

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to any aspect of the Proposals referred to in this document or as to the action you should take, you should seek your own advice from a stockbroker, solicitor, accountant or other appropriate professional adviser. If you have sold or otherwise transferred (or will sell or transfer) all of your Kistos plc Ordinary Shares please pass this document, together with the accompanying documents, to the purchaser or transferee, or to the person who arranged the sale or transfer, so that they can pass these documents to the person who now holds the Kistos plc Ordinary Shares.

Capitalised terms have the meanings ascribed to them, and certain technical terms are explained, in *Part VIII – Definitions and Glossary* of this document.

References to times in this document are to London time unless otherwise stated.

This document does not constitute an admission document drawn up in accordance with the AIM Rules. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies and operated by the London Stock Exchange. AIM securities are not admitted to the Official List of the FCA. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

Each AIM company is required pursuant to the AIM Rules to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers.

The London Stock Exchange has not itself examined or approved the contents of this document. This document also does not constitute a prospectus within the meaning of section 85 of FSMA, has not been drawn up in accordance with the Prospectus Regulation Rules published by the FCA and a copy of this document has not been, and will not be, filed or reviewed by the FCA or any other competent authority.

The Company and the Directors, whose names and principal functions appear on page 6 of this document, individually and collectively accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors (having taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and this document makes no omission likely to affect its import.



KISTOS PLC

(INCORPORATED UNDER THE COMPANIES ACT 2006 AND REGISTERED IN ENGLAND & WALES WITH COMPANY NUMBER 12949154)

**RECOMMENDED PROPOSALS FOR THE INTRODUCTION OF KISTOS HOLDINGS PLC AS THE NEW HOLDING COMPANY
OF THE KISTOS GROUP BY MEANS OF A MEMBERS' SCHEME OF ARRANGEMENT
UNDER PART 26 OF THE COMPANIES ACT 2006
AND
NOTICE OF COURT MEETING AND GENERAL MEETING**

The release, publication or distribution of this document and/or any accompanying documents in or into jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this document and any accompanying documents come should inform themselves about, and observe, any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws or regulations of such jurisdictions.

Meetings to consider the Proposals contained in this document are to be held on 14 December 2022 at the office of Orrick, Herrington & Sutcliffe (UK) LLP, 107 Cheapside, London EC2V 6DN, United Kingdom as set out at the end of this document. The Court Meeting will start at 10.30 a.m. on that date and the General Meeting will start at 10.50 a.m. (or to follow immediately after the Court Meeting has concluded).

Notices of the Meetings are set out in *Part VIII – Notice of Meetings* of this document.

The actions to be taken by the Shareholders in respect of the Meetings are set out in paragraph 15 of *Part II – Explanation of the Scheme and its Effects* of this document.

The Shareholders will find enclosed with this document a blue Form of Proxy for use in connection with the Court Meeting and a yellow Form of Proxy for use in connection with the General Meeting. Whether or not you intend to be present at the Meetings in person, please complete and sign both of the enclosed Forms of Proxy in accordance with the instructions printed on them and return them to the Registrar, Link Group, at PXS 1, Central Square, 29 Wellington Street, Leeds LS1 4DL, United Kingdom as soon as possible and, in any event, so as to be received by 10.30 a.m. in the case of the blue Form of Proxy (Court Meeting) and 10.50 a.m. in the case of the yellow Form of Proxy (General Meeting), both on 12 December 2022. Forms of Proxy returned by fax will not be accepted.

If the blue Form of Proxy for the Court Meeting is not returned by the above time, it may be handed to the Chair of the Court Meeting or to the Registrar, Link Group, immediately prior to the start of the Court Meeting. However, in the case of the General Meeting, unless the yellow Form of Proxy is returned by the time mentioned in the instructions printed on it, it will be invalid. The completion and return of the relevant Form of Proxy will not prevent you from attending and voting in person at the Court Meeting or the General Meeting or any adjournment thereof if you so wish and are so entitled.

The Shareholders who hold their Ordinary Shares through CREST and who wish to appoint a proxy or proxies for the Meetings or any adjournment(s) by using the CREST electronic proxy appointment service 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. Further details are set out in *Part VIII – Notice of Meetings* of this document.

The Kistos plc Ordinary Shares are admitted to trading on AIM. An application will be made to AIM for all of the Kistos Holdings plc Ordinary Shares to be admitted to trading on AIM. If the Scheme before the Court proceeds as presently envisaged, it is expected that dealings in Kistos plc Ordinary Shares will continue until close of business on 14 December 2022 and that Admission of Kistos Holdings plc Ordinary Shares will become effective, and that dealings in Kistos Holdings plc Ordinary Shares on AIM, at 8.00 a.m. on 22 December 2022. Kistos plc Ordinary Shares have neither been marketed to, nor are available for purchase or exchange, in whole or in part, by, the public in the United Kingdom or elsewhere in connection with the introduction of Scheme Shares to AIM.

This document is not a prospectus but a Shareholder circular and does not constitute an invitation or offer to sell or the solicitation of an invitation or offer to buy any security. None of the securities referred to in this document shall be sold, issued, subscribed for, purchased, exchanged or transferred in any jurisdiction in contravention of any applicable law.

Subject to the passing of Resolution 2(f) at the General Meeting, it is proposed that the admission to trading of Kistos plc Ordinary Shares on AIM be cancelled pursuant to the Delisting and an application will also be made for the Scheme Shares to be admitted to trading on AIM. It is expected that Admission of the Scheme Shares will become effective and that dealings of the Scheme Shares will commence on AIM at 8.00 a.m. on 22 December 2022 and would occur simultaneously with the Delisting becoming effective.

Your attention is drawn to the letter of recommendation from the Executive Chairman which is set out in *Part I – Letter from the Executive Chairman* of this document. Your attention is also drawn to *Part III – Risk Factors* of this document which sets out certain risks and other factors that should be considered by Shareholders when deciding what action to take in relation to the Resolutions. Notwithstanding this, you should read the entire document and any documents incorporated by reference.

Unless explicitly incorporated by reference herein, the contents of the websites of the any Group company do not form part of this document.

Some financial and other numerical information in this document has been rounded and, as a result, the numerical figures shown as totals in this document may vary slightly from the exact arithmetic aggregation of the figures that precede them. No statement in this document is intended as a profit forecast or a profit estimate and no statement in this document should be interpreted to mean that earnings per share for the current or future financial years would necessarily match or exceed the historical published earnings per share.

WHERE TO FIND HELP

Questions and answers about the Proposals are set out in the *Summary* set out on pages 6 to 9 of this document. If you have further questions, please call Link Group at +44(0)371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open from 9.00 a.m. to 5.30 p.m., Monday to Friday excluding public holidays in England & Wales. Please note that the helpline cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes. Please note that, for legal reasons the helpline is only able to provide information contained in this document and information relating to the register of members of the Company and is unable to give advice on the merits of the Proposals.

This document is dated 22 November 2022.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Item	Date and time
Latest time for receipt by the Registrar of the blue Form of Proxy from the Shareholders for the Court Meeting	10.30 a.m. on Monday 12 December 2022
Latest time for receipt by Company's Registrar of yellow Form of Proxy from the Shareholders for the General Meeting	10.50 a.m. on Monday 12 December 2022
Scheme Voting Record Time	Close of business on Monday 12 December 2022
Court Meeting	10.30 a.m. on Wednesday 14 December 2022
General Meeting	10.50 a.m. on Wednesday 14 December 2022
Results of General Meeting and Court Meeting announced through an RIS	Wednesday 14 December 2022
Scheme Sanction Hearing	Monday 19 December 2022
Last day of dealings in, and for registration of transfers of, Kistos plc Ordinary Shares	Wednesday 21 December 2022
Scheme Record Time	Close of business on Wednesday 21 December 2022
Scheme Effective Date	Thursday 22 December 2022
Scheme Effective Time	Immediately prior to 8.00 a.m. on Thursday 22 December 2022
Suspension of listing of, and dealings in, Kistos plc Ordinary Shares	8.00 a.m. on Thursday 22 December 2022
Delisting of Kistos plc Ordinary Shares	8.00 a.m. on Thursday 22 December 2022
Admission of, and dealings commence in, Kistos Holdings plc Ordinary Shares on AIM	8.00 a.m. on Thursday 22 December 2022
Crediting of Kistos Holdings plc Ordinary Shares to CREST accounts	As soon as is practical on Thursday 22 December 2022
Dispatch of share certificates for Kistos Holdings plc Ordinary Shares	By Thursday 3 January 2023

These times and dates are indicative only and will depend, *inter alia*, on the date on which the Court provides directions on the Scheme and sanctions the Scheme. In particular, certain Court dates are subject to confirmation by the Court. If the scheduled date of either or both of the Court Hearings is changed, the Company will give adequate notice of the change by issuing an announcement through an RIS or via the Company's website. Any changes to other times or dates indicated above may, in the Company's discretion, be notified in the same manner. All of the Kistos plc Shareholders have the right to attend the Court Hearings, but are encouraged to appoint a proxy, as described in *Part VIII – Notice of Meetings* of this document.

Notes:

- (1) Blue Forms of Proxy for the Court Meeting not returned by the time set out above may be handed to the Chair or the Registrar at the Court Meeting prior to the vote being taken.
- (2) To be valid, yellow Forms of Proxy for the General Meeting must be lodged by 10.50 a.m. on 7 December 2022.
- (3) If either the Court Meeting or the General Meeting is adjourned, the voting record time for the adjourned meeting will be close of business on the date falling two days before the adjourned meeting.
- (4) For further details of the time and location of the Scheme Sanction Hearing, the Shareholders and creditors may consult the Company's website. If it is a physical hearing, it will be held at the Rolls Building, 7 Rolls Buildings, Fetter Lane, London EC4A 1NL, United Kingdom. If it is a remote hearing, or a hybrid hearing, details of how to attend remotely will be published on the Company's website (<https://kistosplc.com/>) when they become available.

**DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE, ADVISERS,
SERVICE PROVIDERS AND WEBSITE OF THE COMPANY**

Directors	Andrew Philip Austin – <i>Executive Chairman</i> Peter George Mann – <i>Chief Executive Officer</i> Richard Slape – <i>Chief Financial Officer</i> Richard Alan Benmore – <i>Independent Non-Executive Director</i> Julie Barlow – <i>Independent Non-Executive Director</i> Alan Booth – <i>Senior Independent Non-Executive Director</i>
Company Secretary	OHS Secretaries Limited 9 th Floor 107 Cheapside London EC2V 6DN United Kingdom
Registered Office	2 nd Floor 3 St James' Square London SW1Y 4JU United Kingdom
Nominated Adviser	Panmure Gordon UK Limited One New Change London EC4M 9AF United Kingdom
Legal Adviser	Orrick, Herrington & Sutcliffe LLP 9 th Floor 107 Cheapside London EC2V 6DN United Kingdom
Auditor	BDO LLP 55 Baker Street London W1U 7EU United Kingdom
Registrar	Link Group PXS 1, Central Square 29 Wellington Street Leeds LS1 4DL United Kingdom
Company website	https://kistosplc.com/

From the Scheme Effective Date, the Directors, the Company Secretary, the Registered Office, the advisers, the service providers and the website of Kistos Holdings plc will reflect that of the Company set out above.

SUMMARY

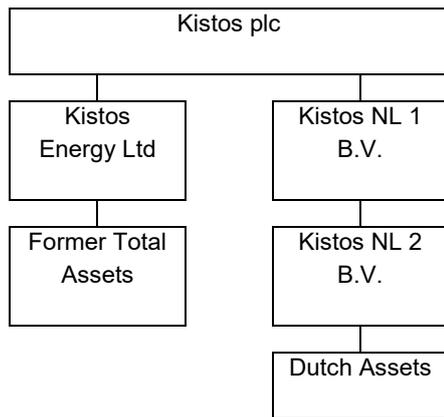
1. WHAT IS BEING PROPOSED?

- 1.1 It is proposed that Kistos Holdings plc be introduced as the new holding company for the Group, and that the Kistos Holdings plc Ordinary Shares be admitted to trading on AIM.
- 1.2 From the Scheme Effective Date, the Company and its operating subsidiaries will continue as the principal trading entities of the Group and will become subsidiaries of Kistos Holdings plc.
- 1.3 The reorganisation of the Group will be effected by way of a Scheme under Part 26 of the Companies Act 2006 before the Court.
- 1.4 Kistos plc Shareholders will receive, on a one-for-one basis and in the same percentages as they currently hold, Kistos Holdings plc Ordinary Shares.
- 1.5 Following the Scheme Effective Date, Kistos Holdings plc will own all of Kistos plc Ordinary Shares and the Shareholders will be issued with the same number and nominal value of Kistos Holdings plc Ordinary Shares, represented by a new share certificate (if the shares are held in certificated form) or having their shares credited to CREST (if the shares are held in non-certificated form in the CREST system). The Kistos Holdings plc Ordinary Shares will be admitted to trading on AIM on Admission, immediately following the Delisting of the Kistos plc Ordinary Shares from AIM.
- 1.6 Admission and Delisting will occur on the same day as the Scheme Effective Date.

Current structure

82,863,743 Kistos plc Ordinary Shares of nominal value 10p each

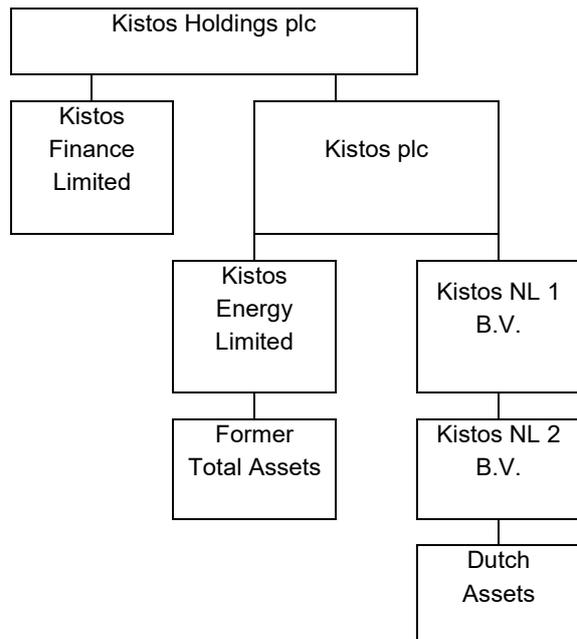
Current structure



Proposed structure

82,863,743 Kistos Holdings plc Ordinary Shares of nominal value 10 pence each

Proposed structure



1.7 There will be no direct impact on the Group's operations caused by the Scheme. The Company will continue to operate as an independent UK-based company that creates value for investors through the acquisition and management of businesses in the energy sector. The Company will become a direct subsidiary of Kistos Holdings plc. As such, the operations of the Group will be carried out in a subsidiary distinct from the holding company (see current and proposed structure charts in paragraph 1.6 of this *Summary*).

1.8 As part of the reorganisation of the Group being carried out in parallel to the Scheme (but separate from the Scheme), a new financing company, Kistos Finance Limited, will be incorporated to act as a special purpose funding vehicle for the operating companies of the Group. The introduction of this subsidiary into the Group will not have any impact on the Scheme or the Kistos Holdings plc Ordinary Shares to be issued to Shareholders as part of the Scheme.

2. WHY IS THE COMPANY PROPOSING THE SCHEME?

2.1 The Scheme is being undertaken to replace the vertical Group structure with a conventional holding company Group structure that will better facilitate the future development of the Group's various activities. The proposed change will create a more usual corporate group structure for this type of business.

2.2 The Group has four primary focus areas: (1) the identification and exploration of oil and natural gas fields, primarily in North-West Europe, through acquisition or exploration; (2) the drilling of appraisal wells to assess the viability of oil and natural gas discoveries, and the development of infrastructure and assets needed for viable commercial production; (3) the progression of development assets into oil and gas production from our operated licences in a safe, responsible and sustainable manner; and (4) the production of natural gas from the Q-10 A field via a third-party platform for onward transport to shore where it is sold. The gas produced by the Company is primarily used by industrial and other commercial companies, utility and other power generation businesses and by residential customers, and its primary customers are wholesale gas buyers – typically utility or other large energy companies.

2.3 The Company will continue to operate within its existing regulatory permissions and will engage in oil and gas exploration, development and production through its pre-existing unincorporated joint arrangements or joint operating agreements. The Group's high standards of corporate governance and oversight, with the necessary supporting committee structures, will be maintained within Kistos plc, and reflected within Kistos Holdings plc, to ensure that the interests of the Group's customers and Shareholders continue to be considered, with full adherence to the Group's joint venture partners, suppliers, customers obligations and permissions.

2.4 Kistos plc will operate as a standalone trading entity, fully in line with all applicable accounting practices, viability tests, operating costs and liabilities.

3. WHY IS THE COMPANY USING A SCHEME?

3.1 The Scheme is a formal procedure under the Companies Act 2006 which is commonly used to carry out corporate reorganisations.

3.2 The Scheme requires the approval of the Kistos plc Shareholders and the Court.

3.3 If approved by the requisite majority of the Kistos plc Shareholders, all of the Kistos plc Shareholders will be bound by the Scheme regardless of whether or how they voted.

4. DO SHAREHOLDERS HAVE TO PAY ANYTHING UNDER THE SCHEME?

4.1 No. All Kistos Holdings plc Ordinary Shares being issued as part of the Scheme are being issued to the Kistos plc Shareholders on a one-for-one basis in consideration for the transfer of their existing Scheme Shares.

4.2 No payment is required from, and no payment will be owed to, the Kistos plc Shareholders.

5. WILL THERE BE ANY CHANGE TO THE VALUE OF SHAREHOLDINGS?

5.1 Subject to normal market fluctuations, there is no reason to believe that the market price of each Kistos plc Ordinary Share following the Scheme Effective Date will be different to the market price that each share would have been, had Kistos Holdings plc not been introduced as the new holding company of the Group.

