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To: The Directors

Block Energy Plc  
6th Floor, 60 Gracechurch Street  
London  
EC3V 0HR  
(the "**Company**")

From: Jon Fitzpatrick



Date: 21 August 2020

CC: Spark Advisory Partners (NOMAD); Camarco (Financial PR); Alastair Ferguson; G.P. (Jersey) Limited; Peter Young; Lindsay Strachan; Frazer Lang; Martin Lang; Cathal Friel (all Shareholders).

**WITHOUT PREJUDICE**

Dear Sirs

**Engagement with the Board of the Company**

Further to previous correspondence with the board of the Company (the "**Board**") on certain operational matters, as a significant shareholder I am concerned at the Directors manifest unwillingness to engage in further discussions around various aspects of concern I have in relation to the Company's current and future performance. I do not believe that I am alone in having such concerns. Indeed, I believe a number of other shareholders (representing approximately 20% of the share capital of the Company) share similar views to the ones I raise below and would no doubt welcome the opportunity to constructively engage with the Board on such issues.

The purpose of this letter is to set out some key areas of where I would welcome further discussion or clarity; these being areas which I believe are fundamental to the success of the Company. I believe it is ultimately in the best interests of both the shareholders and the Board to constructively engage with each other in order to help drive the Company forward.

**1. Appointment of an Independent Non-Executive Director ("INED")**

As you are aware, from February 2020 various discussions were had between the Company's Chief Executive Officer, the Independent Non-Executive Director and certain shareholders relating to the Company's performance as a whole. The outcome of these discussions was that the Board undertook to strengthen the existing Board through the appointment of an additional Independent Non-Executive Director ("**INED**"). As part of that process, on 29th April 2020, the Chairman circulated a draft selection criteria (consisting of five or so desirable characteristics) to those shareholders including myself. Upon review, such criteria were inadequate as it appeared to be over-simplistic in its characterisation of the skills required to address many of the problems the Company has faced (and will face in future). To support this process, I had provided a revised selection criteria consisting of around 20 desirable characteristics. In addition, an introduction to an energy specialist head-hunter (Preng Associates) was facilitated with the express purpose of supporting the Board in finding the best candidate. While using a head-hunter may come at a cost, both I and other shareholders feel that it is a cost worth paying to secure the best possible candidate.

I now understand that the Company has found three potential candidates from its own sources. It appears to me that the Board has failed to honour the undertakings and assurances which were given in April 2020 and I would therefore ask the Board to provide some clarification on the following points:

- (i) in sourcing potential candidates for the INED role, has the Board used its own selection criteria or have the Board used the alternative selection criteria provided?
- (ii) was a head-hunter used to help the Board in its search for candidates for the INED role? If not, why not?
- (iii) to what extent are the identified candidates already known to members of the Board?
- (iv) can the candidates' CVs be shared or relevant experience summarised?

In addition, I would ask that the Board does not make any INED appointment until it has had further discussions on this matter. I highly doubt any new INED would be happy to join knowing their appointment is being questioned by significant shareholders in the background.

More generally, the existing Board composition and skill base is a key concern for shareholders and we want all new appointments to be successful. Ensuring that we are all satisfied with any proposed Board changes is in everyone's best interests here.

## **2. Operational Forward Planning**

As a significant shareholder I am keen to know that the Board have developed a clear and deliverable operational plan. This is fundamental to the success of any company and delivering shareholder value. However, I am concerned that over the last 12 months the operational planning updates provided by the Company have failed to provide shareholders with a consistent update on the operational plans in line with the disclosed work programmes by the Company at the time of raising capital. It would appear to me that the objectives of the Company may have shifted somewhat recently without any clear updates to the market or explanations for the changes.

For instance, there appear to have been changes to the Company's re-entry drilling programme from the time of admission to AIM as compared to the management objectives stated at the time of the May 2019 placing. Further still, my understanding is that to date only 3 re-entries have been drilled. The Company has raised c.£17m since its IPO: c.£5m to execute an eight well workover plan and c.£12m to execute a five well programme (four horizontal sidetracks and one new well), acquire 3D and upgrade facilities. I have numerous concerns relating to whether each of these programmes have been completed as intended, as well as the quality of those wells which have been completed. The Company provided an operational and corporate update on 6 April 2020 which confirmed the cash position of the Company as being US\$3.4m + US\$0.4m in crude inventory. It is unclear to me if the remaining cash available to the Company allows it to execute the five-well programme set out in the May 2019 placing documents.

Accordingly, I would be grateful for clarification on the following points:

- (i) to what extent has the Company departed from its original workover programme as set out in its AIM admission documents?
- (ii) does the Board believe that it will be able to achieve the programme set out in the May 2019 placing documents?
- (iii) is the Company's cash position sufficient to carry out its operational programme (per the May 2019 placing documents) or will further funding (whether through debt or equity) be necessary?
- (iv) what contingency planning is in place in respect of the Company's well programme?
- (v) what is the expected incremental production results from the Company's wells?
- (vi) to what extent has the Company's acquisition of the former Schlumberger blocks changed its operational forward plan? How does the Company expect to execute its operational programme per the May 2019 placing documents and also progress activity in the acquire blocks?

- (vii) is the Board confident it has the cash resources to achieve both programmes and if not what is the company's plan to finance these activities?
- (viii) the Board are requested to clarify what liabilities, if any, were assumed by the Company upon the acquisition of the Schlumberger blocks?
- (ix) has the Chairman, INED or CFO ever been to Georgia and inspected the Company's assets or met any of the senior members of the operational team in Georgia face to face?

### **3. Operational Performance of Wells**

I have a number of concerns around the performance of the Company's wells. For instance, I do not believe that well performance has ever returned to the quoted levels at WR-16aZ, with WR-16aZ also seeing significant water breakthrough. I also understand that WR-51z has failed and the Company will not be able to use the well as a producer. Such issues give rise to a number of questions which I ask the Board to provide some clarification on:

- (i) please provide a detailed technical explanation as to why the flow rate of WR-16aZ has not returned to the initial flow rate of 1,100 bopd with an over fluid production of 1,500 bbls/d (implied water cut of 27%);
- (ii) please confirm what procedures are being put in place to rectify the water breakthrough at WR-16aZ;
- (iii) to what extent were the above risks known to the Board before drilling and, if known, what measures were put in place to address them?
- (iv) Given that all three wells to date have encountered problems, what additional steps or changes does the Board believe need to happen in order to minimise the risk of further problems?
- (v) does the Board plan to seek external advice and recommendations to facilitate additional procedures on the selection of wellbore as candidates for the re-entry and operating procedures, to ensure activities meet their designated objectives?

Given the performance issues to date, I think it is fundamental to the future of the Company that the planning, risk assessment and execution of all future operations needs to be of the highest quality. I am looking for assurance from the Board that adequate AARs will be conducted by the Company at the end of each well and the outcomes and findings of such sessions are actively incorporated into the planning and execution of the next well.

I am concerned generally about the control the Board has over the running of its operations in Georgia. Many of the issues I refer to in this letter I believe could have been avoided or addressed quicker through better oversight and management of those who are responsible for implementing the Company's wells programmes in Georgia. This would appear to have been a repeated failing.

### **4. Contracting and Procurement**

I understand that a number of issues in respect of the poor operational performance of wells have arisen as a result of inadequate contractor performance and / or quality of materials being sourced and delays associated with equipment and materials arriving on to the well location as scheduled. I am concerned that there may be repeated sub-optimal performance by individuals or contractors involved in the Company's wells programs, as well as issues with the Company's contracting and procurement processes. I am therefore looking to confirm what measures the Board is putting in place to protect against poor contractor performance and/or quality of materials in future wells. In particular:

- (i) what changes, if any, has the Board made to its contracting and procurement processes?
- (ii) does the Company have an established set of Contracting and Procurement policies and procedures? When were these last updated and reviewed by the Board? Can these be shared?
- (iii) has the Board identified any issues relating to the competency of individuals within the Company and / or the culture within the Company which may be resulting in poor C&P outcomes?

