRES INVESTMENTS PLC

(Incorporated and registered in England and Wales under the Companies Act 2006 with registered number 02929801)

Directors:

Peter Redmond (*Chairman*) c/o Cooley Services Limited

John May (*Independent Non-executive Director*)

Nicholas Lee (*Non-executive Director*)

Registered Office: Dashwood, 69 Old Broad Street, London EC2M 1QS

Dear Pires Shareholder

1. INTRODUCTION

On 20 February 2019, the Board announced that it had received a requisition notice from Resource Early Stage Opportunities Company ("RESOC"), who has notified the Company that it holds 15.3 per cent. of Pires Shares on the date of the requisition through a nominee, Global Prime Partners Limited. RESOC is requisitioning a general meeting of the Company to remove certain directors of the Company and to replace them with certain individuals proposed by RESOC.

The requisition notice (the "Requisition Notice") from RESOC, required the Board to convene a general meeting of the Company's shareholders to consider resolutions to remove the Company's Chairman, Peter Redmond and the Company's Independent Non-executive Director, John May, and to replace them with the RESOC Nominees, being Roderick Murray and Robert Jones (the "Requisition Resolutions"). The full text of the Requisition Notice and the accompanying explanatory statement provided by RESOC is included in Appendix I to this document.

The Board is required to convene a general meeting within 21 days of the receipt of the Requisition Notice, with such meeting being required to be held on a date not more than 28 days after the date of the notice convening it, and accordingly this document contains the notice of the General Meeting, which is to be held at 11.00 a.m. on 4 April 2019 at the offices of Cooley (UK) LLP, Dashwood, 69 Old Broad Street, London EC2M 1QS, at which the Resolutions will be considered.

The Board unanimously recommends that all Pires Shareholders vote against the Requisition Resolutions.

The purpose of this document is to explain the Board's views on the Requisition in order that shareholders are properly informed and able to make their voting decision on that basis.

2. BACKGROUND REGARDING THE CURRENT POSITION OF THE COMPANY

Introduction

Pires' Shares are admitted to trading on AIM and the Company is an investing company pursuant to AIM Rule 8. The Company's investing policy is to invest principally but not exclusively in the resources and energy sectors.

Trading update announced on 24 January 2019

The Company notified Pires Shareholders on 24 January 2019 that the unaudited net asset value of the Company was circa £1.2 million (31 October 2018: £0.95 million) an increase of approximately 24 per cent. from 31 October 2018.

The increase was principally as a result of the performance of its investment in Eco (Atlantic) Oil & Gas Limited ("Eco") whose share price had increased by around 22 per cent. since 31 October 2018. As at 24 January 2019, the Company's shareholding in Eco represented approximately 87 per cent. of the Company's investment portfolio.

Since the trading update on 24 January 2019, the share price of Eco has increased by a further circa 60 per cent., increasing the current value of the Company's holding to circa £1.65 million with a similar positive impact on the previously announced unaudited net asset value of the Company.

SalvaRx Group plc ("SalvaRx"), another portfolio investment, has also now completed its sale of 94.2 per cent. of SalvaRx Limited to Portage Biotech Inc. ("Portage") in exchange for new shares in Portage. The Company has achieved a significant return on this investment. The Company originally invested £80,000 and has since realised £84,000 from the sales of SalvaRx shares whilst still retaining a holding worth circa £152,000 (including the value of the Portage shares received).

As explained more fully below, since 31 October 2016, the Company's year-end prior to the investment in Eco, the net asset value of the Company, whilst also taking into account two equity fundraisings, has increased by circa 800 per cent.

Placing

Prior to the requisition notice being received, the Company had undertaken an equity placing, raising £781,720 before expenses, through the issue of 32,571,660 new ordinary shares at a price of 2.4 pence per share, representing a small discount of around 9 per cent. to the Company's share price prior to announcement. The purpose of the fund raising was to ensure that the Company was well-positioned to enhance its attractiveness as an investment partner, better able to take advantage of opportunities as they arise. This will enable the Company to make more significant investments than the Company has been able to make previously whilst diversifying its investment portfolio. Certain existing Pires Shareholders, including RESOC, and new investors took part in the fund raising.

The Board of Directors

The Board comprises three directors, all with significant public company and AIM experience.