5.2 The percentage of holding the Kistos plc Shareholders will receive in Kistos Holdings plc will remain the same as their current percentage of shareholding in the Company immediately prior to the Scheme Effective Date, with no dilution.

6. DO SHAREHOLDERS NEED TO VOTE?

6.1 Members of the Company listed on the register of members are encouraged to appoint a proxy (a person appointed on their behalf to attend and vote at meetings) to vote at the Court Meeting and the General Meeting.

6.2 The Company suggests that the Chair of each of the Meetings, who is expected to be Andrew Austin, be appointed as proxy to vote on behalf of each Kistos plc Shareholder at the Court Meeting and the General Meeting. Members are, however, able to attend and vote at the Court Meeting and the General Meeting in person, and without appointing a proxy.

6.3 If you intend to attend the Court Meeting and/or the General Meeting in person, the Company asks that Shareholders confirm to the Company by email to info@kistosplc.com whether they will be attending the Court Meeting and the General Meeting in person.

7. HOW DO SHAREHOLDERS APPOINT A PROXY?

7.1 A Shareholder may appoint a proxy by completing the blue Form of Proxy, in relation to the Court Meeting, and the yellow Form of Proxy, in relation to the General Meeting, and returning them in accordance with the instructions set out on the relevant Form of Proxy, or by electronic appointment.

7.2 Further details of proxy appointment are set out in *Part VIII – Notice of Meetings* of this document.

8. HOW CAN A SHAREHOLDER VOTE?

8.1 A Shareholder can vote in person at the meetings or can complete, sign and return the relevant Form(s) of Proxy. Kistos plc Shareholders are encouraged to appoint the Chair of the Meetings as their proxy for the Court Meeting and General Meeting. However, Kistos plc Shareholders are entitled to appoint their own proxies.

8.2 A shareholder can also register a proxy appointment and give voting instructions online via the Registrar of the Company, Link Group, at <https://www.signalshares.com/> subject to the terms and conditions shown on the website, further details of which are set out in *Part VIII – Notice of Meetings* of this document.

9. WHAT DOES A SHAREHOLDER DO WITH THEIR OLD SHARE CERTIFICATES?

9.1 Upon the Scheme Effective Date, holdings of Scheme Shares will be cancelled and Shareholders will be issued with an equivalent number and value of shares of Kistos Holdings plc Ordinary Shares. Kistos plc share certificates will cease to be valid on the Scheme Effective Date.

9.2 Upon receipt of the new share certificates in the Kistos Holdings plc Ordinary Shares, Shareholders should destroy share certificates in the Kistos plc Ordinary Shares.

10. WHEN WILL SHAREHOLDERS RECEIVE NEW SHARE CERTIFICATE(S)?

10.1 It is expected that share certificates for the Kistos Holdings plc Ordinary Shares will be despatched by 3 January 2023 to the registered addresses of Shareholders by standard first-class post. These are important documents and should be retained in a safe place.

10.2 If Shareholders have not received new share certificates by 5 January 2023, then they should contact the Registrar, Link Group; further details of which are set out in *Part VIII – Notice of Meetings* of this document.

11. WHAT IF SHAREHOLDERS STILL HAVE QUESTIONS?

11.1 If Shareholders have any further questions, then they should contact the Company via email at info@kistosplc.com or telephone on +44 (0)20 4531 2800.

11.2 For legal reasons, the Company will only be able to provide practical information and will not provide advice on the merits of the Scheme or give any financial, legal or taxation advice. For financial, legal or taxation advice, Shareholders are advised to consult an independent financial or legal adviser.

PART I
LETTER FROM THE EXECUTIVE CHAIRMAN

22 November 2022

Dear Shareholders:

Recommended Proposals in respect of the introduction of Kistos Holdings plc as the new holding company of the Group, the admission to trading on AIM of the Kistos Holdings plc Ordinary Shares and related matters

1. INTRODUCTION

- 1.1 On 22 November 2022, Kistos plc announced its intention to put in place a new holding company of the Group, being Kistos Holdings plc, and that the Kistos Holdings plc Ordinary Shares be admitted to trading on AIM. It is intended that this new corporate structure will be implemented by means of a Scheme under Part 26 of the Companies Act 2006. It is also intended that on the Scheme Effective Date the board of directors of Kistos Holdings plc shall be the same as the current Board.
- 1.2 We have prepared a *Summary* on pages 6 to 9 of this document to help you understand what is involved. Further detail regarding the Scheme is also contained in *Part II – Explanation of the Scheme and its Effects* of this document. You should nevertheless read the whole of this document and not rely solely on the *Summary* of this document.
- 1.3 The purpose of this letter is to explain why the Board considers the Proposals to be in the best interests of the Group and Kistos plc Shareholders.
- 1.4 Your Board is unanimously recommending that you vote in favour of the Proposals.
- 1.5 A summary of the action recommended to be taken is set out on page 12 of this document and in the Forms of Proxy accompanying this document.

2. REASONS FOR THE PROPOSALS

- 2.1 The Board believes that the Proposals, which provide for the introduction of an additional new AIM holding company for the Group which will be effected by way of the Scheme are the most effective and appropriate way to structure the Group and, ultimately, to restructure the Group's debt facilities on a more efficient basis.
- 2.2 The Scheme is being undertaken to create a more usual corporate group structure for this type of business.
- 2.3 Following the Scheme the Group will maintain a non-operational holding entity, Kistos Holdings plc, at the top of the Group, which will perform the role of being a pure holding company and a provider of working capital to the Group companies.
- 2.4 At present the Group's principal debt facilities are in place at operating subsidiary level in the Netherlands which is no longer optimal in the context of recent acquisitions in the UK an operating business.
- 2.5 The Group has four primary focus areas: (1) the identification and exploration of oil and natural gas fields, primarily in North-West Europe, through acquisition or exploration; (2) the drilling of appraisal wells to assess the viability of oil and natural gas discoveries, and the development of infrastructure and assets needed for viable commercial production; (3) the progression of development assets into oil and gas production from our operated licences in a safe, responsible and sustainable manner; and (4) the production of natural gas from the Q-10 A field via a third-party platform for onward transport to shore where it is sold. The gas produced by the Company is primarily used by industrial and other commercial

companies, utility and other power generation businesses and by residential customers, and its primary customers are wholesale gas buyers – typically utility or other large energy companies. The Company will become a direct subsidiary of Kistos Holdings plc. As such, the operations of the Group will be carried out in subsidiaries distinct from the holding company (see current and proposed structure chart in paragraph 1.6 of the *Summary* of this document).

- 2.6 The Company will continue to operate within its existing regulatory permissions and will engage in oil and gas exploration, development and production through its pre-existing unincorporated joint arrangements. The Group's high standards of governance and oversight, with the necessary supporting committee structures, will be maintained within Kistos plc, and reflected within Kistos Holdings plc, to ensure that the interests of the Group's joint venture partners, suppliers, customers and Shareholders continue to be considered, with full adherence to the Group's regulatory obligations and permissions.

3. EFFECTS OF THE SCHEME

- 3.1 The effects of implementing the Scheme will be as follows:

- (a) instead of owning Kistos plc Ordinary Shares, each Kistos plc Shareholder will own the same number of Kistos Holdings plc Ordinary Shares (with the exception of Kistos Holdings plc Subscriber Shareholder who will be issued 50,000 less Kistos Holdings plc Ordinary Shares as a result of their ownership of the Kistos Holdings plc Subscriber Shares before the Scheme Effective Date);
- (b) Kistos Holdings plc will issue the same number of New Shares to Kistos plc Shareholders as are transferred to Kistos Holdings plc as part of the Scheme;
- (c) Kistos Holdings plc will become the new holding company of the Group; and
- (d) instead of having Kistos plc Ordinary Shares owed by the Kistos plc Shareholders, Kistos plc will become a wholly-owned subsidiary of Kistos Holdings plc.

- 3.2 Following the Scheme Effective Date, any future issues of Kistos Holdings plc Ordinary Shares shall be by Kistos Holdings plc as determined by its board of directors, in accordance with the Kistos Holdings plc Articles and corporate authorities.

4. ADMISSION

- 4.1 It is expected that the Kistos Holdings plc Ordinary Shares will be admitted to trading, and dealings in Kistos Holdings plc Ordinary Shares, on AIM will commence at 8.00 a.m. on 22 December 2022.

- 4.2 Concurrently, it is expected that Kistos plc Ordinary Shares will be delisted from AIM.

5. ACTION TO BE TAKEN

- 5.1 The Scheme is conditional upon the matters which are set out in full in paragraph 5 of *Part II – Explanation of the Scheme and its Effects* of this document, and include approval by the Scheme Shareholders of the Scheme at the Court Meeting and of the Resolutions at the General Meeting.

- 5.2 Further details of the Meetings are contained in *Part VIII – Notice of Meetings* of this document, including notices convening each of the Meetings and the action to be taken by Scheme Shareholders.

- 5.3 In order that the Court can be satisfied that the votes cast fairly represent the views of Scheme Shareholders, it is important that as many votes as possible are cast at the Court Meeting by Scheme Shareholders who are listed on the register of members. If you hold your Kistos plc Ordinary Shares through a nominee, the nominee who is listed on the register of members of the Company will be entitled to vote. Scheme Shareholders, as are listed on the register of members, are therefore urged to either

appoint the Chair of the Court Meeting or another person as a proxy or to attend the Court Meeting in person or by proxy, further details of which are set out in *Part VIII – Notice of Meetings* of this document.

- 5.4 If you have any questions about this document, the Scheme, the Court Meeting, the General Meeting or the Proposals or are in any doubt as to how to complete the Forms of Proxy or the voting instruction cards or appoint a proxy electronically, please call the Company shareholder helpline on +44(0) 371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. We are open 9.00 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England & Wales. Please note that calls may be monitored or recorded and the helpline cannot provide financial, legal or tax advice or advice on the merits of the Proposals.

6. RECOMMENDATION

- 6.1 The Board has considered the Proposals and unanimously believes the Proposals and their terms to be in the best interests of the Company and the Kistos plc Shareholders as a whole.
- 6.2 Accordingly, the Board unanimously recommends the Scheme Shareholders to, or instruct their nominees or proxies to, vote in favour of the Proposals at the Court Meeting and the General Meeting, as the Directors intend to do in respect of their own shareholdings totalling 16,903,226 Scheme Shares (representing approximately 20.58% of the issued ordinary share capital of the Company) as at 21 November 2022 (being the latest practicable date prior to publication of this document).

Yours sincerely,

Andrew Austin
Executive Chairman

PART II
EXPLANATION OF THE SCHEME AND ITS EFFECTS

(Explanatory statement in compliance with section 897 of the Companies Act 2006)

Dear Shareholder:

Kistos plc – Recommended Proposals in respect of the introduction of a new holding company, the admission to trading on AIM of the Kistos Holdings plc Ordinary Shares and related matters

1. INTRODUCTION

- 1.1 On 22 November 2022, Kistos plc announced its intention to implement a corporate reorganisation pursuant to which it is proposed that a new holding company be introduced for the Group. The new company, Kistos Holdings plc, is a newly incorporated public limited company registered in England & Wales. It is intended that this new corporate structure will be implemented by means of a members' scheme of arrangement under Part 26 of the Companies Act 2006.
- 1.2 As set out in further detail in paragraph 5 below, the Scheme is subject to various conditions, including the approval of Scheme Shareholders and the Court. If these conditions are satisfied and the Scheme is approved and implemented in full, Kistos Holdings plc will own the entire issued share capital of Kistos plc.
- 1.3 Your attention is drawn to the letter from the Executive Chairman of Kistos plc set out in *Part I – Letter from the Executive Chairman* of this document, which forms part of this Explanatory Statement, as does the *Summary* set out on pages 6 to 9 of this document. That letter from the Executive Chairman of Kistos plc, *inter alia*, outlines the reasons for the Proposals and contains the unanimous recommendation by the Board to Scheme Shareholders to vote in favour of the Proposals at the Meetings. The Directors intend to, or intend to instruct their nominees to, vote their own shareholdings of Scheme Shares, totalling 16,903,226 Scheme Shares (representing approximately 20.58% of Kistos plc's issued ordinary share capital as at 21 November 2022 (being the latest practicable date prior to publication of this document)), in favour of the Proposals at the Meetings.
- 1.4 That letter also states that the Board considers the Proposals and their terms to be in the best interests of Kistos plc and Kistos plc Shareholders as a whole.
- 1.5 It is expected that, if the conditions to the Scheme have been satisfied, the Scheme will become effective and trading in the Kistos Holdings plc Ordinary Shares will commence on AIM on 22 December 2022.

2. BACKGROUND TO AND REASONS FOR THE PROPOSALS

- 2.1 The Board believes that the Proposals, which provide for the introduction of an additional new, AIM holding company for the Group which will be effected through the Scheme, are the most effective way to structure the Group and, ultimately, restructure the Group's debt facilities on a more efficient basis.
- 2.2 The Scheme is being undertaken to facilitate a more usual corporate group structure for this type of business.
- 2.3 Following the Scheme the Group will maintain a non-operational holding entity, Kistos Holdings plc, at the top of the Group, which will perform the role of being a pure holding company and a provider of working capital to the Group companies.
- 2.4 At present the Group's principal debt facilities are in place at operating subsidiary level in the Netherlands which is no longer optimal in the context of recent acquisitions in the UK an operating business.

- 2.5 The Group has four primary focus areas: (1) the identification and exploration of oil and natural gas fields, primarily in North-West Europe, through acquisition or exploration; (2) the drilling of appraisal wells to assess the viability of oil and natural gas discoveries, and the development of infrastructure and assets needed for viable commercial production; (3) the progression of development assets into oil and gas production from our operated licences in a safe, responsible and sustainable manner; and (4) the production of natural gas from the Q-10 A field via a third-party platform for onward transport to shore where it is sold. The gas produced by the Company is primarily used by industrial and other commercial companies, utility and other power generation businesses and by residential customers, and its primary customers are wholesale gas buyers – typically utility or other large energy companies. The Company will become a direct subsidiary of Kistos Holdings plc. As such, the operations of the Group will be carried out in subsidiaries distinct from the holding company (see current and proposed structure chart on page 6 of this document).
- 2.6 The Company will continue to operate within its existing regulatory permissions and will engage in oil and gas exploration, development and production through its pre-existing unincorporated joint arrangements. The Group's high standards of corporate governance and oversight, with the necessary supporting committee structures, will be maintained within Kistos plc, and reflected within Kistos Holdings plc, to ensure that the interests of the Group's joint venture partners, suppliers, customers and Shareholders continue to be considered, with full adherence to the Group's regulatory obligations and permissions

3. EFFECTS OF THE SCHEME

- 3.1 The effects of implementing the Scheme will be as follows:
- (a) instead of owning Kistos plc Ordinary Shares, each Kistos plc Shareholder will own the same number of Kistos Holdings plc Ordinary Shares (with the exception of Kistos Holdings plc Subscriber Shareholders who will be issued 50,000 less Kistos Holdings plc Ordinary Shares as a result of their ownership of the 50,000 Kistos Holdings plc Subscriber Shares before the Scheme Effective Date);
 - (b) Kistos Holdings plc will become the new holding company of the Group; and
 - (c) instead of having Kistos plc Ordinary Shares owned by the Kistos plc Shareholders, Kistos plc will become a wholly-owned subsidiary of Kistos Holdings plc.
- 3.2 Following the Scheme Effective Date, any future issues of shares in Kistos Holdings plc shall be by Kistos Holdings plc as determined by its board of directors.

4. SUMMARY OF THE SCHEME

- 4.1 The principal steps involved in the Scheme are as follows:
- (a) ***Transfer of Scheme Shares***
 - (i) All of the Scheme Shares will be transferred on the Scheme Effective Date (which is expected to be 22 December 2022).
 - (ii) In consideration for the transfer of the Scheme Shares, the Scheme Shareholders will receive, in respect of any Scheme Shares held as at the Scheme Record Time for each one Scheme Share transferred one Kistos Holdings plc Ordinary Share (with the exception of Kistos Holdings plc Subscriber Shareholder who will be issued 50,000 less Kistos Holdings plc Ordinary Shares as a result of their ownership of the Kistos Holdings plc Subscriber Shares before the Scheme Effective Date).

- (iii) From the Scheme Effective Time, the rights attaching to the Kistos Holdings plc Ordinary Shares will be substantially the same as those attaching to Kistos plc Ordinary Shares.

(b) ***Establishing Kistos Holdings plc as the new holding company of the Group***

- (i) The Scheme Shares will be transferred to Kistos Holdings plc which will, as a result, become the new holding company of Kistos plc.
- (ii) Immediately upon the transfer of the Scheme Shares, Kistos Holdings plc will allot and issue, credited as fully paid, to the Scheme Shareholders, such number of Kistos Holdings plc Ordinary Shares as shall be equal to the number (and aggregate nominal value) of the Scheme Shares acquired by Kistos Holdings plc.