- (iv) to what extent have remedies been available to the Company for poor contractor performance and/ or quality of materials, and have these been fully utilised by the Company? Where is the main well equipment being purchased?
- (v) where the issues have been the failure of service providers to deliver materials or equipment to the well location resulting in non-productive drilling time – what contractual remedies are available to the Company and have these been fully utilised?

## **5. Employee Benefit Trust**

Finally, I would like some clarification on the new EBT which the Company has introduced. In light of the recent issues the Company has faced, I am concerned about the potential reward of unacceptable performance. Please can you confirm:

- (i) why the EBT was introduced at the time it was?
- (ii) the effect the EBT has in the Company's overall capital structure
- (iii) why was the EBT funded (and in my opinion over-funded) in the manner it was?
- (iv) what voting rights the EBT has (and how these are exercised)? and
- (v) what the performance conditions to be achieved are prior to vesting?

### **Summary**

I believe the Company still has great potential to achieve sustainable, long-term shareholder value. However, the above areas of concern need to be addressed in order for the Company's performance to improve. As noted at the beginning of this letter, as a significant shareholder I am keen to engage in meaningful and productive discussions which can have a positive impact on the Company's future. Other significant shareholders (representing around 20% of the share capital of the Company) have similar concerns and would also like the Board to engage promptly and fully on these issues.

I look forward to receiving your responses to this letter and would welcome any further opportunity to engage in constructive dialogue with the Board. I remain keen that the Board avoids any further obfuscation and / or misdirection in regard to these matters.

**However, given the seriousness of the issues I have raised in this letter, in the event that no response is forthcoming by 28th August 2020 then I may look to pursue other avenues in line with my rights as a shareholder in the Company. I believe other shareholders would support such endeavours.**

Yours sincerely



Jon Fitzpatrick

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**From:** Jon Fitzpatrick

**Sent:** 08 February 2021 09:17

**To:** Philip Dimmock <[REDACTED]>; Paul Haywood  
<[REDACTED]>

**Cc:** Frazer Lang <[REDACTED]>; Alastair Ferguson <[REDACTED]>

**Subject:** Share Price Performance

Phil / Paul

Despite a well-backed raise in December, the share price continues to be in the toilet – every time there is demonstrable buying interest or news flow engendering liquidity interest, a persistent seller(s) pours more stock into the market. The share price has regularly broken the 3p placing price and reference the situation this AM where, despite another positive news story, a 10-15% rise has been turned negative in the space of an hour.....

It would be useful to understand the Company's plans more generally for broking efforts and appropriate promotional activities. There isn't a single piece of up-to-date or relevant research out there and no demonstrable broker activity outside of event driven actions.

The status quo isn't sustainable. Major holders would like a discussion, copied.

Best  
Jon

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**From:** Jon Fitzpatrick <[REDACTED]>  
**Sent:** 08 February 2021 09:55  
**To:** Philip Dimmock <[REDACTED]>; Paul Haywood <[REDACTED]>  
**Cc:** Frazer Lang <[REDACTED]>; Alastair Ferguson <[REDACTED]>; [REDACTED]; [REDACTED]; Peter Young <[REDACTED]>  
**Subject:** RE: Share Price Performance

Phil / Paul

Now copying other holders who share similar views – I suggest we have a call soonest so you can provide us with your thoughts and assurances.

Best  
Jon

**Jon Fitzpatrick**  
[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

---

**From:** Philip Dimmock <[REDACTED]>  
**Sent:** 08 February 2021 15:53  
**To:** Jon Fitzpatrick <[REDACTED]>; Paul Haywood  
<[REDACTED]>  
**Cc:** Frazer Lang <[REDACTED]>; Alastair Ferguson <[REDACTED]>;  
[REDACTED]; Peter Young <[REDACTED]>; Dato  
Sandroshvili <[REDACTED]>  
**Subject:** RE: Share Price Performance

Dear Jon  
Dato and I are available between 3.30 pm and 5.00 pm, tomorrow Tuesday.  
Shall we say 4.00 pm?  
We will send a BlueJeans invitation.

Best regards

*Philip*

[REDACTED]

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**From:** Jon Fitzpatrick  
**Sent:** 12 February 2021 10:08  
**To:** Philip Dimmock <[REDACTED]>  
**Cc:** Frazer Lang <[REDACTED]>; Alastair Ferguson <[REDACTED]>;  
[REDACTED]; Peter Young <[REDACTED]>; Dato  
Sandroshvili <[REDACTED]>; Paul Haywood <[REDACTED]>  
**Subject:** RE: Share Price Performance

Phil

When we spoke earlier in the week and challenged you on the perennial weakness in the Company's share price, you said you knew who the seller was – clearly, the Company and Tennyson continue to be unable to clear this overhang. This group would like direct liaison with the seller. Please facilitate.

Amongst other things, we look forward to hearing your further detailed explanation around what you are doing to solve for the various problems we highlighted and the Company's seeming inability to forge a credible and sustained media and communications plan. This group was a little incredulous that this was being lain almost entirely at Camarco's door. We think the Company continues to have a dilatory approach to how it interacts with shareholders and conducts itself in the wider market. We expect to be scheduling a further discussion with you before the end of February and I'm making a polite request in that regard. Paul must be available to speak to us too or you run the risk that matters escalate.

We look forward to a further discussion once you and Dato have socialised our continued concerns and, hopefully, useful observations with the Board.

Best  
Jon

---

**From:** Jon Fitzpatrick <[REDACTED]>  
**Sent:** 16 February 2021 09:20  
**To:** Philip Dimmock <[REDACTED]>  
**Cc:** Frazer Lang <[REDACTED]>; Alastair Ferguson <[REDACTED]>;  
[REDACTED]; Peter Young <[REDACTED]>; Dato  
Sandroshvili <[REDACTED]>; Paul Haywood <[REDACTED]>  
**Subject:** RE: Share Price Performance

Phil

We note that you have not reverted back to us albeit we read this morning's RNS with interest. Frustratingly, we note you didn't connect us with the seller.....the shares are now lower. Again.

For the avoidance of doubt, something is very wrong with your approach to media and communications.

Best  
Jon

**Jon Fitzpatrick**  
[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

---

**From:** Philip Dimmock <[REDACTED]>  
**Sent:** 16 February 2021 15:56  
**To:** Jon Fitzpatrick <[REDACTED]>  
**Cc:** Frazer Lang <[REDACTED]>; Alastair Ferguson <[REDACTED]>;  
[REDACTED]; Peter Young <[REDACTED]>; Dato  
Sandroshvili <[REDACTED]>; Paul Haywood <[REDACTED]>  
**Subject:** RE: Share Price Performance

Thanks Jon

I have waited for the RNS to be released before responding to your Friday email.

We have noted well the points you made last week in the call.

We will indeed revert soon on the timing of the next call once Dato and I have relayed the discussion to the Board.

Best regards

*Philip*

[REDACTED]

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**From:** Jon Fitzpatrick <[REDACTED]>  
**Sent:** 22 February 2021 14:50  
**To:** Philip Dimmock <[REDACTED]>  
**Cc:** Frazer Lang <[REDACTED]>; Alastair Ferguson <[REDACTED]>;  
[REDACTED]; Peter Young <[REDACTED]>; Dato  
Sandroshvili <[REDACTED]>; Paul Haywood <[REDACTED]>;  
William McAvoock <[REDACTED]>; [REDACTED];  
[REDACTED]

**Subject:** RE: Share Price Performance

Phil

You have failed to revert on my previous points in any substantive detail, including the issue of sustained poor share price performance and the fact that you and your colleagues know who the current sellers are.