Peter Redmond, *Chairman*

Peter is a corporate financier with over 30 years' experience in corporate finance and venture capital. He has acted on and assisted a wide range of companies over many years to obtain listings on the Unlisted Securities Market, the Main Market of the London Stock Exchange and AIM, whether by IPO or in many cases via reverse takeovers, across a wide range of sectors, ranging from technology through financial services to natural resources and, in recent years has done so as a director of the companies concerned. He was a founder director of Cleeve Capital plc (now Satellite Solutions Worldwide Group plc) and Mithril Capital plc (now Be Heard Group plc), both listed on AIM, and took a leading role in the reconstruction and refinancing of AIM-quoted 3Legs Resources plc (now SalvaRx). Peter was also primarily responsible for the decision to invest in both SalvaRx and Eco. He is also a director of Hemogenyx plc (where he was involved in creating the precursor listed vehicle) and URA Holdings plc.

Nicholas Lee, *Non-executive Director*

Nicholas has extensive capital markets experience and is actively involved in AIM. Having read Engineering at St. John's College, Cambridge, he commenced his career at Coopers & Lybrand where he qualified as a chartered accountant. He joined Dresdner Kleinwort, where he worked in the corporate finance department advising a range of companies across a number of different sectors. When he left in 2009, he was a Managing Director and Head of Banking for Dresdner Kleinwort's hedge fund/alternative asset manager clients. Nicholas is also a director of Riverfort Global Opportunities PLC which has an interest over 16,149,993 shares in the Company or 24.3 per cent. of its issued share capital.

John May, *Independent Non-executive Director*

John is a chartered accountant with extensive expertise in the smaller quoted sector, both in an advisory capacity and as a senior director of a number of companies listed on AIM and other markets. He was a partner in what is now Crowe UK, Chartered Accountants for 17 years. In particular, in September 2017, as Chairman of AIM listed Hayward Tyler Group Plc, he was instrumental in merging this company with Avingtrans Plc which was also listed on AIM.

3. REASONS FOR THE BOARD'S RECOMMENDATION TO VOTE AGAINST THE REQUISITION RESOLUTIONS

The performance of the Company to date

The Company previously traded as a leisure business operator and developer prior to being restructured to become an investing company. Since then it has made a number of investments. The current Board has been in place from February 2017 and at around that time, the Company raised circa £675,000 and made an investment in Eco - it had already invested in the precursor to SalvaRx.

In order for an investing company to be regarded as an attractive partner and thereby ultimately generate attractive returns for its shareholders, it needs to be able to grow its asset base. As at 31 October 2016, the Company had net assets of around £131,000. Since then, it has been able to increase its net asset value to around £1.2 million - an increase of over 800 per cent. before the recent further 60 per cent. increase in the price of Eco shares. Over the same period, the Board has been able to significantly reduce the cost base of the Company.

During that period, the Company has looked at a number of investment opportunities, both for the purpose of portfolio investment or as part of possible reverse takeover transactions - this strategy is ongoing.

Particularly in a climate where fund raising for smaller companies is difficult (as it has been for at least the past year) the Board must be careful when it comes to either investing significant funds or even committing the whole company to a particular course of action. Since becoming an investing company, the Company has progressed a number of prospective reverse takeover transactions to an advanced stage which were unable to be completed due to factors beyond the Company's control.

Going forward, the Company will continue to pursue this strategy as, to date, it has achieved significant results in terms of building value. Also, given its increasing attractiveness as an investment partner, the Board is confident that there will be a much greater range of attractive acquisition opportunities to review over the short to medium term. Following the most recent equity placing which has significantly increased the Company's cash balance, the Company also now has the resources to make selective investments of a size to have a significant impact on the Company's valuation.

The RESOC proposal

RESOC is proposing the appointment of the RESOC Nominees and for the Company to continue to pursue its activities as an investment company but with a specific focus on near-term appraisal opportunities in the energy sector as non-operating partners with a focus on the UK, Norwegian and Dutch North Sea, on-shore Europe and North Africa. RESOC has also provided limited biographical details of the RESOC Nominees and explained their experience and qualifications.

At RESOC's request, the Board met with RESOC and the RESOC Nominees in order to understand better its specific investment proposals and to learn about the expertise of the RESOC Nominees. Very little information, however, was provided at this meeting on either matter. RESOC and the RESOC Nominees specifically declined to provide detailed information on their proposals or their funding without the protection of a non-disclosure agreement. The Board indicated that it was willing to progress discussions and to enter into a non-disclosure agreement, and then immediately to arrange a review of the proposed investment. However, without any further communication, RESOC submitted the Requisition Notice.

Based on this limited discussion and research carried out by the Company, the RESOC Nominees appear to have experience in the oil and gas sector but did not provide any examples of where they had identified opportunities or created value in the small listed company environment nor did they appear to have any experience as directors of UK public companies.