(c) ***Amendments to Kistos plc Articles***

The following amendments shall be made to the articles of association of Kistos plc as an addition at Article 157, to avoid any future ordinary shares being issued in Kistos plc where they should be issued in Kistos Holdings plc as part of the employee share schemes:

"Shares not otherwise subject to the Scheme

Notwithstanding any other provision of these Articles, if the Company issues any shares on or after the date of adoption of this Article 157 and at or prior to the Scheme Record Time (as defined in the Scheme of Arrangement Circular), such shares shall be issued subject to the terms of the Scheme of Arrangement (and shall be scheme shares for the purposes of the Scheme) and the holder or holders of such shares shall be bound by the Scheme of Arrangement accordingly:

- (A) If any shares in the Company are allotted and issued to any person other than Kistos Holdings plc and/or its nominee or nominees (a "***New Member***") after the Scheme Record Time, they will immediately be transferred to Kistos Holdings plc and/or its nominee or nominees in consideration of and conditional on the issue or transfer to the New Member of one Kistos Holdings plc Ordinary Share for every one share in the Company so transferred. The Kistos Holdings plc Ordinary Shares issued or transferred pursuant to this Article 157 to the New Member will be credited as fully paid and will rank equally in all respects with all Kistos Holdings plc Ordinary Shares in issue at the time and be subject to the memorandum and articles of association of Kistos Holdings plc.
- (B) The number of Kistos Holdings plc Ordinary Shares to be issued or transferred to the New Member under this Article 157 may be adjusted by the directors in such manner as the auditors of the Company may determine on any reorganisation or material alteration of the share capital of either the Company or of Kistos Holdings plc or any other return of value to holders of Kistos Holdings plc Ordinary Shares, provided always that any fractions of Kistos Holdings plc Ordinary Shares shall be disregarded and shall be aggregated and sold for the benefit of Kistos Holdings plc.
- (C) In order to give effect to any such transfer required by this Article 157, the Company may appoint any person to execute and deliver a form of transfer on behalf of the New Member in favour of Kistos Holdings plc and/or its nominee or nominees and to agree for and on behalf of the New Member to become a member of Kistos Holdings plc. Pending the registration of Kistos Holdings plc as holder of any share to be transferred pursuant to this Article 157, Kistos

Holdings plc shall be empowered to appoint a person nominated by the directors to act as agent and/or irrevocable appointee on behalf of any holder of such share in accordance with such directions as Kistos Holdings plc may give in relation to any dealings with or disposal of such share (or any interest therein), exercising any rights attached thereto or receiving any distribution or other benefit accruing or payable in respect thereof and any holder of such share shall exercise all rights attached thereto in accordance with the directions of Kistos Holdings plc but not otherwise.

- (D) If the Scheme of Arrangement shall not have become effective by the applicable date referred to in (or otherwise set in accordance with) the Scheme of Arrangement Circular, this Article 157 shall cease to be of any effect."

5. CONDITIONS TO IMPLEMENTATION OF THE SCHEME

5.1 The implementation of the Scheme is conditional upon:

- (a) the approval of the Scheme by a majority in number, and at least 75% in value of the Scheme Shares held by Scheme Shareholders present and voting, either in person or by proxy, at the Court Meeting (or at any adjournment of such meeting);
- (b) the passing of the Resolutions set out in the notice of the General Meeting (contained in *Part VIII – Notice of Meetings* of this document) to approve the Scheme and various matters in connection with the Scheme which steps include: (A) transfer of the Scheme Shares; (B) the issue and allotment of the Kistos Holdings plc Ordinary Shares; (C) changes to the Company's Articles; and (D) Delisting;
- (c) the sanction of the Scheme by the Court at the Scheme Sanction Hearing;
- (d) a copy of the Scheme Sanction Order having been delivered to the Registrar of Companies for registration;
- (e) the regulatory approval by the UK North Sea Transition Authority of Kistos Holdings plc becoming a controller of the Group; and
- (f) permission having been granted by AIM for Delisting and Admission (subject to the allotment of the Kistos Holdings plc Ordinary Shares and satisfaction of conditions 5.1(a) to 5.1(e) above, save to the extent such conditions are already satisfied) the Kistos Holdings plc Ordinary Shares to be issued in connection with the Scheme to AIM.

5.2 The Directors will not take the necessary steps to implement the Scheme unless the above conditions have been satisfied (or waived to the extent permitted by law) and, at the relevant time, they consider that it continues to be in Kistos plc's best interests and that of the Kistos plc Shareholders that the Scheme should be implemented.

5.3 The Scheme Sanction Hearing is expected to be held on or around 12 December 2022. The Company will keep Scheme Shareholders and creditors, if any, informed in relation to the date or place of the Scheme Sanction Hearing via the Company's website or RIS.

5.4 The Scheme contains a provision for Kistos plc and Kistos Holdings plc jointly to consent, on behalf of all persons concerned, to any modification of or additions to the Scheme, or to any condition that the Court may think fit to approve or impose. Kistos plc has been advised by its legal advisers that the Court would be unlikely to approve or impose any modification of, or addition or condition to, the Scheme which might be material to the interests of Scheme Shareholders unless Scheme Shareholders were informed of any such modification, addition or condition. It will be a matter for the Court to decide, in its discretion, whether or not further meetings of Scheme Shareholders should be held. If the Court does approve or impose a

modification of, or addition or condition to, the Scheme which, in the opinion of the Directors, is such as to require the consent of the Scheme Shareholders, the Directors will not take the necessary steps to enable the Scheme to become effective unless and until such consent is obtained. No amendment shall be capable of being made to the Scheme once it has taken effect.

5.5 If the Scheme is sanctioned by the Court and the other conditions to the Scheme are satisfied (or waived so far as is legally permissible), the Scheme is expected to become effective, and dealings in Kistos Holdings plc Ordinary Shares to be issued pursuant to the Scheme are expected to commence, on 22 December 2022.

5.6 If the Scheme has not become effective by 31 January 2023 (or such later date as Kistos plc and Kistos Holdings plc agree and the Court allows), it will lapse, in which event the Scheme will not proceed, there will not be a new holding company of the Group, the Scheme Shareholders will remain shareholders of Kistos plc, Kistos plc Ordinary Shares will continue to be admitted to trading on AIM and the Kistos Holdings plc Ordinary Shares will not be admitted to trading on AIM.

5.7 The full text of the Scheme and of the Resolutions to be proposed at the Court Meeting and the General Meeting are set out in *Part VI – Scheme of Arrangement* and *Part VIII – Notice of Meetings* of this document.

6. TAXATION

6.1 Your attention is drawn to paragraph 16 of *Part V – Additional Information* of this document for further information about the UK taxation consequences of the Scheme.

6.2 **No information is given in paragraph 16 of *Part V – Additional Information* of this document regarding the taxation consequences of the Scheme for Shareholders not resident in the UK. Shareholders who are in any doubt about their tax position are strongly advised to contact an appropriate professional, independent adviser immediately.**

7. ARTICLES OF ASSOCIATION OF KISTOS HOLDINGS PLC

7.1 The Kistos Holdings plc Articles are substantively the same as the amended Kistos plc Articles proposed to be adopted at the General Meeting, with the exception of one amendment to the Kistos plc Articles (new Article 157 – as set out in paragraph 4.1(c) above of this *Part II – Explanation of the Scheme and its Effects*) which provides for any shares issued by Kistos plc after the adoption of the articles but before the Scheme Record Time, shall be Scheme Shares.

7.2 Article 157 also provides that any shares issued by Kistos plc after the Scheme Record Time to any person other than Kistos Holdings plc or its nominee shall be acquired by Kistos Holdings plc on the same basis as under the Scheme. Article 157 will ensure that no person other than Kistos Holdings plc or its nominee will be left with Kistos plc shares after it delists from AIM.

8. DIRECTORS' AND OTHER INTERESTS

8.1 As at 21 November 2022 (being the latest practicable date before the publication of this document), the Directors are:

- (a) Andrew Philip Austin;
- (b) Peter George Mann;
- (c) Richard Slape;
- (d) Richard Alan Benmore;

(e) Julie Barlow; and

(f) Alan Booth;

8.2 Details of the current interests of the Directors in, and options and awards relating to, Kistos plc Ordinary Shares are set out in paragraph 7 of *Part V – Additional Information* of this document.

8.3 Details of the Directors' service contracts and the terms of their appointment are set out in paragraph 9 of *Part V – Additional Information* of this document.

8.4 The effect of the Scheme on the interests of the Directors is set out in paragraph 7 of *Part V – Additional Information* of this document. Save as described above, the effect of the Scheme on the interests of the Directors does not differ from its effect on the like interests of other persons.

9. CREST

9.1 It is proposed that the Kistos Holdings plc Ordinary Shares be made eligible for settlement in CREST and trading on AIM.

9.2 Euroclear requires Kistos Holdings plc to confirm to it that certain conditions imposed by the CREST Regulations are satisfied before Euroclear will admit any security to CREST. It is expected that these conditions will be satisfied in respect of the Kistos Holdings plc Ordinary Shares on Admission.

9.3 As soon as practicable after satisfaction of the conditions to the Scheme, it is expected that Kistos Holdings plc will confirm this to Euroclear.

9.4 Information on listing, dealings, share certificates and settlement in respect of Kistos Holdings plc Ordinary Shares is set out in paragraph 11 of *Part II – Explanation of the Scheme and its Effects* of this document.

10. OVERSEAS SHAREHOLDERS

10.1 The implications of the Scheme for, and the distribution of this document to, Overseas Shareholders may be affected by the laws of the relevant jurisdictions. Overseas Shareholders should inform themselves about and observe all applicable legal requirements.

10.2 It is the responsibility of any person into whose possession this document comes to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection with the Scheme and the distribution of this document and/or the accompanying documents, including the obtaining of any governmental, exchange control or other consents which may be required and/or compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes or levies due in such jurisdiction.

10.3 If, in respect of any Overseas Shareholder, Kistos Holdings plc is advised that the allotment and issue of Kistos Holdings plc Ordinary Shares would or might infringe the laws of any jurisdiction outside the United Kingdom, or would or might require Kistos Holdings plc to obtain any governmental or other consent or effect any registration, filing or other formality with which, in the opinion of Kistos Holdings plc, it would be unable to comply or which it regards as unduly onerous, the Scheme provides that Kistos Holdings plc may determine that the Kistos Holdings plc Ordinary Shares shall be issued to such shareholder and then sold on their behalf as soon as reasonably practicable at the best price which can reasonably be obtained at the time of sale, with the net proceeds of sale being remitted to the Overseas Shareholder at the risk of such shareholder. Alternatively, Kistos Holdings plc may determine that no Kistos Holdings plc Ordinary Shares shall be allotted and issued to that Overseas Shareholder but instead those Kistos Holdings plc Ordinary Shares shall be allotted and issued to a nominee appointed by Kistos Holdings plc as trustee for such Overseas Shareholder, on terms that they shall be sold on behalf of such Overseas Shareholder as soon as reasonably practicable after the Scheme becomes effective, with the net proceeds of sale being remitted to the Overseas Shareholder concerned at the risk of such Overseas Shareholder.

THIS DOCUMENT DOES NOT CONSTITUTE AN INVITATION OR OFFER TO SELL OR THE SOLICITATION OF AN INVITATION OR OFFER TO BUY ANY SECURITY. NONE OF THE SECURITIES REFERRED TO IN THIS DOCUMENT SHALL BE SOLD, ISSUED, SUBSCRIBED FOR, PURCHASED, EXCHANGED OR TRANSFERRED IN ANY JURISDICTION IN CONTRAVENTION OF APPLICABLE LAW.

11. LISTING, DEALINGS, SHARE CERTIFICATES AND SETTLEMENT

- 11.1 Application will be made to AIM for all of the Kistos Holdings plc Ordinary Shares to be admitted to trading on AIM.
- 11.2 If all of the conditions to the Scheme are satisfied, Kistos plc intends to seek Delisting of Kistos plc Ordinary Shares from AIM. The last day of dealings in Kistos plc Ordinary Shares is expected to be 21 December 2022.
- 11.3 It is expected that, at 8.00 a.m. on 22 December 2022, the Kistos Holdings plc Ordinary Shares will be issued, their Admission will become effective and that dealings in them will commence.
- 11.4 These dates may be deferred if it is necessary to adjourn any meeting required to approve the arrangements described in this document or if there is any delay in obtaining the Court's sanction of the Scheme. In the event of a delay, the application for Kistos plc Ordinary Shares to be delisted will be deferred, so that the listing will not be cancelled until immediately after the Scheme Effective Date.
- 11.5 With effect from (and including) the Scheme Effective Date, all share certificates representing the Scheme Shares will cease to be valid and binding in respect of such holdings and should be destroyed.
- 11.6 Kistos Holdings plc Ordinary Shares can be held in Certificated or Uncertificated form. Definitive share certificates for the Kistos Holdings plc Ordinary Shares of Kistos plc Shareholders who held their Kistos plc Ordinary Shares in Certificated form are expected to be dispatched by 3 January 2023. In the case of joint holders, share certificates will be dispatched to the joint holder whose name appears first in the register. All share certificates will be sent by pre-paid first-class post at the risk of the person entitled thereto. Pending the dispatch of such certificates, transfers of Kistos Holdings plc Ordinary Shares in Certificated form will be certified against the register of Kistos Holdings plc. Temporary documents of title have not been, and will not be, issued in respect of such Kistos Holdings plc Ordinary Shares.
- 11.7 Kistos plc Ordinary Shares held in Uncertificated form will be disabled in CREST on the Scheme Effective Date. For Kistos plc Shareholders who hold their Kistos plc Ordinary Shares in a CREST account, Kistos Holdings plc Ordinary Shares are expected to be credited to the relevant CREST member account on 22 December 2022. CREST is a paperless settlement system enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. The Kistos Holdings plc Articles permit the holding of Kistos Holdings plc Ordinary Shares under the CREST system.
- 11.8 Application will be made for the Kistos Holdings plc Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in Kistos Holdings plc Ordinary Shares following Admission may take place within the CREST system. CREST is a voluntary system and holders of Kistos Holdings plc Ordinary Shares who wish to receive and retain share certificates will be able to remove their Kistos Holdings plc Ordinary Shares from the CREST system following the Scheme Effective Date.
- 11.9 Kistos Holdings plc will have the right to issue Kistos Holdings plc Ordinary Shares to all shareholders in Certificated form if, for any reason, it wishes to do so.
- 11.10 All instructions, mandates, elections and communication preferences in force on the Scheme Effective Date relating to notices and other communications will, unless and until varied or revoked, be deemed from the Scheme Effective Date to be valid and effective mandates or instructions to Kistos Holdings plc in relation to the corresponding holding of Kistos Holdings plc Ordinary Shares.

- 11.11 All documents, certificates, cheques or other communications sent by, to, from or on behalf of Scheme Shareholders, or as such persons shall direct, will be sent entirely at their own risk.

12. MEETINGS AND CONSENTS FOR IMPLEMENTATION OF THE SCHEME

- 12.1 The Scheme will require the approval of the Scheme Shareholders at the Court Meeting, convened pursuant to an order of the Court and the passing by Scheme Shareholders of the Resolutions set out in the notice of the General Meeting. Both of the Meetings have been convened for 14 December 2022 and will be held at the offices of Orrick, Herrington & Sutcliffe (UK) LLP, 107 Cheapside, London ECV 6DN. The Scheme also requires a separate sanction from the Court.
- 12.2 Notices of the Court Meeting and the General Meeting are contained in *Part VIII – Notice of Meetings* of this document.
- 12.3 Entitlement to attend and vote at the Meetings and the number of votes which may be cast thereat will be determined by reference to the register of members of Kistos plc at the Scheme Voting Record Time. All Scheme Shareholders whose names appear on the register of members of Kistos plc at the Scheme Voting Record Time, shall be entitled to attend and speak and vote at the relevant Meeting in respect of the number of Scheme Shares registered in their name at that time.

Court Meeting

- 12.4 The Court Meeting has been convened for 10.30 a.m. on 14 December 2022 pursuant to an order of the Court. At the Court Meeting, or at any adjournment thereof, the Scheme Shareholders will consider and, if thought fit, approve the Scheme.
- 12.5 Voting at the Court Meeting will be by poll and not on a show of hands and each Scheme Shareholder entitled to attend and who is present in person or by proxy will be entitled to one vote for each Scheme Share held. The statutory majority required under section 899 of the Companies Act 2006 to approve the Scheme at the Court Meeting is a simple majority in number of the Scheme Shareholders present and voting (either in person or by proxy) at the Court Meeting and representing not less than 75% of the nominal value of the Scheme Shares voted (either in person or by proxy) by such Scheme Shareholders.
- 12.6 **In order that the Court can be satisfied that the votes cast constitute a fair representation of the views of the Scheme Shareholders, it is important that as many votes as possible are cast at the Court Meeting. Scheme Shareholders are therefore urged to take the action referred to in paragraph 15 of this *Part II – Explanation of the Scheme and its Effects*.**
- 12.7 **It is also particularly important to be aware that if the Scheme is approved and becomes effective, it will be binding on all Scheme Shareholders irrespective of whether they attended the Court Meeting and irrespective of the manner in which they voted.**

General Meeting

- 12.8 The General Meeting has been convened for 10.50 a.m. on 14 December 2022. At the General Meeting or at any adjournment thereof, Scheme Shareholders will consider and, if thought fit, pass the Resolutions set out in the notice of the General Meeting contained in *Part VIII – Notice of Meetings* of this document.

Special Resolutions

- 12.9 The Special Resolutions set out in the notice of the General Meeting are proposed in order to approve:
- (a) the adoption of the amended articles of association for Kistos plc in substitution for the Kistos plc Articles; and
 - (b) Delisting.

- 12.10 The majority required for the passing of the Special Resolutions is not less than 75% of the votes cast (in person or by proxy) at the General Meeting.
- 12.11 Voting on the Special Resolutions will be by poll and not on a show of hands.

Forms of Proxy and voting instruction cards

- 12.12 For your convenience, the Forms of Proxy are accompanied by a business reply paid envelope and addressed to Kistos plc's Registrar, Link Group. Forms of Proxy should be returned as soon as possible and, in any event, by no later than 10.50 a.m. on 12 December 2022 in the case of the yellow Form of Proxy in relation to the General Meeting and 10.30 a.m. on 12 December 2022 in the case of the blue Form of Proxy in relation to the Court Meeting. If the blue Form of Proxy for use at the Court Meeting is not returned by the above time, it may be handed to Kistos plc's Registrar, Link Group, or the Chair of the Court Meeting, before the start of that Meeting. However, in the case of the General Meeting, unless the yellow Form of Proxy is returned by the time mentioned in the instructions printed on it, it will be invalid. The completion and return of a Form of Proxy (or appointment of a proxy electronically) will not prevent you from attending and voting in person at either the Court Meeting or the General Meeting, or at any adjournment thereof, if you so wish and are so entitled.
- 12.13 The Forms of Proxy and voting instruction cards should be completed in accordance with the instructions printed on them.