We would like you to kick off a s793 process today and share the results with us. Alternatively, Alastair, GP Jersey and I can serve the Company with another s803 in the next 24 hrs. Please advise which route is preferable by COB today.

Best  
Jon

**Jon Fitzpatrick**  
[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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**From:** Philip Dimmock <[REDACTED]>  
**Sent:** 22 February 2021 20:10  
**To:** Jon Fitzpatrick <[REDACTED]>  
**Cc:** Frazer Lang <[REDACTED]>; Alastair Ferguson <[REDACTED]>;  
[REDACTED]; Peter Young <[REDACTED]>; Dato  
Sandroshvili <[REDACTED]>; Paul Haywood <[REDACTED]>;  
William McAvoek <[REDACTED]>; [REDACTED]  
>  
**Subject:** RE: Share Price Performance

Dear Jon

The only sale of shares that I personally know details of is the sale of 1,750,000 shares reported by you in a TR1 dated 6 January 2021.

William will start an s793 process tomorrow. As for your s803 request last September, we will engage a firm to send s793 notices to the nominee holders, collate the responses and provide copies of them to you.

I will revert on the timing of our next call in the next few days.

Best regards

*Philip*

[REDACTED]

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**From:** Jon Fitzpatrick <[REDACTED]>  
**Sent:** 22 February 2021 20:22  
**To:** Philip Dimmock <[REDACTED]>  
**Cc:** Frazer Lang <[REDACTED]>; Alastair Ferguson <[REDACTED]>;  
[REDACTED]; Peter Young <[REDACTED]>; Dato  
Sandroshvili <[REDACTED]>; Paul Haywood <[REDACTED]>;  
William McAvoek <[REDACTED]>; [REDACTED]  
>

**Subject:** RE: Share Price Performance

Phil

I'm sorry but I think you are getting yourself confused here.

During our call (you, me, Frazer, Alastair and Dato), when asked about a persistent seller of shares and continued price weakness, you volunteered that you were well aware of who the seller was and that you knew them. I asked you to put us in touch so we could clear them out (see below). So far, you haven't done that.

As regards my own share sale you are correct. Following settlement, I sold £50k of shares to another long-term holder who didn't get their total allocation in the scaled back placing. I'm much now more interested in who you did place shares with, assuming you know, including any of Jindal's associates.

....more obfuscation and misdirection, Phil. I look forward to hearing from you before them end of this week.

Best  
Jon

**Jon Fitzpatrick**  
[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

---

**From:** Philip Dimmock <[REDACTED]>  
**Sent:** 24 February 2021 18:59  
**To:** Jon Fitzpatrick <[REDACTED]>  
**Cc:** Frazer Lang <[REDACTED]>; Alastair Ferguson <[REDACTED]>; [REDACTED];  
[REDACTED]; Peter Young <[REDACTED]>; Dato Sandroshvili  
<[REDACTED]>; Paul Haywood <[REDACTED]>; William McAvock  
<[REDACTED]>  
**Subject:** RE: Share Price Performance

Dear Jon

There has been no persistent seller of shares nor has there been a major one.

Yesterday, William started the s793 process by engaging Orient Capital. They will report the results to you subsequent to receiving their nominal charge. If you do have any questions meanwhile then please direct them to Orient or William..

With regard to investor communications you will likely be aware of:

- the research note issued by Tennyson Securities on 23 February (copy attached); and
- the positive press given to us by Malcy in his recent interview with Doc Holliday (starts at 37:18 on <https://total-market-solutions.com/2021/02/malcy-talks-oil-gas-xxiv/>).

However, we are very conscious that the share price continues to slowly drift down, now to 3p. Currently, we have nothing more to report and are now hampered by insider knowledge of activities that have occurred since the last RNS announcement.

By mid-March, the new Board will have had the time and opportunity to finalise a definitive Investor Communication Plan, which we will share with you. By mid-March, we will also have provided the market with an operational update on all activities. To initiate a scheduled regular shareholder engagement plan, we will arrange calls with all major shareholders a day or two after the RNS announcement. This, we believe, will be the best time for you next to have a discussion with Paul and William. They look forward to having regular constructive and cordial discussions with you.

Best regards

*Philip*

[REDACTED]

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**From:** Jon Fitzpatrick  
**Sent:** 25 February 2021 01:23  
**To:** Philip Dimmock <[REDACTED]>  
**Cc:** Frazer Lang <[REDACTED]>; Alastair Ferguson <[REDACTED]>; [REDACTED];  
[REDACTED]; Peter Young <[REDACTED]>; Dato Sandroshvili  
<[REDACTED]>; Paul Haywood <[REDACTED]>; William McAvock  
<[REDACTED]>; Chuck Valceschini <[REDACTED]>; Chris Brown  
<[REDACTED]>  
**Subject:** RE: Share Price Performance

Phil

We were all on the call with you where you volunteered both this and the fact that you knew the seller's identity as the main reason for continued poor share price performance. That's just a fact. I'm not going to go back and forward on the point any further suffice to say that, with a falling share price, clearly there is a persistent seller more than there is a persistent buyer – that's a fundamental tenet of market dynamics! As you know, the price traded below 3p today and has broken the placing price floor on numerous occasions over the past few months.

The sheer fact that, seemingly, neither you, Tennyson nor any of the other small broker and MMs who own the flow in your stock seemingly has any credible idea what is going on.....and now it's taken me to request you run a s793. You should have done that yourselves, weeks and weeks ago.

None of us has seen this body of work by Tennyson albeit, rather bizarrely, on a cursory read, there seem to be certain differences from the last few BLOE RNSs and the fundraising roadshow presentation, alongside various valuation anomalies. Given this has been issued by your new house broker, I'd have thought you would have worked extremely closely to guide them to the most appropriate benchmarks and correlations. You are well aware that the market sees "paid for" small cap house broker research as an extension of management's expectations and formal guidance - it goes straight to the core of the management team's broader credibility.

As a pertinent example, personally, I'd go absolutely ape shit with a valuation report that produced zero contribution to the target share price for an upcoming drilling campaign (which you and the exact same broker asked us to underwrite £5m in respect of just a matter of weeks ago) whilst further ascribing 25% CoS. If that was a broadly recognised analytical methodology, every company without production would be worth zero at best. I'll let other revert with further detailed and well-founded questions and observations over the course of the next few days.

Like you say Phil, you and the team have now been working hard on a rolling plan of a plan for over 12 months. The bottom line is that where we are today simply isn't good enough and I want you to admit, perhaps reluctantly but otherwise consensually, that changes are now inevitable and, frankly, overdue.

In the meantime, I will be approaching our Board's NxDs to broaden shareholder engagement and discussion on behalf of this group and other interested stakeholders.

Best  
Jon

---

**From:** Jon Fitzpatrick <[REDACTED]>  
**Sent:** 25 February 2021 15:31  
**To:** Philip Dimmock <[REDACTED]>  
**Cc:** Frazer Lang <[REDACTED]>; Alastair Ferguson <[REDACTED]>; [REDACTED];  
[REDACTED]; Peter Young <[REDACTED]>; Dato Sandroshvili  
<[REDACTED]>; Paul Haywood <[REDACTED]>; William McAvock  
<[REDACTED]>; Chuck Valceschini <[REDACTED]>; Chris Brown  
<[REDACTED]>  
**Subject:** RE: Share Price Performance

Phil

Further to my email last night on the valuation case (I was reading Tennyson's notes on an Iphone in a supermarket carpark), I have had time to review the material in more depth this morning. I note that I had misinterpreted the valuation of the upcoming drilling campaign which is in fact ascribed a 50% CoS which is certainly a more sensible view of the project. I would observe though that 50% would seem sensible for independent research / in-house for the upcoming drilling campaign but for paid research the risk is that investors apply another haircut again. Whilst the Tennyson note is more robust than at first glance, I don't agree with the NAV build-up and target price assessment (more below).