In particular, with regard to the first potential investment proposed by RESOC, no clarity was provided concerning a number of material issues. These included the current and future funding requirement for the investment and whether it may even be classified as a reverse takeover transaction. Given the sector, there was no detail provided regarding possible decommissioning costs, nor was there any indication provided as to the potential financial returns from the investment nor the source of the additional funds required to make the investment.

Such material information has still not been provided to the Board or to Pires Shareholders as part of RESOC's submission as set out at Appendix 1. It is therefore unclear as to how shareholders could reasonably be expected to make an assessment of the RESOC strategy in order to decide on whether to cede board control of the Company to RESOC.

The RESOC proposal required the Board to provide the RESOC Nominees with board control in order to pursue RESOC's investment strategy and to make investments in opportunities for which no information had been made available in order for the Board to make any reasonable assessment of their merits. Clearly, this was not something that the Board could possibly agree to, and to have done so would have been irresponsible and a failure of duties as directors of a public company. Furthermore, the Company's existing and new investors had subscribed for new shares in the recent placing on the basis of the current Board and its strategy as opposed to RESOC's proposal.

Conclusion

In conclusion, the Board firmly believes that the appointment of the RESOC Nominees and the removal of certain current directors and the adoption of the RESOC strategy would be detrimental to the interests of Pires Shareholders in general.

The Board believes that RESOC's actions constitute an attempt to gain control of the Company on the basis of almost no detail being provided as to their proposed strategy and, as such, should be rejected. The Company has clearly become increasingly attractive given the growth in its net assets as a result of the Board's successful investment strategy. It clearly remains open for RESOC, if it wishes to control the Company, to make a formal offer for the Company, which may be regarded as a more appropriate way for a minority shareholder to gain control of a public company.

4. RECOMMENDATION

For the reasons set out above, the Board considers that the Requisition Resolutions:

- to remove Peter Redmond, the Company's Chairman and John May, the Company's Independent Non-Executive Director; and
- to replace them with the two RESOC Nominees, being Roderick Murray and Robert Jones;

are, in each case, not in the best interests of the Company or Pires Shareholders, as a whole.

The Board therefore unanimously recommends that all Pires Shareholders vote AGAINST the Requisition Resolutions which are set out as resolutions 1 to 4 in the Form of Proxy.

5. ACTION TO BE TAKEN

You will find, set out at the end of this document, a Notice convening the General Meeting, to be held at 11.00 a.m. on 4 April 2019 at the offices of Cooley (UK) LLP, Dashwood, 69 Old Broad Street, London EC2M 1QS at which the Resolutions will be considered. The full text of the Resolutions is set out in the attached Notice. Voting at the General Meeting will be by poll and not on a show of hands and each Pires Shareholder entitled to attend and who is present in person or by proxy will be entitled to one vote for each Pires Share held.

You will find enclosed with this document a Form of Proxy for use at the General Meeting or any adjournment thereof. Whether or not you intend to be present at the General Meeting, you are requested to complete and sign the Form of Proxy in accordance with the instructions printed on it so as to be received by the Company's registrars, Computershare Investor Services, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ as soon as possible, and in any event, no later than 11.00 a.m. on 2 April 2019 (or, in the case of an adjournment, not later than 48 hours (excluding non-working days) before the time fixed for the holding of the adjourned meeting).

If you hold Pires Shares in CREST and you wish to appoint a proxy or proxies for the General Meeting or any adjournment(s) thereof by using the CREST electronic proxy appointment service, you may do so by using the CREST proxy voting service in accordance with the procedures set out in the CREST manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to that CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. Proxies submitted via CREST (under CREST ID 3RA50) must be sent as soon as possible and, in any event, so as to be received by the Company's registrars, Computershare Investor Services, by no later than 11.00 a.m. on 2 April 2019 (or, in the case of an adjournment, not later than 48 hours (excluding non-working days) before the time fixed for the holding of the adjourned meeting).

Shareholders wishing to complete their paper Form of Proxy in line with the Board's recommendations should place an "X" in the boxes under the heading "Against" alongside resolutions 1 to 4.

If you have any questions relating to this document, the General Meeting and/or the completion and return of the Form of Proxy, please telephone Computershare Investor Services, on 0370 889 3207. If you are outside the United Kingdom, please call +44 370 889 3207. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 8.30 a.m. and 5.30 p.m., Monday to Friday (excluding public holidays in England and Wales). Please note that Computershare Investor Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

The completion and return of a Form of Proxy (or the electronic appointment of a proxy) will not preclude you from attending and voting in person at the General Meeting or any adjournment thereof, if you wish to do so and are so entitled.

Yours faithfully,

Peter Redmond
Chairman

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact rns@lseg.com or visit www.rns.com.