Sanction of the Scheme by the Court

- 12.14 Under the Companies Act 2006, the Scheme requires the sanction of the Court. The Scheme Sanction Hearing to sanction the Scheme will be announced on the Company's website or via RIS (it is currently expected to occur on 19 December 2022).
- 12.15 All Scheme Shareholders are entitled to attend the Scheme Sanction Hearing in person or through Counsel to support or oppose the sanctioning of the Scheme.
- 12.16 The Scheme will become effective as soon as a copy of the Scheme Sanction Order has been duly delivered to the Registrar of Companies for registration. This is expected to occur on 22 December 2022.

13. AUTHORITIES RELATING TO KISTOS HOLDINGS PLC'S SHARE CAPITAL

- 13.1 Prior to the Court Meeting, the Kistos Holdings plc Subscriber Shareholders and Kistos Holdings plc board of directors are expected to pass certain resolutions in order to, *inter alia*, authorise Kistos Holdings plc to carry out the actions required of it in relation to the Proposals, including the approval of the allotment of the Kistos Holdings plc Ordinary Shares to the Scheme Shareholders pursuant to the scheme.
- 13.2 It is expected that the authorities to be granted to the Kistos Holdings plc board of directors in relation to allotment of Kistos Holdings plc Ordinary Shares will be equivalent to the corresponding authorities currently granted to the Directors.

14. FURTHER INFORMATION

- 14.1 You should read the whole of this document.
- 14.2 Your attention is drawn, in particular, to the *Summary* set out on pages 6 to 9 of this document, the letter from your Executive Chairman in *Part I – Letter from the Executive Chairman* of this document, the Additional Information set out in *Part V – Additional Information* of this document, the Scheme set out in *Part VI – Scheme of Arrangement* of this document and the Notices of Meetings in *Part VIII – Notices of Meetings* of this document.

15. ACTION TO BE TAKEN

15.1 Scheme Shareholders will find enclosed with this document:

- (a) a blue Form of Proxy for use at the Court Meeting;
- (b) a yellow Form of Proxy for use at the General Meeting; and
- (c) a business reply paid envelope.

15.2 It is important that, for the Court Meeting in particular, as many votes as possible are cast so that the Court may be satisfied that there is a fair and reasonable representation of Scheme Shareholders opinion.

15.3 Whether or not you plan to attend the Meetings in person, you are strongly encouraged, if you hold Scheme Shares, to sign and return both Forms of Proxy or to appoint a proxy electronically as referred to below, as soon as possible and in any event so as to be received by Kistos plc's Registrar, Link Group, at their address: PXS 1, Central Square, 29 Wellington Street, Leeds, LS1 4DL, United Kingdom as follows:

Blue Forms of Proxy for the Court Meeting by 10.30 a.m. on 12 December 2022
Yellow Forms of Proxy for the General Meeting by 10.50 a.m. on 12 December 2022

(or, in the case of an adjourned meeting, not less than 48 hours prior to the time and date set for the adjourned meeting).

15.4 If you hold your Scheme Shares in Uncertificated form (i.e., in CREST), you may vote using the CREST voting service in accordance with the procedures set out in the CREST Manual (please also refer to the accompanying notes for the notice of the General Meeting set out at the end of *Part VIII – Notices of Meetings* of this document).

15.5 Proxies submitted via CREST (under CREST participant RA10) must be received by Kistos plc's Registrar, Link Group, not later than 10.30 a.m. on 12 December 2022 in the case of the Court Meeting and by 10.50 a.m. on 12 December 2022 in the case of the General Meeting (or, in the case of an adjourned meeting, not less than 48 hours prior to the time and date set for the adjourned meeting).

15.6 The return of the Forms of Proxy (or appointment of a proxy electronically) will not prevent you from attending either of the Meetings and voting in person if you wish. In each case, the Forms of Proxy and voting instruction cards should be completed in accordance with the instructions printed on them.

15.7 The blue Form of Proxy in respect of the Court Meeting may also be handed to Kistos plc's Registrar, Link Group, or the Chair at the Court Meeting before the start of the Meeting. However, in the case of the General Meeting, the yellow Form of Proxy will be invalid unless it is lodged so as to be received at least 48 hours before the time appointed for such Meeting.

PART III RISK FACTORS

An investment in Kistos Holdings plc Ordinary Shares involves a high degree of risk. Accordingly, before making a final decision, prospective investors should carefully consider the specific risk factors set out below in addition to the other information contained in this document before investing in Kistos Holdings plc Ordinary Shares. No assurance can be given that shareholders will realise a profit or will avoid a loss on their investment.

The Board has identified the following risks which it considers to be the most significant for potential investors in Kistos Holdings plc Ordinary Shares. The risks referred to below do not purport to be exhaustive and are not set out in any particular order of priority and potential investors should review this document carefully in its entirety and consult with their professional advisers before acquiring Kistos Holdings plc Ordinary Shares.

An investment in the Kistos Holdings plc Ordinary Shares described in this document is speculative. Kistos plc Shareholders are accordingly advised to consult a person authorised for the purposes of FSMA who specialises in advising on the acquisition of shares and other securities before making any decisions on the Proposals. Shareholders should consider carefully whether the Proposals are suitable in the light of such Shareholder's personal circumstances and the financial resources available to such Shareholder. If you are in any doubt about the action you should take, you should consult your independent professional adviser authorised under FSMA.

If any of the following events identified below occur, conditional on Shareholder approval of the acquisition and Admission, the Group's business, financial condition, capital resources, results and/or future operations and prospects could be materially adversely affected. In that case, the market price of the Kistos Holdings plc Ordinary Shares could decline and investors may lose part or all of their investment.

Additional risks and uncertainties relating to an investment in the Kistos Holdings plc Ordinary Shares and to the Group's business, its industry and the macroeconomic environment in which it operates, that are not currently known to the Group, or that the Directors currently deem immaterial, may individually or cumulatively also have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects. In particular, the Group's performance may be affected by changes in the market and/or economic conditions and in legal, regulatory and tax requirements. If any such risks occur, the price of the Kistos Holdings plc Ordinary Shares may decline, and you could lose all or part of your investment.

RISKS RELATING TO THE BUSINESS CARRIED ON BY THE GROUP

Our oil and gas fields and investments may not perform in line with expectations

If the financial results and cash flows generated by the Group's operational assets and their future prospects are not in line with the Company's expectations, a write-down may be required against the carrying value of Company's investments in its subsidiaries and/or accounting goodwill and other intangible assets generated upon completion of the acquisitions. Such write-downs may affect the Company's and the Group's business and may also reduce the Company's ability to generate distributable reserves by the extent of the write-down and consequently affect its ability to pay dividends.

The Group's production and revenues comes from a limited number of fields

The Group's current production of oil and gas in the Netherlands is based on the Q07/Q10a field. Production from the licences held by Kistos Energy Limited are concentrated in the West of Shetlands area. Any disruption of production at these fields could therefore have a substantial negative impact on Group total production. If mechanical problems, storms or other events curtail a substantial portion of production, the Group's results of operations and financial condition could be adversely affected. The Group has further assets in its portfolio to be developed and brought on production in the future; there will remain development risk around these assets until such time as they are on stream.

The Company cannot accurately predict its future decommissioning liabilities

The Group has assumed certain obligations in respect of the decommissioning of its field interests and related infrastructure. These liabilities are derived from legislative and regulatory requirements concerning the decommissioning of wells and production facilities and will require the Group to make provision for and/or

underwrite the liabilities relating to such decommissioning. Although the financial accounts of the Group and its operating subsidiaries make a provision for such decommissioning costs, there can be no assurances that the costs of decommissioning will not exceed the amount of the long-term provision set aside to cover such decommissioning costs. In addition, governments may require decommissioning to be carried out in circumstances where there is no express obligation to do so, which may result in higher decommissioning costs than expected at the time when provisions were made, and it may be required to provide cash-back guarantees, blocked cash deposits or similar upfront relating to future decommissioning costs. It is difficult to forecast accurately the costs that will be incurred by the Group in satisfying its decommissioning obligations and the Group may have to draw on funds from other sources to bear such costs. Any significant increase in the actual or estimated decommissioning costs that the Group incurs could have a material adverse effect on the Group's business, results of operation, financial condition and prospects.

It is unlikely that the Company will have recourse to any vendor for any loss or damage suffered in relation to the acquired interests which might otherwise be recovered through a claim for breach of the warranties

Under the terms of the various acquisition agreements, the liability of the respective vendors under the warranties (other than as to title and capacity) is limited. The Company had the option to seek insurance coverage for potential claims under the warranties and the tax covenants, however, having sought a variety of market quotes for full and partial insurance coverage and based upon the results of due diligence investigations the Directors decided that the cost of such insurance would be disproportionate to the risks of a claims arising in connection with the acquisitions. Accordingly, whilst liability for breach of the fundamental warranties relating to title to the shares and/or licences sold is capped at market facing levels, if there is a breach of the general warranties relating to the state of the business and its assets and liabilities or the warranties it is unlikely that the Company will have recourse to the respective vendors for any loss or damage suffered as a result, which could have a material adverse effect on the Group's business, financial condition or results of operations.

The Group will be reliant on certain information technology systems

All of the businesses of the Group are dependent on technology to some degree and information systems are critical for the effective management and provision of services. The Group is dependent upon ongoing investments in advanced computer database and telecommunications technology as well as upon their ability to protect their telecommunications and information technology system (including those managing their reservoirs and production assets) against damage or system interruptions from cyber-attacks, natural disasters, technical failures and other events beyond their control.

In order for the Group to compete effectively, it must maintain its information technology systems in good working order as well as invest in improved technology. Information security has also become an important issue in recent years as a result of several high-profile losses of data and the growing threat and prevalence of cyber-attacks. Any future breach in the data security and systems of the Group could have a harmful impact on its business and reputation. A temporary or permanent loss of any of the systems or networks of the Group could cause significant disruption to its business operation, or damage to its reputation resulting in a loss of revenue and potentially higher costs in the future, which could have a material adverse effect on its business, financial condition or results of operations.

The availability, cost and terms of debt finance may have a material adverse impact on the Group

The Group's ability to access liquidity to fund its businesses in the longer term may be affected during periods of tight credit conditions or the absence of funds at a reasonable cost. The availability and cost of debt finance may influence the Group's profitability and the Group's ability to participate in development opportunities.

In addition, if the Group fails to pay any amount when due under, or otherwise fails to comply in any material respect with the terms of, any of its existing (and any future) financings this may ultimately lead to an event of default under the terms of such financing which could lead to acceleration and enforcement proceedings being brought against it by its creditors.

An inability to obtain future funding on reasonable terms, restrictions on its operational flexibility contained in its financing agreements and/or a material failure to comply with the terms of its existing or future financings, could have a material adverse effect on the Group's business, financial condition or results of operations.

Legislative and regulatory risks

Any business in the natural resource sector is subject to changes in regulation and legislation. As the direction and impact of changes in regulations can be unpredictable, there is a risk that regulatory developments will not bring about positive changes and opportunities, or that the costs associated with those changes and opportunities will be significant. In particular, there is a risk that regulatory change will bring about a significant downturn in the prospects of one or more acquired businesses of the Group, rather than presenting a positive opportunity.

Regulatory compliance risk

The Group's operations are subject to the risk of liability arising from various environmental, health, safety and other laws and regulations, including those inherent to the oil and gas exploration and production industries. In particular, hydrocarbon operations are subject to extensive environmental laws and regulations. Non-compliance with such regulations by the Group could lead to fines, public reprimands, damage to reputation, increased prudential requirements, enforced suspension of operations or, in extreme cases, withdrawal of authorisations to operate.

Any future regulatory changes may potentially restrict the operations of the Group, impose increased compliance and regulatory capital costs, reduce investment returns or increase associated fees, increase corporate governance/ supervision costs, reduce the competitiveness of any business of the Group, reduce the ability of the Group to hire and retain key personnel or impose restrictions on whether individuals may be appointed or retained as directors or senior managers of the Group and impose other restrictions and obligations which could adversely affect the Group's profitability.

A substantial or extended decline in oil, natural gas and power prices or consumption may adversely affect the Group's prospects, business, financial condition and results of operations

Historically, hydrocarbon and energy prices have been subject to large fluctuations in response to a variety of factors beyond the control of individual companies, including operational issues, natural disasters, weather, political instability or conflicts, economic conditions or actions by major oil-exporting countries. Price fluctuations can affect business assumptions, investment decisions and financial position of the companies in the upstream oil gas and power sector and therefore prospectively the Group. In particular, a substantial or extended decline in the price or consumption of oil and gas could have a short- or long-term effect on the Group's strategy and ultimately its business financial condition. Lower hydrocarbon prices or reduced demand for oil and gas or power could reduce the economic viability of the Group's strategy and ultimately its business, result in a reduction in revenues or net income, adversely affect the Group's ability to maintain working capital requirements, impair its ability to make planned expenditures and could materially adversely affect its prospects, financial condition and results of operations.

Oil and gas exploration and development are highly speculative activities

Oil and gas exploration is a highly speculative activity and there are a number of risks which may impact on the overall investment. There is no certainty that the expenditures the Group makes towards the search and evaluation of oil and gas deposits will result in discoveries of commercial quantities. The Group's longer-term profitability is directly related to the success of the project development and exploration activities. In the event that an exploration project is unsuccessful, the value of the Group's business and any associated exploration licences may be diminished.

The Group's longer-term success may be dependent on accessing oil and natural gas resources

The results of appraisal of discoveries are uncertain and may involve unprofitable efforts, not only from dry wells, but also from wells that are productive but uneconomic to develop. Appraisal and development activities may be subject to delays in obtaining governmental approvals or consents, shut-ins of connected wells, insufficient storage or transportation capacity or other geological and mechanical conditions all of which may variously increase the Group's costs of operations. Producing gas reservoirs are typically characterised by declining production rates that vary depending upon reservoir characteristics and other factors. In addition, the Group may not be able to economically develop, find, or acquire future reserves at acceptable costs.

The Group's actual future exploration and generation costs may differ materially from estimates, which may materially and adversely affect its viability in the long term

Exploration and generation expenditure estimates are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from estimates and assumptions. Additionally, unconventional methods of exploration are required which can be more expensive than conventional exploration methods. This could materially and adversely affect the Group's viability and long-term prospects.

There are significant risks as to the longer-term viability of owning and developing assets in light of public policy relating to energy transition and Governmental commitments to the "Net Zero 2050" policy objective

The oil and gas sector are large users of energy and the reduction of the use of fossil fuels are primary objective of Government policy to attain the overall policy of "Net Zero 2050". Various regulatory measures aimed at reducing GHG emissions and improving energy efficiency may affect the Group's operations and acquisition opportunities. Policy developments at an international, regional, national and subnational level, including those related to the 2015 Paris Agreement and emissions trading systems, such as the EU Emissions Trading System, could materially and adversely affect the Group's profitability if projects that it invests in have material GHG-intensive and energy-intensive assets.

In addition, the impact of climate change on the Group's current assets and future acquisitions is uncertain and will depend on circumstances at individual operating sites. These may increase costs, reduce production levels or otherwise impact the results of operations of the Group and those of its potential acquisitions.

The Company expects GHG emission costs to increase from current levels and for regulations targeting reduced GHG emissions to have a wider geographical application than today. There is continuing uncertainty over the detail of anticipated regulatory and policy developments, including the targets, mechanisms and penalties to be employed, the timeline for legislative change, the degree of global cooperation among nations and the homogeneity of the measures to be adopted across different regions. This ambiguity, in turn, creates uncertainty over the long-term implications for the Group's expected projects and operating costs and the constraints the Group may face in order to comply with any such new regulations. For example, to meet regulatory targets imposed in the future, the Group may be required to adopt new technological solutions for its assets within a limited timeframe to reduce GHG emissions, and there can be no assurance that the Group would be successful in making such adaptations.

The expense of meeting environmental regulations could cause a significantly negative effect on the Group's long-term profitability, as could failure to obtain certain necessary environmental permits

There can be no guarantee that required planning permissions might ever be obtained by the Group. Opposition to future projects could lead to the involvement in appeals or public enquiries where costs to the Group could be potentially large and the ultimate outcome uncertain including failure to obtain the permissions necessary to pursue development and/or production or, if granted, to enable development and/or production to be pursued economically. This may mean that the cash flow of the Group could be adversely affected which could in turn materially adversely affect its prospects, financial condition and results of operations, and, accordingly, reduce the amount of distributions paid to, and by, the Company.

The Group may be unable to obtain or renew required licences and/or such licences may be suspended, terminated or revoked prior to their expiration

An acquired company or business may conduct its operations pursuant to a wide variety of licences. Any delay in obtaining or renewing any licence may result in a delay in investment or development of a resource and may have a material adverse effect on the acquired business' results of operations, cash flows and financial condition. There is no guarantee that all required licences will be granted in accordance with the applications, nor that they will be granted on conditions satisfactory for the Group to operate its business. Such licences contain conditions and requirements that must be met in order to maintain such licences. The licences may be suspended, terminated or revoked if the Group fails to comply with the relevant requirements. Further, there can be no assurance that the relevant authorities will not significantly alter the conditions or area of, or that any third-party will not challenge, the licences held by the Group. There can further not be any assurance that an expired licence will be renewed. In addition, a licence may be revoked, in whole or in part, by the relevant competent authority in the Netherlands and/or the UK.

If the Group fails to fulfil the specific terms of any of its licences or if it operates its business in a manner that violates applicable law, government regulators may impose fines or suspend or terminate the licences, any of which could have a material adverse effect on the Group's results of operations, cash flows and financial condition.