I believe some of this confusion relates to the way in which the programme is described in the summary section of the Tennyson report (three new wells) versus the public statements of the company around 2 well activities in Phase 1 (WR-BA and the re-entry to JKT-1) and a third well (WR-BB) which is mentioned in the Second Phase. It would be good to understand the rationale for the Phasing split – is this to allow for interpretation of geological data collected in the first two wells and would it effect the execution plan for Phase 2? The difficulty you appear to face is that to be efficient (cost-wise and operationally) the rig needs to drill sequentially back-to-back, but for West Rustavi, well performance appears to be uncertain, so the wish would be to delay the second WR well whilst the performance of WR-BA is assessed. I (personally) would drill RUS-BA in the sequence as #2, which is a gas well and independent of the WR oil wells and has independent subsurface risk.

Can the Board also confirm what has been done to get themselves comfortable with JKT-1 as the donor well for the sidetrack? Side-tracking is risky operationally as the previous campaign demonstrates and we would like to have comfort that the same issue will not be encountered.

Following my further reading of the research I have some additional observations:

- RNS (16 Feb) states production rates of 790 boepd vs. Tennyson which says 740 boepd – why is there a discrepancy?
- Wells are constrained at 790 boepd but Tennyson assumes only 250-300 boepd for these wells. They have used historical ave. which does not appear to reflect the upgraded ability for the production numbers to be higher going forward.
- Tennyson assumes 2022 production of 1,863 boepd vs. investor presentation of net 6,000 boepd by mid-2022
  - Tennyson show no capital activity in 2022 v. the investor presentation which has an additional 3 wells being drilled (RUS-BA, PAT-BA, PA-BB)
- Despite positive commentary – Tennyson have “no value” ascribed to Schlumberger gas play in upside NAV – given that the play has been drilled (PAT-E1) in 2019 and established the presence of the gas it seems very soft for this not to be included in the upside NAV – even if appropriately risked. This was a key part of

the story when you transacted for the Schlumberger block so I don't understand why you would not have pushed for its inclusion by Tennyson.

- Limited discussion in Tennyson on the three-well Patardzeuli & Rustavi programme which was in the investor presentation and this is not included in the CORE NAV. Given your description of the resource as "behind pipe" and "unswept" section of Patardzeuli it would appear to be a missed valuation opportunity to lump these with the broader TOTAL NAV category and the application of a heavy risking – to lift from Tennyson directly – "We have haircut the NPV/bbl by 25% to reflect the timing impact in bringing these barrels onstream, and we have applied a further 75% haircut to represent geological and commercial uncertainties." This appears ultra conservative in my view.

Doubtless, other shareholders have other observations and concerns.

Best  
Jon

---

**From:** Frazer Lang <[REDACTED]>  
**Sent:** 26 February 2021 07:52  
**To:** Jon Fitzpatrick <[REDACTED]>  
**Cc:** Philip Dimmock <[REDACTED]>; Alastair Ferguson <[REDACTED]>;  
[REDACTED]; Peter Young <[REDACTED]>; Dato Sandroshvili  
<[REDACTED]>; Paul Haywood <[REDACTED]>; William McAvoek  
<[REDACTED]>; Chuck Valceschini <[REDACTED]>; Chris Brown  
<[REDACTED]>  
**Subject:** Re: Share Price Performance

Dear Phil

The Lang family, as you are aware, is in control of 6.08% of Block Energy PLC. I feel it is necessary to write to you in your capacity as Chairman of the Company to express our intense displeasure and extreme disappointment in the performance of the current Board and its continuing unwillingness to engage with its shareholders.

Targets have been constantly missed, value continues to leak from the share price and from listening to you speak on our last shareholder call – it was not clear to me that you, or others on the Board, have any understanding of the true discontent within a growing and vocal section of your shareholders.

When the Board came cap in hand in December to investors to raise £5,000,000 we supported the company. However, I was shocked that the Board did not participate in this fundraising. There is no clearer indicator that the board's interests are not aligned with the shareholders – actions speak far louder than words. Altogether, the Company's Board of Directors own less than 1 per cent of the company – this is unacceptable.

We invested in Block because of the quality of the assets and the potential of the Company to deliver significant returns. To date, the Company has blown through over £20 million of invested capital whilst eroding value for shareholders at every turn. The geology does not, and cannot change, therefore I am left with no alternative but to question the current choice of management at the helm. The strategy has been bungled, execution has been amateur and the Board's engagement with the market is derisory.

I believe change is required urgently and I will not standby and continue to watch from the side-lines as the current situation is left to unfold. Phil – you are the captain of this ship, either lead it to safer waters or allow others to do so.

Yours Sincerely  
Frazer Lang

---

**From:** Peter Young <[REDACTED]>  
**Sent:** 26 February 2021 15:01  
**To:** Philip Dimmock <[REDACTED]>; Dato Sandroshvili <[REDACTED]>;  
William McAvoock <[REDACTED]>; Paul Haywood <[REDACTED]>; Chuck  
Valceschini <[REDACTED]>; Chris Brown <[REDACTED]>  
**Cc:** Frazer Lang <[REDACTED]>; Alastair Ferguson <[REDACTED]>; [REDACTED];  
[REDACTED]; Jon Fitzpatrick <[REDACTED]>  
**Subject:** Re: Share Price Performance

Dear Phil and colleagues,

I agree with Jon's comments below. From my own experience brokers have a tendency to play things down so target prices don't seem unrealistic but it is frustrating to see additional value leakage from BLOE's core NAV. Three of the six wells you included in your investor presentation are excluded from core NAV and are only counted in a heavily risked Upside NAV. Similarly are Tennyson just being conservative re the flow rates or have they had direction from the company that we aren't aware of?

One of my primary concerns remains the lack of clarity with which you have communicated forward work programmes with the market. The note implies that the company has told them that a 3 well programme is kicking off in May. I'm not sure the company has said that publicly, so that appears to be a mis-step. In recent months you have discussed:

- (i) 4 well programme increasing net production to above 6,000 boepd by mid-2022 (Investor Presentation November 2020, pg. 3);
- (ii) a six well drilling programme (Investor Presentation November 2020, pg. 4);
- (iii) a six well activity programme split into Phase 1 (1 new well and 1 re-entry) and Phase 2 (1 well at WR-BB and the other three under the Block XIB PSA - "RUS-BA" in the Rustavi oil field and "PAT-BA" and "PAT-BB" in the Patardzeuli oil field) (RNS, 3 December 2020); and
- (iv) Now we are introduced to a three well programme which appears to include WR-BA, JKT-1ST and WR-BB (Tennyson 23<sup>rd</sup> February 2021).

This is confusing and it's hard to know if it reflects changes in strategy or poor comms.

I mentioned on the call a few weeks back that I have held back recommending the stock to friends again because of the lack of projections. Following the note publication I have now started to do so, which may have accounted for some buying yesterday, but that seems back to front to me. More information should be shared with all shareholders and prospective investors so informed decisions can be made.

In my view the company should now clarify its plans without delay for the pending well programme and beyond and we shouldn't have to wait until mid-March for this. Ideally this would stress that the 3 wells will be funded from cash and forecast cash flow with no plans to raise any more equity capital. Providing a forecast production rate for year end is also really important as it's difficult for investors to value this properly otherwise. Even if that is a wide range with an explanation. Finally an update on how the company is planning to monetise the rest of the portfolio, whether that is via steady reinvestment of cashflows / debt, farm down or even asset sales would be welcomed.