The Group may suffer material losses from uninsurable or uninsured risks or insufficient insurance coverage

The Group may be subject to substantial liability claims due to the inherently hazardous nature of the businesses it has acquire (or may acquire) or for acts and omissions of subcontractors, operators or joint venture partners. Any contractual indemnities it may receive from such parties may be difficult to enforce if such sub-contractors, operators or joint venture partners lack adequate resources. There can be no assurance that the proceeds of insurance applicable to covered risks will be adequate to cover related losses or liabilities. In addition, the Group may also suffer material losses from uninsurable or uninsured risks. The occurrence of any of these risks could adversely affect the Group's financial performance.

Estimation of resources, reserves and production profiles are based on judgements and assumptions

In general, there is inherent risk in estimates of oil reserves, gas reserves and power generation, and their anticipated production profiles, because it involves subjective judgements and determinations based on available geological, technical, contractual and economic information. They are not exact determinations and the actual resources, reserves and production may be greater or less than those calculated. In addition, these judgements may change based on new information from production or drilling activities or changes in economic factors, as well as from developments such as acquisitions and disposals, new discoveries and extensions of existing fields and the application of improved recovery techniques. If any estimates of hydrocarbon resources, reserves or production profiles (including any competent persons reports upon which the Group relies upon in making any operational decision) prove to be substantially incorrect, the Group may be unable to recover and produce the estimated levels or quality of hydrocarbons set out in such estimates and the business, prospects, financial condition or results of operations of the Group could be materially adversely affected.

The Group is a relatively small operator compared to many other companies in its industry and may not have the resources (both financial and technical) that larger, more established operators may have

The Group operates within a challenging business environment where there is intense competition for access to exploration acreage, gas markets, oil services and rigs, technology and processes, and human resources. The Group's competitors include companies with, in many cases, greater financial resources, the benefit of economies of scale, local contacts, staff and facilities. Competition for exploration and production licences as well as other regional investment or acquisition opportunities may increase in the future. This may lead to increased costs in the carrying on of the Group's long-term activities and reduced available growth opportunities. Therefore, any failure on the Group's part to compete effectively could have a material adverse effect on its long-term operating results and financial condition.

The Group's operations and assets expose it to significant compliance costs and liabilities in respect of EHS matters

The operations and assets in which the Group will be involved are affected by numerous laws and regulations concerning EHS matters including, but not limited to, those relating to discharges of hazardous substances into the environment, the handling and disposal of waste and the health and safety of employees. The technical requirements of these laws and regulations are becoming increasingly complex, stringently enforced and expensive to comply with and this trend is likely to continue. Any failure of the Group to comply with EHS laws and regulations may result in regulatory action (which strict, joint and several liability can include statutory orders requiring steps to be taken or prohibiting certain operations), the imposition of fines or the payment of compensation to third parties. All of these liabilities and any other regulatory actions could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

A violation of EHS requirements and the occurrence of any accidents could disrupt the Group's operations and increase operating costs

EHS authorities (such as the Dutch SSM, the UK North Sea Transition Authority, UK Health and Safety Executive and the UK Offshore Safety Directive Regulator) have extensive enforcement powers under EHS laws and regulations. These powers extend to statutory notices to require operational steps and to prohibit certain activities or operations until compliance is achieved. A violation of EHS laws and regulations, or failure to comply with the instructions of the relevant EHS authorities could therefore lead to, *inter alia*, a temporary shutdown of all, or a portion of, the Group's facilities and the imposition of costly compliance procedures.

If EHS authorities shut down all, or a portion of, the Group's facilities or impose costly compliance measures, the Group's business, financial condition, results of operations and prospects would be materially and adversely affected. The nature of the operations in which the Group will be participating creates a risk of accidents and fatalities among its workforce, and the Group may be required to pay compensation or suspend operations as a result of such accidents or fatalities, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Changes in global supply and demand owing to an economic downturn may adversely affect the business, results of operations, cash flows and financial condition of the Group

Commodity prices are affected by global supply and demand, as well as widespread trading activities by market participants and others, either seeking to secure access to such commodities or to hedge against commercial risks, or as part of investment portfolio activity. Fluctuations in commodity prices give rise to commodity price risk for the Group. Historically, such prices can be subject to substantial variation which cannot be accurately predicted. If the global economic environment experiences a substantial downturn or remains relatively weak for the medium to long term, the ability of the Group to grow or maintain revenues in future years may be adversely affected, and at certain long term price levels for a given commodity, extractive operations with respect to that commodity may not be economically viable. Adverse and volatile economic conditions may also limit the Group's ability to anticipate revenues and costs and can affect the Group's ability to implement planned projects. In addition, industry analysts are likely to take such conditions into account when assessing the prospective business and creditworthiness of the Group and any adverse determinations, may make it more difficult for the Group to raise capital in the future to finance the business.

The oil and gas, exploration, development and production sector is subject to commodity price fluctuations, which may adversely impact the results of operations, financial conditions and prospects of the Group

The Group, through its operations and assets, may be a market participant as seller (and may, in certain situations, be a buyer) in any one or more commodities. Accordingly, the Group's revenue and earnings may depend upon prevailing prices for the commodities it relies on and produces. These commodities are globally traded and as a result, and in common with its competitors, the Group is unable to control the prices it receives for such commodities.

In addition, the range of the commodities which the activities produce may not be sufficiently broad and/or the acquired activities may be concentrated in one or more commodities within the oil and gas, exploration, development and production sector. As a result, the Group may not be able to offset price changes in one commodity with countercyclical changes in another commodity within the Group's range of commodities in an attempt to mitigate the effects of adverse price changes.

Historically, commodity prices have been volatile and subject to wide fluctuations for many reasons. It is impossible to predict accurately future commodities price movements and commodities prices may not remain at their current levels. Any material declines in commodities prices, to the extent they are not addressed by meaningful hedging arrangements, could result in a reduction of the Group's net production revenue.

Restrictions on the Group's ability to access necessary infrastructure services, including transportation and utilities, may adversely affect the Group's operations. In addition, the Group participates in and is reliant upon shared infrastructure

Inadequate supply of the critical infrastructure elements for drilling production, transport, terminalling and processing could result in reduced production or sales volumes, which in turn could have a negative effect on the Group's financial performance. Disruptions in the supply of essential utility services to its critical infrastructure could halt the Group's production for the duration of the disruption and, when unexpected, may cause loss of life or damage to its drilling equipment or facilities, which may in turn affect its ability to recommence operations on a timely basis.

Adequate provision of transportation services, such as timely pipeline and terminal access, are critical to distributing products and disruptions to such services, or increased costs in relation to accessing them (which may be outside the control of the Group) may affect the Group's operations including resulting in the shutting-in of producing wells if production cannot be off-taken. The Group will be dependent on third-party providers of utility and transportation services.

Shared infrastructure carries associated risks when multiple fields and operators feed into a common infrastructure, in particular there are risks of contamination or off-specification gas or fluids entering the shared infrastructure which may result in the rejection of gas or fluids at the terminal point and/or shut-downs of the infrastructure, all of which may affect the Group's operations.

The provision of services, maintenance of networks and contingency plans impacting shared infrastructure may be largely outside of the Group's control.

Exploration, development and production activities are capital intensive and inherently uncertain in their outcome. As a result, the Group may not generate a return on its investments or recover its costs and it may not be able to generate cash flows or secure adequate financing for its discretionary capital expenditure plans

Exploration, development and production activities are capital intensive and inherently uncertain in their outcome. The Group's future oil and gas exploration, development and production projects may involve unprofitable efforts, either from dry wells or from wells that are productive but do not produce sufficient net revenues to return a profit after development, operating and other costs. Furthermore, completion of a well does not guarantee a profit on the investment or recovery of the costs associated with that well. In addition, drilling hazards or environmental damage could significantly affect operating costs, and production from successful wells may be adversely affected by conditions including delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, aged or defective facility components, insufficient storage or transportation capacity or adverse geological conditions. Production delays and declines, whether or not as a result of the foregoing conditions, may result in lower revenue or cash flows from operating activities until such time, if at all, that the delay or decline is cured or arrested.

Political, legal and commercial instability, as well as political and fiscal pressure on governments, in the countries and territories in which the oil and gas, exploration, development and production sector may operate could affect the viability of the Group's operations and assets

Oil and gas prices are currently subject to heightened levels of uncertainty resulting from a variety of factors, including Russia's full-scale invasion of Ukraine (and associated sanctions and private sector boycotts of Russian oil), a sharp decline in forecasted global gross domestic product growth, the current hyper inflationary environment and a range of potential macroeconomic outcomes that could affect energy markets. Factors driving energy supply uncertainty include how sanctions affect Russia's oil and gas production, the production decisions of Organisation of Petroleum Exporting Countries (OPEC) and/or OPEC+ (including, in particular, the production cuts announced by OPEC+ in September and October 2022), and the rate at which oil and gas producers increase investment and supply. Current oil and gas inventory levels are low, which amplifies the potential for oil and gas price volatility. Low inventory levels are in part due to a lack investment during 2020 and 2021 (in response to the slowdowns in the demand for oil and gas caused by the COVID-19 pandemic) resulting in maintenance and capacity constraints. Actual price outcomes will largely depend on the degree to which existing sanctions imposed on Russia, any potential future sanctions, and independent corporate and governmental actions affect Russia's oil and gas production or the sale of Russia's oil and gas in the global market. These sanctions or other potential future sanctions, and any Russian export ban, together with positive sentiment surrounding increasing the United Kingdom's energy independence through the energy transition, have and may continue to result in much higher prices for oil and gas based on increased demand. However, there is no way to predict whether the increase in oil and gas prices will be sustained or whether the factors driving the imbalance in supply and demand will stabilise or improve, resulting in a decline in oil and gas prices. In October 2022, the US Energy Information Administration forecasted oil production in the Organisation for Economic Cooperation and Development (OECD) to decrease and oil prices to decline from the multi-year highs in 2022, to average \$95 stock tank barrel (BBL) in 2023. It is impossible to predict the ultimate effect actions to ban oil and gas imports and exports from and to Russia will have on the global economy and commodity prices in general.

It is impossible to predict accurately future oil and gas price movements. Historically, crude oil prices have been highly volatile and subject to large fluctuations in response to relatively minor changes in the demand for oil and gas, or subject to sharp price movements, such as that which coincided with the onset of the COVID-19 pandemic. The COVID-19 pandemic had a significant negative impact on the level of global economic activity. Government support and economic stimulus measures in response to the COVID-19 pandemic often featured "net zero" requirements which had a negative impact on financial support for, and consequently investment in, the oil and gas

sector. In addition, prices of oil and gas were also impacted by geopolitical developments between key oil producing nations, including market competition between Saudi Arabia and Russia, and the decision taken in April 2020 by OPEC and its allies to cut oil supply. These factors contributed to a substantial decline in demand for hydrocarbons, which contributed to a steep decline in crude oil prices during 2020 with dated Brent crude oil reaching a low of \$9.1/BBL on 21 April 2020. In the second half of 2020 and during 2021, oil prices experienced significant recovery, with dated Brent crude averaging \$70.8/BBL in 2021, with a low of \$50.4/BBL on 4 January 2021 and a high of \$85.8/BBL on 26 October 2021, compared to an average of \$64.2/BBL and \$43.2/BBL in 2019 and 2020, respectively. UK NBP averaged 117 pence per therm in 2021, with a low of 39 pence per therm on 22 February 2021 and a high of 450 pence per therm on 21 December 2021, compared to an average of 35 pence per therm and 25 pence per therm in 2019 and 2020, respectively. In the first half of 2022, oil and gas prices were then subject to sharp increases as markets priced in geopolitical risk premiums relating primarily to Russia's invasion of Ukraine, exacerbating market uncertainty and energy market volatility; Brent crude oil reaching a high of \$128.0/BBL in March 2022 and UK NBP reaching a multi-year high of 633.1 pence per therm in September 2022. The ongoing military action between Russia and Ukraine could adversely affect the Group's business, financial condition and results of operations.

Oil and gas prices are expected to remain volatile for the near future as a result of market uncertainties over the supply and demand of this commodity due to the current state of the world's economies, actions of OPEC (including, in particular, the production cuts announced by OPEC+ in September and October 2022), ongoing geopolitical uncertainty and related economic impacts, ongoing global credit and liquidity concerns, and any further spread of COVID-19 (or any further regional or global epidemics or pandemics). It is also expected that the increased focus of governments, regulators and consumers on the impact of climate change and reducing carbon emissions could reduce demand for hydrocarbons and suppress commodity prices in the medium to longer term. There can be no assurances as to the level of oil and gas prices that will be achievable in the future.

A reduction in the price of oil and gas may also result in a reduction in the volumes of the Group's reserves which can be produced commercially, resulting in decreases to the Group's reported reserves and resources. The Group might also elect not to continue production from certain fields at lower prices, or its licence partners may not want to continue production regardless of the Group's position. All of these factors could result in a material decrease in the Group's net production revenue, causing a reduction in its oil and gas exploration and development activities and its ability to produce remaining reserves and resources. Certain development projects could become unprofitable as a result of a decline in price and could result in the Group having to postpone or cancel a planned project, or if it is not possible to cancel the project, carry out the project with negative economic impact on the Group. Further, a reduction in oil and gas prices may lead to the Group's producing fields reaching cessation of production and entering into the decommissioning phase earlier than estimated.

The Group's revenues, operating results, profitability, future rate of growth and the carrying value of the Group's oil and gas assets depend heavily on the prices the Group receives for oil and gas sales. Oil and gas prices also affect the Group's capital investments and other items, including the value of the Group's oil and gas reserves. In addition, the Group may face oil and gas property impairments if prices fall. No assurance can be given that oil or gas prices will remain at levels which enable the Group to do business profitably or at levels that make it economically viable to produce from certain wells and any material decline in such prices could result in a reduction of the Group's net production volumes and revenue and a decrease in the valuation of the Group's appraisal, development and production properties. The occurrence of any of the foregoing could have a material adverse impact on the Group's business, financial condition, results of operations or prospects.

The Group may have operations and assets in jurisdictions with varying degrees of political, legal and commercial stability. Political, civil and social pressures may result in administrative change, policy reform, changes in law or governmental regulations, which in turn can result in expropriation or nationalisation of a target's assets. Renegotiation or nullification of preexisting agreements, concessions, leases and permits held by a target business, changes in fiscal policies (including increased tax or royalty rates) or currency restrictions are all possibilities. Commercial instability caused by bribery may lead to similar consequences, any of which could have a material adverse effect on the profitability, the ability to finance or, in extreme cases, the viability of an operation.

In addition, fiscal constraints or political pressure may also lead governments to impose increased taxation on operations in the oil and gas, exploration, development and production sector within a given jurisdiction. Such taxes or other expropriation of assets could be imposed by any jurisdiction in which the Group operates. If operations are delayed or shut down as a result of political, legal or commercial instability, or if the Group's operations are subjected to increased taxation or other expropriation, the Group's earnings growth may be constrained and the ability of the Group to generate long term value for Shareholders could be adversely impacted.

Inflation and other cost increases may have an adverse effect on the Group's results of operations and cash flows

Significant inflation or other production cost increases in the countries in which the Group may operate could increase operational costs without a corresponding increase in the sales price of the commodities the Group may produce. Alternatively, a lag in the reduction of input costs relative to declining commodity prices will have a similar adverse effect on the Group's operations. Any such increased costs or delays in cost reductions may adversely affect the Group's profitability, cash flows and results of operations.

Existing and proposed legislation and regulation affecting GHG and other emissions may adversely affect certain of the Group's operations and assets

Many participants in the oil and gas, exploration, development and production sector are subject to current and planned legislation in relation to the emission of carbon dioxide, methane and other GHGs, together with other pollutants, including nitrous oxide.

Failure to comply with existing legislation or any future legislation could adversely affect the Group's profitability if its business has material GHG intensive assets. Future legislative initiatives designed to reduce the consumption of hydrocarbons could also have an impact on the ability of the Group to market its commodities and/or the prices which it is able to obtain. These factors could have an adverse effect on the Group's business, results of operations, financial condition or prospects.

The use of independent contractors in the Group's operations may expose those operations to delays or suspensions of activities

Independent contractors are typically used in operations in the oil and gas, exploration, development and production sector to perform various operational tasks, including carrying out drilling and mining activities and delivering raw commodities to processing or beneficiation plants. In periods of high commodity prices, demand for such contractors may exceed supply resulting in increased costs or lack of availability of key contractors. Disruptions of operations or increased costs also can occur as a result of disputes with contractors or a shortage of contractors with particular capabilities. Additionally, because the Group will not have the same control over independent contractors as it does over its own employees, there is a risk that such contractors will not operate in accordance with the Group's safety standards or other policies. Any of the foregoing circumstances could have an adverse effect on the Group's operating results and cash flows.

Drilling operations are vulnerable to natural disasters, operating difficulties and damage to or breakdown of a physical asset, any of which could have a material impact on the productivity of the operations and not all of which may be covered by insurance

Drilling operations are vulnerable to natural disasters, including earthquakes, drought, floods, fire, tropical storms and the physical effects of climate change, all of which are outside the Group's control. Operating difficulties, such as unexpected geological variations that could result in significant failure, could affect the costs and viability of its operations for indeterminate periods. In addition, damage to or breakdown of a physical asset, including as a result of fire, explosion or natural catastrophe, can result in a loss of assets and subsequent financial losses. Insurance can provide protection from some, but not all, of the costs that may arise from unforeseen events. Although the Group maintains suitable insurance, the Group's insurance may not cover every potential risk associated with its operations. Adequate coverage at reasonable rates is not always obtainable. In addition, the Group's insurance may not fully cover its liability or the consequences of any business interruptions such as equipment failure or labour dispute. The occurrence of a significant adverse event not fully or partially covered by insurance could have an adverse effect on the Group's business, results of operations, financial condition and prospects.