Best regards,

Peter

---

**From:** Alastair Ferguson <[REDACTED]>  
**Sent:** 02 March 2021 10:36  
**To:** Philip Dimmock <[REDACTED]>  
**Cc:** Jon Fitzpatrick <[REDACTED]>; Frazer Lang <[REDACTED]>;  
[REDACTED]; Peter Young <[REDACTED]>; Dato Sandroshvili  
<[REDACTED]>  
**Subject:** Re: Share Price Performance

Phil,

I have reviewed all the recent material and I have similar observations to my colleagues which I don't think there is a need to repeat here. I have removed PH and WMcA from the circulation list given the content of my note. I think we would all agree that the company has lacked direction and has not delivered as it promised. Not surprisingly the market has lost confidence in the leadership and this is clearly reflected in the chronic underperformance of the SP. There are a number of factors that have contributed to this however we are now at a crossroads where intervention is needed and some critical decisions need to be taken. This can no longer be postponed. I think we have to start by being brutally honest about the company's shortcomings and developing a plan to address these.

I would like to take the debate to a more strategic level and propose a 4 point framework to effectively reboot the company and implement the transformational change that I think is needed:

1. **Strategy;** transformational change must start with the company clearly defining its strategy. As a result of concluding the Schlumberger acquisition I think there is a real opportunity for the company to readdress and reconstitute its strategy and develop a new vision for where it sees itself in 3-5 years. This will involve a) reworking the strategy enabling the company to focus and prioritize its resources and b) setting new objectives and targets.
2. **Executive Team;** the current Executive Team does not in my opinion have the experience and expertise to take the company forward to the next stage of its development. Credibility has been damaged and it is an imperative to restore confidence by making some significant changes. The recent changes to the Board are helpful but are only part of the story. The best way to restore confidence and credibility immediately would be to appoint a new CEO and bring in an experienced Technical Director. In my personal opinion I would make these changes quickly. It would be better to appoint an interim CEO while you undertake a proper search for a CEO with the right experience and skills to take the company forward.
3. **Planning and Budgeting;** fundamental change is needed to the planning and budgeting process. It feels very 'hand to mouth' and reactive to events to me, rather than being driven by strategy. I would like to see both a comprehensive 1 year plan and budget and a 3 year planning process put in place. This would play a significant part in getting the company onto the right track and at the same time help manage the expectations of shareholders.
4. **Integrated Communication Strategy and Plan;** the final point pulls this all together into a carefully coordinated Communications Strategy, the initial stages of which would be rolled out over a 2-3 months period and capture the strategy update and the new Executive Team alongside communication around forecasting and budgeting supported by the new company processes. The focus will be about delivering fundamental change to the way the company is going to operate and communicate with shareholders and potential investors over a sustained period. This has clearly been lacking and is a major cause of the current lack of confidence. We have fallen into 'reactive' rather than 'proactive' communication.

I offer this 4 point framework as a constructive proposal to effect some meaningful change in the company. I would like this to be carefully considered by the the Board minus the Executive Team.

As a supportive LT shareholder I continue to see enormous unrealized potential in the sub-surface assets. I want to emphasize that I am only interested in building a strong, successful company that creates significant value for shareholders but to deliver this we need the right team in place. If you would like to discuss any aspects of this please let me know and we can set up a call to talk.

All the best,

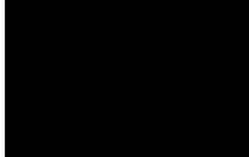
Alastair

Sent from my iPhone

To: The Directors  
Block Energy Plc  
6th Floor, 60 Gracechurch Street  
London  
EC3V 0HR

(the "Company")

From: Jon Fitzpatrick



Date: 8 April 2021

CC: Spark Advisory Partners (NOMAD); Camarco (Financial PR); Alastair Ferguson (Shareholder); G.P. (Jersey) Limited (Shareholder); Peter Young; Lindsay Strachan; Frazer Lang; Martin Lang; Cathal Friel.

**WITHOUT PREJUDICE**

Dear Sirs

**Continuing manifest issues with the Company**

I refer to the recent RNS announcement of the Company made at 7 a.m. on 7 April 2021 (the "Announcement"). I note that the Announcement confirmed information to the market around the Company's oil and gas sales in Q1 together with information on the Company's proposed drilling and workover programme for 2021. This information appears to be price sensitive information for the purposes of the UK Market Abuse Regulation which has now been disclosed to the market.

***Directors' dealings, the UK Market Abuse Regulation and AIM Rule 21***

In light of the Announcement, I wish to query the following timeline of events with the Company:

- On 24 February 2021, in an email to concerned shareholders about the Company's performance, the Chairman stated on behalf of the board of the Company (the "Board") that, "we... are now hampered by insider knowledge of activities that have occurred since the last RNS announcement". This email was copied to Paul Haywood, the CEO, and William McAvoock, the CFO;
- On 25 February 2021, the Company announced that William McAvoock the finance director and an employee had exercised nil-cost options to acquire 653,517 and 295,231 ordinary shares of 0.25 pence each respectively;
- On 2 March 2021, the Company announced it had issued options over a total of 20,500,000 ordinary shares of 0.25p each to directors/PDMRs, employees and consultants. The LTIP options included awards of 10,500,000 to the CEO and CFO;
- On 15 March 2021, the Company announced that the CEO had exercised options to acquire 7,584,381 ordinary shares at an exercise price of 0 pence per share and that the Chairman had also exercised options to acquire 741,334 ordinary shares at an exercise price of 0 pence per share. Furthermore an employee and contractor had also exercised options to acquire 188,199 and 124,562 ordinary shares at an exercise price of 0 pence per share respectively;

- On 17 March 2021, the Company announced at 7:00am that Paul Haywood, CEO, had exercised an option to acquire 4,400,000 ordinary shares of 0.25 pence at the exercise price of 2.5 pence per share;
- Also on 17 March 2021, the Company was required to make a further announcement at 1:39pm to correct inaccurate information in relation to the Company's issued share capital which had been contained in the earlier announcement that same day; and

As a shareholder I am concerned that, following the issue of the Announcement which appears to contain price sensitive information, the recent share dealings by directors and employees described above may have taken place during a close period when such activity by directors and PDMRs is precluded by the UK Market Abuse Regulation, Rule 21 of the AIM Rules for Companies and presumably by the Company's own share dealing policy.

As noted above, the Chairman communicated clearly that the Board and Executives were in possession of inside information. The Chairman also confirmed on a number of calls with shareholders that the Board and Executive Team were in possession of inside information and that this indeed was one of the reasons why he was unable to engage with shareholders and respond to our questions. Despite the Chairman having confirmed to shareholders that the Board was in possession of "insider knowledge", dealing in the shares by Directors and employees appears to have taken place prior to the Announcement and the release of the price sensitive information therein. A detailed explanation of the circumstances surrounding the share dealings described above and how these were carried out in the context of the Board being in possession of price sensitive information is urgently required.

### ***Operations and market disclosures***

In addition to my concerns regarding a potential breach of the UK Market Abuse Regulation and AIM Rules in terms of directors' dealings, I have a number of fundamental concerns around the Company's operations and the quality and accuracy of its disclosures to the market. In particular the Company's disclosures around the revenues being received pursuant to its current gas sales arrangements are of serious concern. Specifically:

- In an RNS on 30<sup>th</sup> October 2019 (reconfirmed in April 2020), it was indicated that pursuant to a gas sales agreement, Bago would purchase gas produced from the field at a price of US\$5.24 per MCF. Since that date no announcements have been made to the market updating the gas sales arrangements. However, in the Announcement the Company has subsequently stated that "the gas sold is at a fixed discount to the price of the last tender completed by the Georgian Oil and Gas Corporation for the sale of its gas, as provided in a revised Gas Sales Agreement signed with the buyer of the gas, Bago LLC, in May 2020."
- At no point has a change in circumstances surrounding the gas sales pricing been communicated to the market. There is therefore a genuine concern that the Company has not announced materially price sensitive information to the market for 11 months. If there was no fixed gas price agreed with Bago this is clearly a commercially and price sensitive piece of information that should have been disclosed. The Company had ample opportunity to disclose such information to the market and I note that at the AGM meeting in June 2020, whilst providing the Operations Update, Paul Haywood specifically referenced the "profitable gas prices" without updating the market that the Company's position on the gas price had changed from the announced fixed price of US\$5.25 per MCF to a floating price linked to a fixed discount to a reference price.
- The gas price payable to the Company for its production pursuant to the gas sales arrangements was a fundamental component of my and others assessment as to whether to participate in the most recent placing in early December 2021. I am now deeply concerned that the substantial investment which I and others made in the Company was not based on accurate information and this lack of transparency has materially and negatively affected the value of our investment. Had we had the information we have now at that time, I have serious reservations as to whether the

investment would have been made. As you will understand, that the Company may have potentially raised money on the back of incomplete information having been provided to the placees is deeply troubling and if so is evidence of deep rooted issues with the Company's approach to disclosure of price sensitive information which cannot be allowed to continue.

Furthermore, this overall lack of transparency also casts doubt as to whether the Company's Nomad has been in a position to properly exercise their duties in recent months in terms of being able to adequately assist the Company with its approach to disclosure. With the Company's own inconsistent approach to keeping the market up to date, there is a risk that the Nomad will have been placed in a very difficult position in terms of being able to provide the oversight required as it appears as if the Nomad has also been in receipt of information which is not up to date.

### ***General approach to shareholder engagement***

On 12 February 2021, I contacted the Chairman by email to express my concerns and those of other shareholders across a range of issues, and to encourage a discussion about how best to resolve these. On 16 February 2021, I followed up by email to confirm that I had not received a response and noted that the share price continued to drop. Subsequently, emails have been sent to the Chairman by Frazer Lang (26<sup>th</sup> February 2021), Peter Young (26<sup>th</sup> February 2021) and Alastair Ferguson (2<sup>nd</sup> March 2021). Other than confirmation from the Chairman that he had passed comments to the Board, no substantive engagement in respect of our concerns has taken place and we have received no written response.

It is surprising that as material shareholders who are committed to the future success of the Company, our concerns have been in no way alleviated and we continue to find ourselves growing ever more concerned with the Board's approach to the management of the Company and its business and its lack of constructive engagement. This is not how we would expect a Board of a listed company to engage with its shareholders.

### ***Resignation of the Chairman***

That such circumstances have been allowed to arise and go un-remedied is unacceptable and deeply troubling for shareholders. The Company should have taken action months ago to alleviate shareholder concerns which have been expressed on multiple occasions. The time for inaction has now passed and as a shareholder with a substantial investment in the Company, along with a large number of other investors in the same situation, we are no longer prepared to tolerate the status quo.

Accordingly, this letter formally requests that the current Chairman stand down from his post as Chairman and non-executive-director of the Company by no later than 5pm on Monday 12 April 2021, and that the Company issue an RNS announcement confirming that his resignation has taken place with immediate effect. At the same time, Mr Charles ("Chuck") Valceschini should be appointed as independent chairman of the Company and instructed to convene a committee of the independent directors (Mr Valceschini, Mr Sandrosvili and Mr Brown) to commission and oversee an independent forensic investigation into the affairs of the Company to ensure that such apparent failings in governance and disclosure do not happen again and that the Company's operations are carried out in an effective manner.

While the requested course of action is regrettable, it is absolutely necessary. The suggested course of action has the support of a large number of shareholders whose only common interest is securing the future success of the Company.

### ***Alternative courses of action***

If the actions outlined in this letter are not taken and the Chairman remains in place, then I reserve all rights to take such further action as I and my fellow shareholders consider to be in the best interests of the Company. The alternative courses of action which I am prepared to

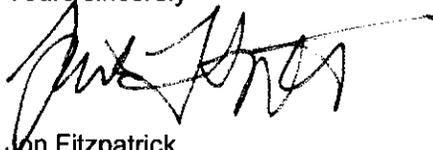
pursue, in a bid to instigate positive change in the Company for the benefit of all shareholders, involve taking matters to the wider arena. Such alternatives are at my immediate disposal.

I and my fellow shareholders would of course always prefer to engage privately and constructively with the Company. However, we have found the Board to be both indecisive and obstructive which limits our ability to continue to engage in such manner.

Furthermore, we presume that, following the Announcement, the Company is now fully disclosed and that there is no price sensitive information which is being withheld from the market.

Please acknowledge receipt of this letter by close of business tomorrow, Friday 9 April 2021.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Jon Fitzpatrick', with a long horizontal flourish extending to the right.

Jon Fitzpatrick

**STRICTLY PRIVATE AND CONFIDENTIAL**

Mr Jon Fitzpatrick

Our ref: [REDACTED]

Date: 19 April 2021

By email only:  
[REDACTED]

[REDACTED]

**NOT FOR PUBLICATION**

Dear Sir

Re: **Block Energy Plc (“Company”)**

We act for the Company. Please direct all future correspondence to us. We have been passed your letter of 8 April 2021.

Your letter is marked ‘Without Prejudice’, but in our view does not contain any content that would attract such privilege. Instead it appears to be a list of criticisms of the Company, followed by a number of demands made without any legal basis. We therefore respond on an ‘open’ basis and the Company will seek to rely on this correspondence in any legal proceedings that may follow.

The Company has considered the points you have raised and responds as follows:-

**Directors’ dealings**

1. The directors’ dealings between 24 February 2021 and 16 March 2021 complied with MAR, the AIM Rules for Companies and the Company’s Share Dealing Code.

**Operations and market disclosures**

2. On 7 April 2021, prior to receiving the first payment for gas sales, the Company announced full details of the gas sales for February and March 2021, including quantity of gas sold, revenue receivable, price per unit of gas sold and the variable price mechanism. Furthermore, relating to the Company’s current wells and two planned wells, the gas revenue is not material compared to the oil revenue and, therefore, a decrease in the gas price does not have a material effect on the value of the share price.

**General approach to shareholder engagement**

3. The Company is unable to selectively disclose inside or confidential information to one group of shareholders. The Company will continue to update all shareholders via public announcements,

hilldickinson.com

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**Hill Dickinson LLP**  
50 Fountain Street  
Manchester  
M2 2AS  
Tel: +44 (0)161 817 7200  
Fax: +44 (0)161 817 7201

including quarterly operational updates with details of production, sales and cash balance in line with its policies and the relevant regulatory framework.

### **Resignation of Chairman**

4. The Company declines your request that (a) the current Chairman stand down as Chairman and non-executive director and (b) Mr Charles ("Chuck") Valceschini be appointed as Chairman of the Company. Furthermore, the Company has no immediate intention of making any other changes to the composition of the Board. We do not consider you to have any standing to make such requests.

### **Threats**

5. The Company is concerned that certain elements of your letter, not least the final section, can be interpreted as a threat to take actions to damage the Company's reputation and/or the reputation of individual board members if your demands are not met. Please can you clarify the meaning of the section headed 'Alternative Courses of Action'. In particular:-
  - a. What are the alternative courses of action alluded to?
  - b. What will trigger you taking these actions?

### **Defamation**

6. Our clients suspects that you have already contacted a number of bloggers concerning some of the issues raised in your letter and drawing a clear inference of wrongdoing on the part of the Company and/or its individual office holders.
7. These allegations are defamatory and are highly damaging to our client's reputation as well as the reputation of its individual office holders. The allegations published by you have been made to cause maximum distress to our client and its office holders in order for you to exert undue influence over the management and operation of the Company.
8. To be clear, this is not a Letter of Claim. It is however a demand that you immediately desist from making any further unlawful or defamatory statements concerning our client and its office holders.

If the offending behaviour does not cease, then our client reserves the right to bring action against you. This may include a claim for damages and an injunction compelling you to cease from making defamatory statements and preventing you from repeating them.