Labour disruptions could have an adverse effect on the Group's results of operations, cash flows and financial condition

There is a risk that strikes or other types of conflict with unions or employees may occur at any one of the Group's operations or in any of the geographic regions in which the Group operates. Any labour disruptions could increase operational costs and decrease revenues by delaying the business activities of the Group or increasing the cost of substitute labour, which may not be available. Furthermore, if such disruptions are material, they could adversely affect the Group's results of operations, cash flows and financial condition.

Exploration, development and production activities are inherently subject to a number of potential drilling and production risks and hazards which may affect the ability of the Group, if it acquires or establishes any oil and gas, exploration, development and production activities to produce oil and gas at expected levels, increase operating costs and/or expose the Group and/or its directors and officers to legal liability

The production and development operations of the Group will involve risks normally associated with such activities, including blowouts, explosions, fires, equipment damage or failure, geological uncertainties, unusual or unexpected rock formations and abnormal pressures, risks related to allocation and commingling of gas and off-spec gas, and environmental hazards such as accidental spills, releases or leakages of petroleum liquids, gas leaks, ruptures or discharges of toxic gas. Operations are also subject to hazards inherent in marine operations, which include damage from severe weather conditions, capsizing or sinking, and damage to pipelines and subsea facilities from fishing nets, anchors and vessels. The occurrence of any of these events could result in production delays or the failure to produce oil and gas in commercial quantities from the affected operations. These events could also lead to environmental damage, injury to persons and loss of life or the destruction of property, any of which could expose the Group and/or its directors and officers to the risk of litigation and clean-up or other remedial costs. Damages claimed in connection with any consequent litigation and the costs to the Group in defending itself against such litigation are difficult to predict and may be material.

In addition, the Group could experience adverse publicity as a result of any such litigation. Any loss of production or adverse legal consequences stemming from production hazards could have an adverse effect on the Group's business, results of operations, financial condition or prospects.

RISKS RELATED TO THE OUTSTANDING BOND FINANCE

The Group may not be able to generate sufficient cash to service all of its indebtedness, including its outstanding Nordic bonds, and may be forced to take other actions to satisfy its obligations under agreements governing its indebtedness, which may not be successful

The Group's ability to make payments on and to refinance its indebtedness, including its outstanding Nordic bonds, and to fund planned capital expenditures and other general corporate purposes will depend, *inter alia*, on its ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond its control. The Group cannot assure you that its business will generate sufficient cash flow from operations or that future capital will be available to it in an amount sufficient to enable the Group to make payments on or to refinance our indebtedness, including its outstanding Nordic bonds, or to fund its other liquidity needs. If the Group's cash flow and capital resources are insufficient to allow it to make payments on its indebtedness, the Group may need to reduce or delay capital expenditures, sell assets, seek additional capital or restructure or refinance all or a portion of its indebtedness, including its outstanding Nordic bonds, on or before maturity. The Group cannot assure you that we will be able to refinance any of its indebtedness, including its outstanding Nordic bonds, on commercially reasonable terms or at all or that the terms of such indebtedness will allow any of the above alternative measures or that these measures would satisfy its debt service obligations. If the Group is unable to generate sufficient cash flow or refinance its indebtedness on favourable terms, it would have a material adverse effect on the Group's financial condition, the value of its outstanding indebtedness and its ability to make any required cash payments under its indebtedness.

The guarantees are effectively subordinated to the secured debt of the guarantors

The Group's outstanding Nordic bonds are guaranteed by the Group, and it is envisaged that any future indebtedness will be guaranteed by the Group. Each guarantee will be the respective guarantor's senior unsecured obligations and rank equal in right of payment with any other senior unsecured indebtedness of such guarantor. Each guarantee, however, will be effectively subordinated to all of the guarantors existing or future secured indebtedness, to the extent of the value of the collateral securing such indebtedness.

Restrictive covenants in any future debt facilities of the Group will impose financial and other restrictions

The Group's outstanding Nordic bonds are, and the Group's potential future loan facilities might, impose, operating and financial restrictions on the Group. These restrictions may, *inter alia*, limit the Group's ability to pay dividends, incur additional indebtedness, create liens on its assets, and additional actions which may otherwise be beneficial for the Group. The Group's outstanding Nordic bonds currently, and the Group's potential future loan facilities

might, contain terms incorporating, *inter alia*, significant restrictions, including dividend restrictions, financial covenants and various covenants as to the operations of the business.

Risk of insufficient amount upon foreclosure

Although the Group's outstanding Nordic bonds are secured, there can be no assurance that the value of the Group's assets will be sufficient to cover all the Group's outstanding Nordic bonds together with accrued interest, and there can be no assurance of the value of the transaction security. A liquidation scenario may also make it difficult to obtain full market value for the secured assets, which may leave bondholders impaired.

If the Group defaults on its obligations to make payments in respect of the Group's outstanding Nordic bonds, the amount of proceeds that ultimately would be distributed in respect of the Group's outstanding Nordic bonds upon a foreclosure or other enforcement action may not be sufficient to satisfy the obligation under the Group's outstanding Nordic bonds. Although the Group's outstanding Nordic bonds are secured, there can be no assurance that the proceeds from any sale or liquidation of this collateral will be sufficient to meet the obligations under the Group's outstanding Nordic bonds. If the proceeds of any sale of collateral are not sufficient to repay all amounts due on the Group's outstanding Nordic bonds, the holders of the Group's outstanding Nordic bonds (to the extent not repaid from the proceeds of the sale of the collateral) would have only a senior unsecured claim against any remaining assets of the Group and the guarantors.

The Group may not have the ability to raise funds necessary to finance any change of control offer required under the terms of the Group's outstanding Nordic bonds

If a "change of control event" under terms of the Group's outstanding Nordic bonds occurs, holders of the Group's outstanding Nordic bonds will have the right to require the Group to repurchase the Group's outstanding Nordic bonds, in whole or in part, at a purchase price equal to 103% of the principal amount of the Group's outstanding Nordic bonds, plus accrued and unpaid interest, if any, to the date of repurchase. The Group's ability to repurchase the Group's outstanding Nordic bonds upon such a "change of control event" would be limited by its access to funds at the time of the repurchase and the terms of agreements governing the Group's other indebtedness (if any).

RISKS RELATING TO THE COMPANY'S INTENT TO PURSUE ADDITIONAL ACQUISITIONS

The Group's ability to complete additional acquisitions

The Group's future success may be dependent upon its ability to not only identify further investment opportunities but also to execute further acquisitions. There can be no assurance that the Group will be able to conclude agreements with any further target business and/or shareholders in the future and failure to do so could result in the loss of some or all of an investor's investment. In addition, the Group may not be able to raise additional funds that may be required to acquire any future target business and fund its working capital requirements in accordance with its acquisition strategy.

It is unlikely that the Group will have recourse to any vendor for any loss or damage suffered in relation to the acquired interests which might otherwise be recovered through a claim for breach of the warranties

Under the terms of the various acquisition agreements, the respective vendor's liability under the warranties (other than as to title and capacity) is limited. The Group had the option to seek insurance coverage for potential claims under the warranties and the tax covenants, however, having sought a variety of market quotes for full and partial insurance coverage and based upon the results of due diligence investigations the Board decided that the cost of such insurance would be disproportionate to the risks of a claim arising in connection with the acquisitions.

Accordingly whilst liability for breach of the fundamental warranties relating to title to the shares and/or licences sold is capped at market facing levels, if there is a breach of the general warranties relating to the state of the business and its assets and liabilities or the warranties it is unlikely that the Issuer will have recourse to the vendor for any loss or damage suffered as a result. The financial position of the Group could be significantly and/or materially prejudiced as a result.

Identifying and acquiring suitable additional acquisition targets

Suitable acquisition targets which generate acceptable returns may not always be readily available and there is no guarantee that the Group will be successful in sourcing further suitable assets or making any additional investments. If the Group cannot identify and/or complete further acquisitions the Group may remain focussed on its current business.

Future acquisition targets may be delayed or made at a relatively slow rate because, *inter alia*:

- the Company intends to conduct detailed due diligence prior to approving acquisition targets;
- the Company may conduct extensive negotiations in order to secure and facilitate acquisition targets;
- it may be necessary to establish certain structures in order to facilitate an acquisition target;
- covenants in existing debt finance agreements may restrict or constrain the Group's ability to raise further debt;
- competition from other investors, market conditions or other factors may mean that the Company cannot identify additional attractive acquisition targets or such acquisition targets may not be available at the rate the Company currently anticipates;
- the Company may be unable to agree on acceptable terms;
- the Company may need to obtain Shareholder approval to issue additional Ordinary Shares to finance any further acquisition and/or may need consent from the holders of its debt instruments;
- the Company may be unable to raise bank finance or other sources of finance on terms the Directors consider reasonable; or
- the Company may need to raise further capital to make investments and/or fund the assets or businesses invested in, which may not be achieved.

To secure any acquisition, working capital is required for general expenses and also for due diligence on any such acquisition in addition to the working capital requirements of the Group as it stands. These sums can be considerable depending on the nature and location of an acquisition target.

Material facts or circumstances may not be revealed in the due diligence process

The Company intends to conduct such due diligence as it deems reasonably practicable and appropriate based on the facts and circumstances applicable to any potential future acquisition. The objective of the due diligence process will be to identify material issues which might affect the decision to proceed with any particular acquisition target or the consideration payable for an acquisition. The Company also intends to use information revealed during the due diligence process to formulate its business and operational planning for, and its valuation of, any target company or business. Whilst conducting due diligence and assessing a potential acquisition, the Company will rely on publicly available information, if any, information provided by the relevant target company to the extent such company is willing or able to provide such information and, in some circumstances, third-party investigations.

There can be no assurance that the due diligence undertaken with respect to a potential future acquisition will reveal all relevant facts that may be necessary to evaluate such acquisition, including the determination of the price the Company may pay for an acquisition target, or to formulate a business strategy. Furthermore, the information provided during due diligence may be incomplete, inadequate or inaccurate. As part of the due diligence process, the Company will also make subjective judgments regarding the results of operations, financial condition and prospects of a potential opportunity. If the due diligence investigation fails to correctly identify material issues, including current and future liabilities that may be present in a target company or business, or if the Company considers such material risks to be commercially acceptable relative to the opportunity, and the Company proceeds with an acquisition, the Company may subsequently incur substantial impairment charges or other losses. In addition, following an acquisition, the Company may be subject to significant, previously undisclosed liabilities of the acquired business that were not identified during due diligence and which could contribute to poor operational performance, undermine any attempt to restructure the acquired company or business in line with the Company's business plan and have a material adverse effect on the Company's financial condition and results of operations.

Valuation error

In assessing the consideration to be paid for an acquisition, the Directors, *inter alia*, expect to rely on market data, industry statistics and industry forecasts consisting of estimates compiled by industry professionals, organisations, analysts or publicly available information. Industry publications generally state that their information is obtained from sources they believe to be reliable but that the accuracy and completeness of

such information is not guaranteed and that the forecasts or projections they contain are based on a number of significant assumptions. Although the Company intends to use sources that are believed to be reliable, it may not always have access to the underlying information, methodology and other bases for such information and may not have independently verified the underlying information and, therefore, cannot guarantee its accuracy and completeness. Accordingly, errors in any of the assumptions or methodology employed by a third-party in preparing a report on which the Company may place reliance may materially adversely affect the Company's valuation and therefore returns on any acquisition, business, results of operations, financial condition and prospects.

Future investments may have an adverse effect on the Company's ability to manage its business

If the Company is presented with appropriate opportunities, it may acquire complementary companies in the energy sector. Future acquisitions would expose the Company to potential risks, including risks associated with the assimilation of new personnel, unforeseen or hidden liabilities, the diversion of management attention and resources from the Company's existing business and the inability to generate sufficient revenues to offset the costs and expenses of acquisitions. Any difficulties encountered in the acquisition and integration process may have an adverse effect on the Company's ability to manage its business.

Acquisitions of private companies are subject to a number of risks

The Company may acquire privately held companies or assets that may:

- be highly leveraged and subject to significant debt service obligations, stringent operational and financial covenants and risks of default under financing and contractual arrangements, which may adversely affect their financial condition;
- have limited operating histories and smaller market shares than publicly held businesses making them more vulnerable to changes in market conditions or the activities of competitors;
- be more dependent on a limited number of management and operational personnel, increasing the impact of the loss of any one or more individuals; and/or
- require additional capital.

All or any of these factors may have an adverse effect on the business, financial condition, results of operations and prospects of the Company.

The Company may not acquire total voting control of any target company or business

The Company's intention is to acquire controlling interests in target businesses however it may be that opportunities to acquire controlling interests may not be possible either initially or at all. The Company does not intend to acquire portfolios of non-controlling interests but may invest where participation in targets may result in enhancing Shareholder value and where the participation of the Company in such targets is active rather than passive. Where non-controlling interests are secured this may limit the Company's operational strategies and reduce its ability to enhance Shareholder value albeit the terms of such participation will be negotiated in such a manner as to entrench the Company's participative interest and value enhancement. In the event that the Company cannot acquire a controlling interest in the target business, this could result in an impairment to the Company's objective and acquisition, financing and business strategies which could have a material adverse effect on the continued development or growth of the acquired company or business.

In the event the Company acquires less than a 100% interest in a particular asset or entity, the remaining ownership interest will be held by third parties and the subsequent management and control of such an asset or entity may entail risks associated with multiple owners and decision-makers. Any such investment also involves the risk that third-party owners might become insolvent or fail to fund their share of any capital contribution which might be required, which may then fall to the Company to fund. In addition, such third parties may have economic or other interests which are inconsistent with the Company's interests, or they may obstruct the Company's plans, or they may propose alternative plans. If such third parties are able to take or influence actions contrary to the Company's interests and plans, this may affect the ability of the Company to implement its strategies.

In addition, there is a risk of disputes between the Company and third parties who have an interest in the asset or entity in question. Any litigation or arbitration resulting from any such disputes may increase the Company's expenses and distract the Board from focusing its time to fulfil the strategy of the Company. The Company may also, in certain circumstances, be liable for the actions of such third parties.

The Company may face significant competition for acquisition targets

There may be significant competition in some or all acquisition targets that the Company may explore. Such competition may, for example, come from strategic buyers, market competitors, special purpose acquisition companies and public and private investment funds, many of which are well established and have extensive experience in identifying and completing acquisitions. A number of these competitors may possess greater technical, financial, human and other resources than the Company. The Company cannot assure investors that it will be successful against such competition. Such competition may cause the Company to be unsuccessful in executing an acquisition or may result in a successful acquisition being made at a significantly higher price than would otherwise have been the case which could materially adversely impact the business, financial condition, result of operations and prospects of the Company.

Need for additional funding

The Company currently has no plans, arrangements or understandings with any prospective target company or business regarding an acquisition and the Company cannot currently predict the amount of additional capital that may be required, once a further acquisition has been made, if the target is not sufficiently cash generative, further funds may need to be raised.

Although the Company intends to finance further acquisitions primarily through the issue of Ordinary Shares, if, following a further acquisition, the Company's cash reserves are insufficient; the Company may be required to seek additional equity financing, which may be dilutive to Shareholders. It may also be the case that Ordinary Shares might not be an acceptable form of consideration to a prospective vendor of an asset or business. The Company may not receive sufficient support from its existing Shareholders to raise additional equity, and new equity investors may be unwilling to invest on terms that are favourable to the Company, or at all.

Should the Company pursue debt financing as a means to obtain additional financing, it may be the case that lenders may be unwilling to extend debt financing to the Company on attractive terms, or at all. Unattractive terms may comprise restrictions on operating activities, future financing, acquisitions and disposals. To the extent that additional equity or debt financing is necessary to complete a further acquisition and remains unavailable or only available on terms that are unacceptable to the Company, the Company may be compelled either to restructure or abandon such acquisition, or proceed with such acquisition on less favourable terms, which may reduce the Company's return on the investment.

Even if additional financing is unnecessary to complete a further acquisition, the Company may subsequently require equity or debt financing to implement operational improvements in an acquired business. The failure to secure additional financing or to secure such additional financing on terms acceptable to the Company could have a material adverse effect on the continued development or growth of the acquired business.

The Company could incur costs for transactions that may ultimately be unsuccessful

There is a risk that the Company may incur substantial legal, financial and advisory expenses arising from unsuccessful transactions which may include public offer and transaction documentation, legal, accounting and other due diligence which could have a material adverse effect on the business, financial condition, results of operations and prospects of the Company.

No assurance that any operating improvements will be successful or that they will be effective in increasing the valuation of any business acquired

Following any acquisition, there can be no assurance that the Company will be able to propose and implement effective operational improvements for any company or business which the Company acquires. In addition, even if the Company completes an acquisition, general economic and market conditions or other factors outside the Company's control could make the Company's operating strategies difficult or impossible to implement. Any failure to implement these operational improvements successfully and/or the failure of these operational improvements to deliver the anticipated benefits could have a material adverse effect on the Company's results of operations and financial condition.

Restrictions on offering Ordinary Shares as consideration for a future acquisition or requirement to provide alternative consideration

The Company may offer its Ordinary Shares or other securities as part of the consideration to fund, or in connection with, a future acquisition. However, certain jurisdictions may restrict the Company's use of its Ordinary Shares or other securities for this purpose, which could result in the Company needing to use alternative sources of consideration. Such restrictions may limit the Company's available acquisition opportunities or make certain acquisitions more costly which may have an adverse effect on its operations.

Foreign investment and exchange risks

As at the date of this document, the Company's functional and presentational currency Euro. Accordingly, the Company's future consolidated financial statements will carry the Group's assets in Euro, however certain Directors, and key management may incur costs to the Company in currencies other than Euro.

In addition, any business the Company invests in may denominate its financial information, conduct operations or make sales in currencies other than pounds sterling. When acquiring a business that has functional currencies other than pounds sterling, the Company will be required to translate, *inter alia*, the balance sheet and operational results of such business into pounds sterling. As a result, changes in exchange rates between pounds sterling and other currencies could lead to significant changes in the Company's reported financial results from period to period.

Among the factors that may affect currency values are trade balances, levels of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political or regulatory developments. Although the Company may seek to manage its foreign exchange exposure, including by active use of hedging and derivative instruments, there is no assurance that such arrangements will be entered into or available at reasonable cost at all times when the Company wishes to use them or that they will be sufficient to cover the risk and this may have a negative impact on the profitability and value of the Company.

Interest rates

Changes in interest rates can affect the Company's profitability by affecting the spread between, *inter alia*, the income on its assets and the expense of any interest-bearing liabilities it has, the value of any interest earning assets. In the event of a rising interest rate environment and/or economic downturn, loan defaults may increase and result in credit losses that may be expected to affect the Company's operating results adversely. Interest rates are highly sensitive to many factors, including governmental, monetary and tax policies, domestic and international economic and political considerations, fiscal deficits, trade surpluses or deficits, regulatory requirements and other factors beyond the control of the Company.

Internal controls may be insufficient to enable effective management as the Company grows

Future growth and prospects for the Company will depend on its management's ability to manage the business of the Company and to continue to improve internal operational and financial management information and control systems on a timely basis, whilst at the same time maintaining effective cost controls. Any failure to improve such information and control systems in line with the Company's growth could adversely impact the business, development, financial condition, results of operations and prospects of the Company.

Dependence upon Directors to identify potential acquisition opportunities and to execute acquisitions

The Company is dependent upon the Directors to identify potential acquisition opportunities and to execute acquisitions. The unexpected loss of the services of the Directors (or any of them) could have an adverse effect on the Company's ability to identify potential acquisition opportunities and to execute on any acquisition.

Retention of personnel required to support the Company after the completion of any further acquisitions

Following completion of any further acquisition, the Company will evaluate the personnel of the acquired business and may determine that it requires increased support to operate and manage the acquired business in accordance with the Company's overall business strategy. There can be no assurance that existing personnel of the acquired business will be adequate or qualified to carry out the Company's strategy or that the Company will be able to hire or retain experienced, qualified employees to carry out the Company's strategy.

Costs associated with potential acquisitions

The Company expects to incur certain third-party costs associated with the sourcing of suitable assets. The Company can give no assurance as to the level of such costs, and given that there can be no guarantee that negotiations to acquire any given assets will be successful (for example, the Company may fail to complete a proposed acquisition because it has been outbid by a competitor or does not meet the Vendors' internal hold value), it may be left with substantial unrecovered transaction costs, including legal, financial, advisory or other expenses, including general and administration costs, which could have a material adverse effect on the financial condition and prospects of the Company. The greater the number of deals that do not reach completion, the greater the likely impact of such costs on the Company's performance, share price, financial condition and business prospects.

Long-term nature of acquisitions

While an acquisition target may be sold by the Company at any time, it is not generally expected that this will occur for a number of years after such an acquisition is made. Investments in oil, gas and energy assets and companies are best suited for long-term investors.

Illiquid nature of the Company's investments

Return of capital to Shareholders and the realisation of gains, if any, generally will occur only upon the partial or complete disposal of an investment, or ultimately the Company itself, which may be several years after first investment.

RISKS RELATING TO WINDFALL TAXES

United Kingdom windfall taxes

On 14 July 2022, the Energy (Oil and Gas) Profits Act 2022 was enacted to introduce the "Energy Profits Levy", a new 25% surcharge on profits made by companies in the oil and gas sector (in respect of accounting periods commencing on or after 26 May 2022), which was introduced as a result of rises in commodity prices. Prior to the Energy Profits Levy, companies in the oil and gas sector paid a 40% headline tax rate on profits consisting of 30% "Ring Fence Corporation Tax" and 10% "Supplementary Charge". On 17 November 2022, the UK Government announced that, from 1 January 2023, the rate of the Energy Profits Levy will be increased to 35%. The Government also announced that the Energy Profits Levy will remain in place until the end of March 2028 and confirmed that it will no longer consider phasing out the levy ahead of this date.

The Energy Profits Levy, from 1 January 2023, takes the combined rate of tax on profits to 75%, subject to an investment allowance at a rate of 80% for decarbonisation expenditure, and 29% for other qualifying investment expenditure. .

The Group has significant tax losses carried forward available to offset future UK taxes due to the Total Acquisition. The Group is expected to benefit, to some extent, from the investment allowance under the Energy Profits Levy, through its planned capital investments program.

While the Group anticipates use of carried forward trading losses to reduce the UK corporation tax payable, such use is dependent on certain factors, notably the level of future profits, the undertaking of intra-group transfer of assets, and that there are no changes in government regulatory tax policies, including adverse changes in tax laws or interpretations of tax laws.

The use of the investment allowance is dependent on certain factors, including the readiness of the Group's oil and gas assets for qualifying investments and the timing of the investment. There are also tax rules which prevent the use of carried forward losses where, over the course of any period of five years starting up to three years before a change in ownership of a company, there is a major change in the nature or conduct of a trade carried on by that company.

Relevant changes in ownership have occurred within the Group, since the Group has in recent years purchased entities that have carried-forward losses, and has previously (and may in future) undertake corporate steps in respect of its structure. Whether there has been a major change in the nature or conduct of a trade depends on all of the specific facts and circumstances of the individual case in question, and may occur if there is a

significant change in the property dealt in, the services or facilities provided by, or in customers or markets supplied by, the relevant company.

The Group focuses, and it is contemplated will continue to focus, on oil and gas activities, and whilst HMRC has published guidance indicating that it would generally be unusual for it to take the view that there has been a major change in the nature or conduct of a trade in the context of this industry (that is, in the context of ring-fence trades), the application of these rules cannot be discounted. In the event that the Group were unable to fully utilise its carried forward tax losses or the investment allowance, this would increase the Group's tax burden and therefore negatively impact the Group's cash position, effective tax rate, financial condition and results of operations.

The Netherlands windfall taxes

On 1 November 2022, the Dutch government indicated that it intends to levy windfall taxes on fossil fuel companies retrospectively for the year 2022. While the details of such proposals have not yet been published, the announcement indicates that companies with activities in the oil, natural gas, coal and petroleum refining sectors will be subject to an additional 33% tax charge on "excess profits", being profits that are more than 20% above the average level of profits between 2018 to 2021. The details of how such Dutch windfall taxes may impact the Group are not yet known.

RISKS RELATING TO THE KISTOS HOLDINGS PLC ORDINARY SHARES AND THEIR TRADING ON AIM

There may be a limited market for the Kistos Holdings plc Ordinary Shares. A market for the Kistos Holdings plc Ordinary Shares may not develop, which would adversely affect the liquidity and price of the Kistos Holdings plc Ordinary Shares

The price of the Kistos Holdings plc Ordinary Shares after Admission might vary due to a number of factors, including but not limited to, general economic conditions and forecasts, the Group's general business condition and the release of its financial reports.

Although the Company's current intention is that Kistos Holdings plc Ordinary Shares will continue to trade on AIM following Admission, it cannot assure investors that it will always do so. In addition, an active trading market for the Kistos Holdings plc Ordinary Shares may not develop or, if developed, may not be maintained. Investors may be unable to sell their Kistos Holdings plc Ordinary Shares unless a market can be established and maintained, and if the Company subsequently obtains a listing on an exchange in addition to, or in lieu of, the London Stock Exchange, the level of liquidity of the Kistos Holdings plc Ordinary Shares may decline.

Trading on AIM

The Kistos Holdings plc Ordinary Shares will be admitted to trading on AIM. An investment in shares admitted to trading on AIM may be less liquid and may carry a higher risk than an investment in shares admitted to listing on the Official List and to trading on the main market for listed securities of the London Stock Exchange. The AIM Rules for Companies are less demanding than those which apply to companies admitted to listing on the premium segment of the Official List of the FCA and to trading on the main market for listed securities of the London Stock Exchange. Further, the FCA has not itself examined or approved the contents of this document. A prospective investor should be aware of the risks of investing in such shares and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser authorised under FSMA.

Value and liquidity of the Kistos Holdings plc Ordinary Shares

It may be difficult for an investor to realise such investor's investment. The shares of publicly traded companies can have limited liquidity and their share prices can be highly volatile.

The price at which the Kistos Holdings plc Ordinary Shares will be traded and the price at which investors may realise their investment will be influenced by a large number of factors, some specific to the Company and its operations and others which may affect companies operating within a particular sector or companies with securities admitted to trading and/or for listing generally. A relatively small movement in the value of an investment or the amount of income derived from it may result in a disproportionately large movement, unfavourable as well as favourable, in the value of the Kistos Holdings plc Ordinary Shares or the amount of income received in respect thereof.

Prospective investors should be aware that the value of the Kistos Holdings plc Ordinary Shares could go down as well as up, and investors may therefore not recover their original investment. Furthermore, the market price of the Kistos Holdings plc Ordinary Shares may not reflect the underlying value of the Company's net assets. The investment opportunity offered in this document may not be suitable for all recipients of this document. Before making an investment decision, prospective investors are strongly recommended to consult an independent financial adviser who, if they are based in the UK, is authorised under FSMA, or, if they are based outside of the UK, a person who is otherwise similarly qualified in the relevant jurisdiction, who specialises in advising on investments of this nature.

Reverse takeovers

Shareholders should note that where a transaction is considered to be a "reverse takeover" for the purposes of the AIM Rules and the Shareholders approve any such transaction, trading on AIM in the Kistos Holdings plc Ordinary Shares will be cancelled and re-admission to AIM or another listing venue will be required to be sought in the same manner as any other applicant applying for admission of its securities for the first time. Trading in the Kistos Holdings plc Ordinary Shares will normally be suspended following the announcement of any such transaction until the Company has published a re-admission document in respect of the Company.

Dilution of Shareholders' interest as a result of additional equity financing

Shareholders do not have the benefit of pre-emption rights in respect of the issues of future shares which are issued for non-cash consideration pursuant to any acquisitions. In addition, the Company may issue shares or convertible debt securities in exchange for cash to complete a further acquisition, pursuant to disapplications of the pre-emption rights that exist under the Articles and the Companies Act 2006 which may dilute the interests of Shareholders.

Any issue of Kistos Holdings plc Ordinary Shares, preferred shares or convertible debt securities may:

- significantly dilute the value of the Kistos Holdings plc Ordinary Shares held by existing Shareholders;
- cause a change of control if a substantial number of Kistos Holdings plc Ordinary Shares are issued, which may, *inter alia* result in the resignation or removal of one or more of the Directors;
- in certain circumstances, have the effect of delaying or preventing a change of control;
- subordinate the rights of holders of Kistos Holdings plc Ordinary Shares if preferred shares are issued with rights senior to those of Kistos Holdings plc Ordinary Shares; or
- adversely affect the market prices of the Company's Kistos Holdings plc Ordinary Shares.

If Kistos Holdings plc Ordinary Shares, preferred shares or convertible debt securities are issued as consideration for an acquisition, existing Shareholders will have no pre-emptive rights with regard to the securities that are issued. The issue of such Kistos Holdings plc Ordinary Shares, preferred shares or convertible debt securities is likely to materially dilute the value of the Kistos Holdings plc Ordinary Shares held by existing Shareholders. Where a target company has an existing large shareholder, an issue of Kistos Holdings plc Ordinary Shares, preferred shares or convertible debt securities as consideration may result in such shareholder subsequently holding a significant or majority stake in the Company, which may, in turn, enable it to exert significant influence over the Company (to a greater or lesser extent depending on the size of its holding) and could lead to a change of control.

If the Company were to incur substantial indebtedness in relation to an acquisition, this could result in:

- default and foreclosure on the Company's assets, if its cash flow from operations were insufficient to pay its debt obligations as they become due;
- acceleration of its obligation to repay indebtedness, even if it has made all payments when due, if it breaches, without a waiver, covenants that require the maintenance of financial ratios or reserves or impose operating restrictions;
- a demand for immediate payment of all principal and accrued interest, if any, if the indebtedness is payable on demand; or
- an inability to obtain additional financing, if any indebtedness incurred contains covenants restricting its ability to incur additional indebtedness.

The occurrence of any or a combination of these factors could decrease an investor's ownership interests in the Company or have a material adverse effect on its financial condition and results of operations.

No guarantee that the Kistos Holdings plc Ordinary Shares will continue to be traded on AIM

The Company cannot assure investors that the Kistos Holdings plc Ordinary Shares will always continue to be traded on AIM or on any other exchange. If such trading were to cease, certain investors may decide to sell their shares, which could have an adverse impact on the price of the Kistos Holdings plc Ordinary Shares. Additionally, if in the future the Company decides to obtain a listing on another exchange in addition or as an alternative to AIM, the level of liquidity of the Kistos Holdings plc Ordinary Shares traded on AIM could decline.

Dividend payments on the Kistos Holdings plc Ordinary Shares are not guaranteed

To the extent the Company intends to pay dividends on the Kistos Holdings plc Ordinary Shares, it will pay such dividends at such times (if any) and in such amounts (if any) as the Board determines appropriate and in accordance with applicable law, regulation and applicable contractual obligations, but expects to be principally reliant upon dividends received on shares held by it in any operating subsidiaries in order to do so. Payments of such dividends will be dependent on the availability of any dividends or other distributions from such subsidiaries. The Company can therefore give no assurance that it will be able to pay dividends going forward or as to the amount of such dividends, if any.

GENERAL RISKS

The Group is subject to risks arising from economic conditions in the UK and from risks arising from the continuing global economic weakness, such as those associated with the UK having left the European Union

The exact impact of market risks faced by the Group is uncertain and difficult to predict and respond to, in particular, in view of: (i) the continuing unpredictable consequences of the UK leaving the European Union (commonly referred to as "Brexit") and the terms of the Trade and Cooperation Agreement, signed on 30 December 2020 which includes an agreement on free trade between the UK and EU; (ii) difficulties in predicting the rate at which any economic disruption may occur, and over what duration; and (iii) the fact that some of the related risks to the business are totally, or partially, outside the control of the Group.

Force majeure

The Group's operations now or in the future may be adversely affected by risks outside the control or anticipation of the Group, including labour unrest, civil disorder, war, subversive activities or sabotage, fires, earthquakes, floods, explosions or other catastrophes, epidemics or quarantine restrictions, which may have a material adverse effect on the Group's future financial condition and results.

The general economic climate may be adverse for the Group

The Group may make acquisitions of companies and businesses that are susceptible to economic recessions or downturns. During periods of adverse economic conditions, the markets in which the Group operates may decline, thereby potentially decreasing revenues and causing financial losses, difficulties in obtaining access to, and fulfilling commitments in respect of, financing, and increased funding costs. In addition, during periods of adverse economic conditions, the Group may have difficulty accessing financial markets, which could make it more difficult or impossible for the Group to obtain funding for additional acquisitions and negatively affect the Group's operating results. Accordingly, adverse economic conditions could adversely impact the business, development, financial condition, results of operations and prospects of the Group.

Taxation of returns from assets located outside of the UK may reduce any net return to investors

To the extent that the assets, company or business which the Group acquires is or are established outside the UK, it is possible that any return the Group receives from it may be reduced by irrecoverable foreign withholding or other local taxes and this may reduce any net return derived by investors from a shareholding in the Company.

Changes in tax law and practice may reduce any net returns for investors

The tax treatment of Shareholders of the Company, any special purpose vehicle that the Company may establish and any company which the Company may acquire are all subject to changes in tax laws or practices in England & Wales or any other relevant jurisdiction. Any change may reduce any net return derived by investors from a shareholding in the Company.

Investors should not rely on the general guide to taxation set out in this document and should seek their own specialist advice. The tax rates referred to in this document are those currently applicable and they are subject to change.

There can be no assurance that the Company will be able to make returns for Shareholders in a tax-efficient manner

It is intended that the Company will structure the group, including any company or business acquired, to maximise returns for Shareholders in as fiscally efficient a manner as is practicable. The Company has made certain assumptions regarding taxation. However, if these assumptions are not correct, taxes may be imposed with respect to the Company's assets, or the Company may be subject to tax on its income, profits, gains or distributions (either on a liquidation and dissolution or otherwise) in a particular jurisdiction or jurisdictions in excess of taxes that were anticipated. This could alter the post-tax returns for Shareholders (or Shareholders in certain jurisdictions). The level of return for Shareholders may also be adversely affected. Any change in laws or tax authority practices could also adversely affect any post-tax returns of capital to Shareholders or payments of dividends (if any, which the Company does not envisage the payment of, at least in the short to medium term). In addition, the Company may incur costs in taking steps to mitigate any such adverse effect on the post-tax returns for Shareholders

Foreign exchange movements

The Company may continue to acquire foreign companies, hence some contracts may be priced in foreign currencies and also have employees based overseas paid in foreign currencies. It is therefore exposed to the risk that adverse exchange rate movements could cause its costs to increase (relative to its reporting currency) resulting in reduced profitability. The Company, where deemed relevant, takes steps to mitigate this risk by putting in place hedging arrangements to reduce exposure to currency risk, however these may not always be entirely effective, and residual currency risk may exist.