If our client's claim is successful, you are likely to be liable for both damages and our client's legal costs. Our client will seek to recover these sums from you in full. You may wish to take independent legal advice on the content of this letter.

In the interim, our client's rights are expressly reserved.

Yours faithfully



**Hill Dickinson LLP**



# Pinsent Masons

BY E-MAIL

Hill Dickinson LLP  
50 Fountain Street  
Manchester  
M2 2AS

Your Ref: [REDACTED]  
Our Ref: [REDACTED]

DDI [REDACTED]

For the attention of [REDACTED]

E [REDACTED]

5 May 2021

Dear Sirs

## **BLOCK ENERGY PLC (THE "COMPANY")**

We refer to your letter of 19 April 2021, a copy of which has been passed to us by our client.

We are instructed by Mr Jon Fitzpatrick, a shareholder in the Company. We also anticipate receiving instructions from other shareholders in respect of this matter. Please direct all future correspondence in respect of this matter to us. We understand that you act for the Company. Please confirm whether you also act for the Company's directors in their personal capacity. If not, please confirm that a copy of this letter has been passed to each of the directors and provide us with the details of any legal representatives personally engaged by the directors.

We are investigating allegations of wrongdoing and potential associated claims in respect of the Company and its board of directors (the "**Board**"), as referred to in Mr Fitzpatrick's letter to the Board of 8 April 2021. With that in mind, the Company and the Board are hereby put on express notice of potential pending litigation. As such, the Company and the Board should be instructed to retain and not to destroy any documents<sup>1</sup> pertaining to the matters raised in this letter and/or concerning the general operations of the Company.

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<sup>1</sup> Pursuant to CPR 31.4, 'document' means anything in which information of any description is recorded.

Pinsent Masons LLP

30 Crown Place Earl Street London EC2A 4ES

T +44 (0) 20 7418 7000 F +44 (0) 20 7418 7050 DX 157620 Broadgate

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Your letter fails entirely to grapple with the matters set out in Mr Fitzpatrick's letter of 8 April 2021 and, as such, has not assuaged our client's serious and growing concerns regarding the conduct of the Company and the Board. Given the severity of our client's concerns, it urgently requires certain information and confirmations, as detailed below.

## 1. Insider trading and directors' dealings

1.1 Paragraph 1 of your letter seeks to sidestep the matters raised in Mr Fitzpatrick's letter concerning specific events between 25 February 2021 and 7 April 2021. Your blanket suggestion that all relevant rules have been complied with is far from satisfactory and is consistent with your client's repeated avoidance of our client's questions.

1.2 As to the specific events under consideration:

1.2.1 In an email dated 24 February 2021, the Chairman stated as follows on behalf of the Board in response to queries from 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." In addition, we are instructed that the Chairman confirmed on a number of telephone calls with shareholders that the Board was in possession of "insider knowledge".

1.2.2 After the Chairman's admission that the Board was in possession of insider information, a series of directors' dealings took place and were announced between 25 February 2021 and 17 March 2021, the details of which are set out in Mr Fitzpatrick's letter and not repeated here.

1.2.3 On 7 April 2021, the Company issued an RNS announcement containing price sensitive information, including in relation to the Company's oil and gas sales in Q1 2021 and its proposed drilling and workover programme for 2021.

1.3 With the above in mind, our client is gravely concerned that prohibited directors' dealings have taken place while the Board was in possession of unpublished price sensitive information. On the face of it, the Board is in breach of relevant obligations under UK Market Abuse Regulation ("**MAR**") and the AIM Rules. These are very serious issues that need to be addressed without further delay.

1.4 In order to resolve this issue, our client requires full responses to the following questions:

1.4.1 Please provide a full explanation of what was being referred to in the email of 24 February 2021 when reference was made to "*insider knowledge*".

1.4.2 Please confirm that all "*insider knowledge*" referred to by the Chairman in the email of 24 February has now been disclosed to the market.

1.4.3 Please confirm when any price sensitive information contained in the 7 April 2021 RNS announcement (including information in relation to the Company's oil and gas sales in Q1 2021 and the Company's proposed drilling and workover programme for 2021) first became known to the Board.

1.4.4 To the extent that the Company and the Board continues to contend that there has been full compliance with MAR and the AIM Rules, please set out in sufficient detail the alleged basis of that view, by reference to the relevant rules and the specific trades undertaken.



## 2. Operations and market disclosures

2.1 Your letter fails to engage with the serious concerns highlighted by our client regarding the Company's disclosures to the market around gas sales revenues.

2.2 As to the disclosures under examination:

2.2.1 In an RNS on 30 October 2019, the Company announced that pursuant to a gas sales agreement running until 31 December 2022, *"Bago will purchase gas produced from the Field at a price of US\$5.24 per MCF"*.

2.2.2 In an RNS dated 7 April 2020, the Company confirmed that: *"In the contract between the Company and Bago, the price for gas sales is US\$5.24/MCF."*

2.2.3 In an RNS dated 7 April 2021 ('Q1 Operational Update'), the Company stated that *"The price of the gas sold is at a fixed discount to the price of the last tender completed by the Georgian Oil and Gas Corporation ("GOGC") for the sale of its gas, as provided in a revised Gas Sales Agreement signed with the buyer of the gas, Bago LLC, in May 2020".* (emphasis added)

2.3 It follows from the above that the Company and the Board withheld information from the market regarding the revised gas sales agreement and discounted pricing for a period of at least 11 months. Such information is clearly price sensitive and should have been disclosed in a timely manner. That it was withheld for such an extended period of time calls into question the quality and accuracy of the Company's market disclosures both in respect of these gas sales arrangements and more widely.

2.4 Your letter attempts to downplay the materiality of this issue by suggesting that *"gas revenue is not material compared to the oil revenue and, therefore, a decrease in the gas price does not have a material effect on the value of the share price"*. Our client objects to this characterisation of gas revenue as an immaterial consideration. Indeed, your suggestion is belied by the Company's own prior conduct and messaging:

2.4.1 Gas projects and the associated revenue have consistently been subject to numerous announcements and updates from the Company:

(a) The sole purpose of the RNS announcement dated 30 October 2019 was to confirm that the Company had entered into the gas sales agreement. Yet no such announcement was made in respect of the May 2020 revised agreement, the existence of which was not made known until the RNS on 7 April 2021.

(b) In RNS announcements dated 7 April 2020 and 24 September 2020 the Company made reference to the shutting in of wells in order to *"conserve valuable gas resources"*, thereby demonstrating the value of gas to the business.

(c) Gas projects and revenue were focal points in RNS announcements dated 27 January 2020 and 20 June 2020.

2.4.2 The value of gas has been a critical part of the Company's investment story since its AIM admission and is something which the Company has continued to make reference to ever since. It is also a highly significant aspect of the Company's business from the shareholders' viewpoint. In the circumstances, your suggestion that it is immaterial is disingenuous.



- 2.5 In the light of the above, our client is deeply troubled by the Company's delay in making pertinent market disclosures and the apparent omission of price sensitive information from announcements made during the period between May 2020 and April 2021. As to the consequences of the Company's conduct in this regard, it is our client's position that the information in respect of the reduced gas price would have had a material impact on investors' decisions to participate in the December 2020 placing. Investors relied upon the position as it stood publicly at that time and have suffered loss as a result.
- 2.6 In order to consider this matter further, our client requires full and detailed responses to the following questions:
- 2.6.1 Please confirm when the process of renegotiating the gas sales agreement was commenced and concluded.
- 2.6.2 Please confirm what information was known to the Board in respect of the potential reduced gas price at the time of the RNS announcement on 7 April 2020 confirming the price of US\$5.24 per MCF.
- 2.6.3 Please explain the reason for the delay in disclosing to the market the revised gas sales price, and the alleged basis on which the Board satisfied itself that disclosure was unnecessary during the period prior to April 2021.

### **3. General approach to shareholder engagement**

- 3.1 The matters set out above cast considerable doubt over the running of the Company and the suitability of the Board. Our client's serious concerns in this regard have only been further exacerbated by your client's repeated avoidance of questions and refusal to engage. As matters stand, it is our client's view that as a result of the issues described above and other ongoing operational failures, the Board is not acting in accordance with applicable directors' duties under the Companies Act 2006.
- 3.2 Pending receipt of the information sought in this letter, our client remains of the view that the Board is not fit for purpose and should be replaced as a matter of urgency. Until the issues highlighted in this letter are resolved satisfactorily, no material business or investment decisions affecting the Company should be taken by the Board.
- 3.3 In addition to the matters set out in this letter, please note that our client is conducting an investigation into the Company's activities in-country. As matters stand, our client's initial investigations have already uncovered areas of material concern in respect of the Company's commercial and operational activities. Investigations remain ongoing and we will write to you separately in this regard.

### **4. Alleged threats and defamation**

- 4.1 For completeness, we note the comments made at paragraphs 5 to 8 of your letter regarding alleged threats and defamation. There is no basis for the accusations made in your letter, as your client is no doubt aware. Rather, your approach is an attempt to divert attention from the serious and urgent concerns raised by our client in respect of the Company. Our client is not going to engage in such matters.

### **5. Next steps**

- 5.1 Our client requires full and detailed responses to all of the matters set out in this letter by close of business on **12 May 2021**. Should you fail to provide an adequate response within this timeframe, our client will consider all available avenues, including appropriate action to recover its losses, and steps to protect the Company's interests through the High Court and/or regulatory channels.



- 5.2 As set out in prior correspondence, it remains our client's objective to take any action necessary in order to safeguard the best interests of the Company. Whilst our client is hopeful that matters can be resolved amicably, the severity of the issues highlighted means that they will not simply disappear without full and constructive engagement.
- 5.3 Finally, in the light of the matters set out in this letter, please confirm that a copy has been provided to the Company's NOMAD and any other relevant professional advisers.
- 5.4 We look forward to hearing from you.

Yours faithfully

*Pinsent Masons LLP*

**Pinsent Masons LLP**

**From:** [REDACTED]  
**Sent:** 12 May 2021 15:58  
**To:** [REDACTED]  
**Cc:** [REDACTED]  
**Subject:** [EXTERNAL] RE: Your client: Block Energy plc; Our client: Mr Jon Fitzpatrick [PM-AC.FID4763815] [HD-UKLIVE.FID10571466]

Dear Sirs

We acknowledge receipt of your letter dated 5 May 2021, we are taking instructions and expect to be in a position to respond in the next 14 days.

It is not clear from your letter what, precisely, is being threatened by your client if our client does not respond by today. We would be grateful if you could clarify that point.

Yours faithfully

[REDACTED]  
Business Services  
Commercial Litigation - Manchester  
**Hill Dickinson LLP**  
50 Fountain Street, Manchester, M2 2AS

Offices at Liverpool, Manchester, Leeds, London, Piraeus, Singapore, Monaco and Hong Kong

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# Pinsent Masons

BY E-MAIL

Hill Dickinson LLP  
50 Fountain Street  
Manchester  
M2 2AS

Your Ref: [REDACTED]  
Our Ref: [REDACTED]

DDI [REDACTED]

For the attention of [REDACTED]

E [REDACTED]

2 June 2021

Dear Sirs

## **BLOCK ENERGY PLC (THE "COMPANY")**

We refer to our letter of 5 May 2021 and to your holding email of 12 May 2021.

Our letter of 5 May 2021 raised numerous serious concerns requiring urgent attention in relation to the conduct of the Company and its board of directors. As you are aware, our letter requested a full response by 12 May 2021. Your email of 12 May 2021 stated that you would be in a position to respond within 14 days, i.e. by 26 May 2021. As matters stand, four weeks have passed since our letter and no response has yet been forthcoming, nor any explanation for the delay.

Your approach to this matter is consistent with your client's repeated attempts to evade our client's questions and to avoid constructive engagement and communication. Considering the severity of the alleged wrongdoing, your lack of response is concerning. Given the passage of time, there is no reason why any further time should be required to provide a substantive response. Please do so as soon as possible and in any event by close of business on **4 June 2021**.

Should your client continue to seek to evade this matter, our client will be left with no alternative but to involve the appropriate regulatory bodies and/or to pursue judicial proceedings.

Yours faithfully

*Pinsent Masons LLP*

**Pinsent Masons LLP**

Pinsent Masons LLP

30 Crown Place Earl Street London EC2A 4ES

T +44 (0) 20 7418 7000 F +44 (0) 20 7418 7050 DX 157620 Broadgate

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For a full list of the jurisdictions where we operate, see [www.pinsentmasons.com](http://www.pinsentmasons.com)



# Pinsent Masons

BY E-MAIL

Hill Dickinson LLP  
50 Fountain Street  
Manchester  
M2 2AS

Your Ref: [REDACTED]  
Our Ref: [REDACTED]

DDI [REDACTED]

For the attention of [REDACTED]

E [REDACTED]

2 July 2021

Dear Sirs

## **BLOCK ENERGY PLC (THE "COMPANY")**

We refer to our letters of 5 May 2021 and 2 June 2021, to which we have not had the courtesy of a response.

Our previous correspondence raised serious and urgent concerns regarding the operation of the Company and the conduct of both the Company and its Board. These matters give rise to potential breaches of relevant regulatory obligations under MAR and the AIM Rules. In the circumstances, your continued refusal to respond is highly concerning to our client.

In addition to regulatory non-compliance, the actions of the Company and the Board have caused our client to suffer financial loss. With that in mind, and given your failure to engage, our client is left with no option but to pursue court proceedings to recover these losses. Furthermore, it is our client's intention to refer the matters set out in our letters of 5 May 2021 and 2 June 2021 to the appropriate regulators for their consideration.

Please be advised that we are instructed to commence work on issuing court proceedings. Please confirm that you are instructed to accept service of such proceedings on behalf of the Company and the individual members of the Board.

Yours faithfully

*Pinsent Masons LLP*

**Pinsent Masons LLP**

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**PRIVATE AND CONFIDENTIAL**

Pinsent Masons LLP

Your ref: [REDACTED]  
Our ref: [REDACTED]  
Date: 6 July 2021

By email:

[REDACTED]

[REDACTED]

Dear Sirs

Re: **Block Energy Plc ("Company")**

We write further to your letter of 2 July 2021.

As your clients will be aware, there has been extensive contact between them and the Company in the period since this firm last corresponded with you.

You state in your letter that your firm has been instructed to commence work on issuing court proceedings. However, no Letter of Claim has been received by the Company and our client remains in the dark as to the nature of your clients' claims, their legal basis and the losses that your clients now claim to have suffered.

In accordance with Practice Direction – Pre-Action Conduct and Protocols, your clients are required to provide a Letter of Claim and allow a reasonable period for a response. Despite the apparent '*serious and urgent*' nature of your clients' claims, your clients have not taken any steps to do so. We have previously asked you to specify the nature of the legal action our client is being threatened with and you have not provided a response.

If your clients issue the claim as threatened, our client will rely upon this letter on the question of costs and may seek a stay of such proceedings, until such time as your clients comply with the protocol.

We look forward to hearing from you.

Yours faithfully

*Hill Dickinson LLP*

**Hill Dickinson LLP**

hilldickinson.com

The Hill Dickinson Legal Services Group has offices in London, Piraeus, Singapore, Monaco, Hong Kong, Liverpool, Leeds and Manchester.

**Hill Dickinson LLP**  
50 Fountain Street  
Manchester  
M2 2AS  
Tel: +44 (0)161 817 7200  
Fax: +44 (0)161 817 7201