PART IV OVERVIEW OF THE BUSINESS

1. THE BUSINESS, PRINCIPAL ACTIVITIES AND HISTORY

On 31 January 2022, Kistos plc announced the Total Acquisition. With an effective date of 1 January 2022, the transaction more than doubled Group production to 12.4 kboe/d on a pro forma basis in the first half of 2022. In the meantime, output from the Group operated Q10-A field in the Dutch sector of the North Sea benefited from the drilling and workover campaign conducted between July 2021 and February 2022. Average daily production net to the Group's 60% interest in the field was 6.1 kboe/d in the six months to 30 June 2022 or 5% higher than the equivalent six-month period a year earlier. Scope 1 emissions from the Q10-A platform remain industry leading at approximately 1 gram of CO₂e/boe. This follows the 2021 upgrade of the wind turbines on the renewably powered facility, which is also fitted with solar panels and is only visited by boat. The business in the Netherlands benefited from higher gas prices in the first half of 2022, with average realisations of €83.55/MWh versus €20.71/MWh in the 6 months to 30 June 2021. Including pro forma realisations from the GLA, average realisations for the period were €82.65/MWh. On an oil equivalent basis, the Company estimates pro forma revenue from Q10-A and GLA averaged US\$151.2/boe.

The Group remains well-funded. The Group exited 2021 with cash of €77.3 million offset by €150.0 million of Nordic bonds issued by Kistos NL2. After buying back €27.7 million of those bonds in February 2022, the Group exited the half year with total cash of €148.4 million and outstanding Nordic bonds of €122.3 million (net). After making the completion payment for the GLA acquisition and undertaking a planned maintenance shutdown at Q10-A, the Group's cash balances on 31 August were €153.6 million, meaning the Company had net cash of €31.3 million at that date.

Given this financial strength and in line with its strategy, the Group continues to evaluate several business development opportunities in the energy security and transition spaces.

2. STRATEGY

The Board's main objectives are to generate value for shareholders while maximising sustainability and low carbon footprint credentials. In short, the Company aims to make returns to shareholders in a way that benefits current and future generations.

The Group's role in energy transition

The world needs to move on from fossil fuels such as coal, towards more sustainable sources of energy. This is not straightforward, but the Group is a hydrocarbon business that fully embraces the "Net Zero 2050" agenda. The Group's founding principle is to be part of the energy transition by producing gas with the lowest possible carbon footprint. Producing natural gas will be critical to Europe's transition to a low-carbon future, so the Group's approach involves increasing its reserves and production capacity of natural gas with low Scope 1 and 2 GHG emissions. The Group already proudly produce gas in the North Sea through the unmanned Q10-A platform, which is powered by wind turbines and solar energy to minimise its carbon footprint. Focusing on ESG issues beyond the Group's business strategy, it is important to manage the environmental and social issues associated with the Group through responsible business practices.

A growing portfolio

The Board believe that shareholder value is a more important metric than reserves or production capacity, but remains committed to growing the Group's business. In the first half of 2021, the Group purchased Tulip Oil Netherlands (renamed Kistos NL1) and its subsidiary, Tulip Oil Netherlands Offshore (renamed Kistos NL2). This transaction provided the Group with 60% interests in, and operatorship of, the producing Q10-A gas field, as well as other oil and gas discoveries in the Dutch sector of the North Sea.

In January 2022, the Company agreed to acquire a 20% interest in the GLA gas fields West of Shetland from TotalEnergies. This will further increase the Group's gas production capacity and provides an additional foothold in the UK from which it can continue to grow the business.

3. OPERATIONS

Q10-A

Gross production from the Q10-A gas field (Kistos 60% operated working interest) averaged 1.5 MNm³/d (52 MMcf/d or 10.1 kboe/d) in the first half of 2022 from six producing wells. This represented an increase of 0.5 kboe/d or 5% from a year earlier, demonstrating the benefits of the 2021/22 drilling campaign and, in particular, the sidetrack of the Q10-A-04 well to a new location in the Slochteren formation.

Following an upgrade of the wind turbines in 2021, the renewably powered Q10-A platform maintained its excellent emissions intensity track record during the period.

Orion

The Q10-A Orion oil field is located directly above the Q10-A gas field in the Vlieland sandstone formation. This is a proven play in the area and although this reservoir has low porosity and permeability, it also contains natural fractures that can significantly enhance productivity. This was demonstrated in the third quarter of 2021, when Kistos drilled an appraisal well and flow-tested an 825-metre horizontal section at a rate of 3,200 b/d. This result led to a decision to commence the Concept Assess phase of development planning for the field.

This involved building new static and dynamic reservoir models before evaluating several development concepts. This work completed recently and a shortlist of three development options are being considered for a more detailed Concept Select phase of work. Two of these would utilise the existing Q10-A platform while the third envisages the installation of a new, minimal facilities adjacent to Q10-A.

Q11-B

The Q11-B appraisal well was suspended in February 2022. We continue to evaluate options for the development of this gas accumulation, particularly in light of current gas prices.

GLA

Kistos marked its entry to the UK Continental Shelf with completion on 10 July 2022 of the acquisition of a 20% interest in the GLA from TEPUK. The effective date of the transaction was 1 January 2022, meaning the Company enjoyed the economic benefits of the assets in the first half of 2022 through a subsequent adjustment to the US\$125 million purchase price. This will be supplemented by contingent consideration payable in January 2023 of up to US\$40.0 million. Average net production from the GLA in the six months to 30 June 2022 was in line with expectations at 6.3 kboe/d and, on a *pro forma* basis, more than doubled Group production to 12.4 kboe/d. During the period, the joint venture continued to progress the Glendronach field towards a final investment decision (FID), which we expect before the end of the year. In addition, preparations are underway to drill the 638 Bcf Benriach prospect (Kistos 25%) in 2023. A rig is expected to be secured for this well in the near future and to arrive on location in Q2 2023.

Expenditure on Glendronach and Benriach is expected to qualify for the 'super deduction' investment allowance under the terms of the Energy Profits Levy, which was enacted by the UK Government in July 2022. The investment allowance rate is 80%, meaning that total tax relief on qualifying expenditure can be as much as 91p for every £1.00 invested.

The Group's role is crucial for supplying energy during the global energy transition. As such, the Group is constantly exploring opportunities for growth, adapting to support global sustainability efforts and adding value for shareholders.

In 2022, the Group undertook a thorough materiality assessment, to identify the most significant ESG issues, enabling the it to develop a full sustainability strategy and objectives aligned with the United Nations Sustainable Development Goals (SDGs).

The Group has a Code of Business Conduct in place alongside policies to ensure consistency across the business for issues including anti-bribery and corruption, whistleblowing, major accident prevention, health, environment, safety and security.

Building on existing health, safety and responsible business practices, the Group has broadened the scope of its stewardship approach to include enhanced environmental considerations, encompassing its commitment to avoid unnecessary depletion of natural resources. With the aim of creating an environmentally aware work culture, the Group also works with suppliers to educate and promote sustainable practices.

Operating in the Netherlands, an EU member state, the Group is aligned with the Paris Accord – the EU's target to reduce greenhouse gas emission by 55% by 2030 in an effort to reach net zero by 2050. The Directors are using the net zero 2050 agenda as an opportunity to demonstrate leadership and are confident that with their forward-looking stewardship mindset and industry experience, they are able to drive sustainability without compromising business growth.

The Group is confident that domestic offshore gas has a vital role to play as a transition fuel both in the Netherlands and in the UK and will be imperative in carbon reduction in the coming years. Already a low carbon producer of natural gas, the Group is well-placed to build on its existing position and has committed to explore more sustainable ways to develop existing assets. The Q10-A platform, which generates electricity from renewable energy sources and produces gas with minimal Scope 1 emissions, will serve as a blueprint for future projects.

To keep emissions as low as possible and exceed regulatory requirements, Kistos has implemented the LDAR programme to identify and prevent methane leaks from its operations. It plans to perform a full platform inspection every year, surpassing the requirement to undertake one every four years. Access points that are not measured through LDAR are assessed using a Forward-Looking InfraRed (FLIR) camera to identify any leaks as quickly as possible.

4. BOARD

- 4.1 The details of appointment in relation to the Directors are set out in paragraph 6 of *Part V – Additional Information* of this document.
- 4.2 The Directors acknowledge the importance of good corporate governance and accordingly intend to comply with the rules of the QCA Code insofar as it is practicable to do so for a company of the size and nature of the Group. Please see paragraph 13 of *Part V – Additional Information* of this document.
- 4.3 The Board includes a total of three Non-Executive Directors, all of whom are independent and free from any material business or other relationship that could materially interfere with the exercise of their independent judgement. The Board will meet regularly and is responsible for the overall strategy of the Group, its performance, management and major financial matters.
- 4.4 The Board has established an Audit Committee, a Remuneration Committee, a Nomination Committee and a Disclosure Committee, each with formally delegated responsibilities.
- 4.5 The Audit Committee is currently chaired by Julie Barlow, and its other member is Alan Booth. The key objective of the Committee is to provide assurance to the Board as to the effectiveness of the company's internal controls and the integrity of its financial records and externally published results.
- 4.6 The Remuneration Committee is chaired by Alan Booth and its other member is Julie Barlow. The Remuneration & Corporate Social Responsibility Committee reviews the performance of the Executive

Directors and makes recommendations to the Board on matters relating to their remuneration and terms of employment. The Remuneration Committee also makes recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any share option scheme or equity incentive scheme in operation from time to time. The Remuneration Committee meets at least twice a year.

- 4.7 The Nomination Committee is chaired by Richard Benmore and its other member is Alan Booth. The Nomination Committee is responsible for ensuring that the Board has a formal and transparent appointment procedure and has primary responsibility for reviewing the balance and effectiveness of the Board and identifying the skills needed on the Board and those individuals who might best provide them.
- 4.8 The Disclosure Committee is chaired by Julie Barlow and its other member is Alan Booth. The Disclosure Committee enforces the Group's inside information policy and, in particular, assesses whether information is "inside information" and resolves queries about materiality.

5. EMPLOYEES

- 5.1 Management of the Group is overseen by its three Executive Directors, Andrew Austin (Executive Chairman), Peter Mann (Chief Executive Officer) and Richard Slape (Chief Financial Officer), supported by the senior management team.
- 5.2 The Group's mission statement is to create value for its shareholders through the acquisition and management of companies or businesses in the energy sector.
- 5.3 The Group currently has 23 employees (excluding Non-Executive Directors), 12 of them working in the Netherlands and 6 in the United Kingdom.

**PART V
ADDITIONAL INFORMATION**

1. RESPONSIBILITY STATEMENT

The Company and the Directors, whose names and principal functions appear on page 6 of this document, individually and collectively accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors (having taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and this document makes no omission likely to affect its import.

2. INCORPORATION AND REGISTERED OFFICE

- 2.1 The legal and commercial name of the Company is Kistos plc.
- 2.2 The Company was incorporated on 14 October 2020 as a private company limited by shares in the United Kingdom. It was re-registered as a public limited company on 13 November 2020 under the Companies Act 2006 and is registered in England & Wales with company number 12949154. Its LEI is 21380070T1E5GTTVON57.
- 2.3 The Registered Office is 2nd Floor, 3 St James' Square, London SW1Y 4JV, United Kingdom.
- 2.4 The telephone number of the Registered Office is +44(0) 20 4531 2500.
- 2.5 The website of the Company is <https://kistosplc.com/>. The information contained on that website does not form part of this document unless that information is incorporated by reference into this document.
- 2.6 The principal activity of the Company is to be the holding company of the Group, and, following the Scheme Effective Date, the principal of Kistos Holdings plc will be to be the holding company of the Group.

3. TAKEOVER CODE

From the Scheme Effective Date and upon the shares of Kistos Holdings plc being traded on AIM, the Takeover Code will apply to Kistos Holdings plc.

4. SHARE CAPITAL

- 4.1 Immediately prior to the publication of this document, the share capital of the Company was £8,286,374.30, comprised of 82,863,743 ordinary shares of nominal value £0.10 each, all of which were fully paid or credited as fully paid. The Company has no shares held as treasury shares. Kistos plc Ordinary Shares have a nominal value of 10 pence each and are admitted to trading on AIM.
- 4.2 Immediately prior to the publication of this document, the issued and fully paid ordinary share capital of the Company was as follows:

	Number of shares	Amount of share capital
Kistos plc Ordinary Shares	82,863,743 of nominal value £0.10 each in the capital of Kistos plc	£8,286,374.30

- 4.3 Upon the Scheme Effective Date, the issued and fully paid ordinary share capital of Kistos Holdings plc would be:

	Number of shares	Amount of share capital
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Kistos Holdings plc Ordinary Shares	82,863,743 of nominal value £0.10 each in the capital of Kistos Holdings plc	£8,286,374.30
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At the General Meeting, the Scheme Shareholders will be asked to consider and vote on the Resolutions. One of the Resolutions is a special resolution to approve the Delisting and to approve Admission. This special resolution will pass if not less than 75% of the votes cast (either in person or by proxy) are in favour and a majority of the votes cast (either in person or by proxy).

- 4.4 Kistos plc Ordinary Shares trade under ISIN GB00BLF7NX68.
- 4.5 The Kistos Holdings plc Ordinary Shares will trade under ISIN to be notified to Shareholders in due course by way of RIS announcement.
- 4.6 The Kistos Holdings plc Ordinary Shares will have the same rights in all respects as Kistos plc Ordinary Shares (including the right to receive all dividends or other distributions declared after the respective dates of their issue).

5. ARTICLES

5.1 General

The Articles, which were adopted by the Company upon re-registration on 13 November 2020, available to download at the Company's website, <https://www.kistosplc.com>, contain certain provisions, the material provisions of which are set out below. This is a description of significant rights and does not purport to be complete or exhaustive.

The Articles contain no specific restrictions on the Company's objects and therefore, by virtue of Section 31(1) of the Companies Act 2006, the Company's objects are unrestricted.

- 5.2 The Articles contain, *inter alia*, provisions to the following effect:

(a) Share capital

The Company's issued share capital currently consists of ordinary shares. The Company may issue shares with such rights or restrictions as may be determined by ordinary resolution, including shares which are to be redeemed, or are liable to be redeemed at the option of the Company or the holder of such shares.

(b) Voting

Shareholders have the right to receive notice of, and to vote at, general meetings of the Company. Such notice shall specify whether the meeting shall be a physical or electronic meeting or a hybrid meeting. Any resolution put to the vote of a general meeting must be decided exclusively on a poll. Votes may be given in person (including virtually) at the meeting or by proxy. A member entitled to more than one vote need not, if such member votes, use all such member's votes or cast all the votes such member uses in the same way. Every such holder who is present in person (or, being a corporation, by representative) (including virtually) or by proxy has one vote in respect of every share held by such holder. All voting at Shareholder meetings is to be held upon a poll.

(c) Variation of rights

Whenever the share capital of the Company is divided into different classes of shares, the special rights attached to any class may be varied or abrogated either with the consent in writing of the holders of three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class and may be so varied and abrogated whilst the Company is a going concern or during or in contemplation of a winding up.

(d) **Dividends**

The Company may, subject to the provisions of the Companies Act 2006 and the Articles, by ordinary resolution from time to time declare dividends to be paid to members not exceeding the amount recommended by the Directors. Subject to the provisions of the Companies Act 2006 in so far as, in the Directors' opinions, the Company's profits justify such payments, the Directors may pay interim dividends on any class of shares.

Any dividend unclaimed after a period of 12 years from the date such dividend was declared or became payable shall, if the Directors resolve, be forfeited and shall revert to the Company. No dividend or other moneys payable on or in respect of a share shall bear interest as against the Company.

(e) **Distribution of assets in liquidation**

If the Company is wound up (whether the liquidation is voluntary, under supervision of the court or by the court), the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Companies Act 2006, divide among the members in specie the whole or any part of the assets of the Company. For this purpose, the liquidator may set such value as such liquidator considers fair on any one or more class or classes of property and may determine how such division shall be carried out as between members or classes of members. The liquidator may, with the same authority, transfer the whole or any part of the assets to trustees on such trusts for the benefit of members as such liquidator thinks fit.

(f) **Transfer of ordinary shares**

Each member may transfer all or any of such member's shares which are in certificated form by means of an instrument of transfer in any usual form or in any other form which the Directors may approve. Each member may transfer all or any of such member's shares which are in uncertificated form by means of a 'relevant system'.

The Board may, in its absolute discretion, refuse to register a transfer of certificated shares unless:

- (i) it is for a share which is fully paid up;
- (ii) it is for a share upon which the Company has no lien;
- (iii) it is only for one class of share;
- (iv) it is in favour of a single transferee or no more than four joint transferees;
- (v) it is duly stamped or is duly certificated or otherwise shown to the satisfaction of the Board to be exempt from stamp duty; and
- (vi) it is delivered for registration to the registered office of the Company (or such other place as the Board may determine), accompanied (except in the case of a transfer by a person to whom the Company is not required by law to issue a certificate and to whom a certificate has not been issued or in the case of a renunciation) by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to prove the title of the transferor (or person renouncing) and the due execution of the transfer or renunciation by such person or, if the transfer or renunciation is executed by some other person on such person's behalf, the authority of that person to do so.

The Directors may refuse to register a transfer of uncertificated shares in any circumstances that are allowed or required by the uncertificated securities rules and the relevant system.

(g) **Allotment of shares and pre-emption rights**

Subject to the Companies Act 2006, the Articles and to any relevant authority of the Company in general meeting required by the Act, the Board may offer, allot (with or without conferring rights of renunciation), grant options over or otherwise deal with or dispose of shares or grant rights to subscribe for or convert any security into shares to such persons, at such times and upon such terms as the Board may decide. No share may be issued at a discount to the nominal value of such share.

Subject to the Companies Act 2006 and to any rights attached to existing shares, any share may be issued with or have attached to it such rights and restrictions as the Company may by ordinary resolution determine, or if no ordinary resolution has been passed or so far as the resolution does not make specific provision, as the Directors may determine (including shares which are to be redeemed, or are liable to be redeemed at the option of the Company or the holder of such shares).

In accordance with Section 551 of the Companies Act 2006, the Directors may be generally and unconditionally authorised to exercise all the powers of the Company to allot shares up to an aggregate nominal amount equal to the amount stated in the relevant ordinary resolution authorising such allotment.

The provisions of Section 561 of the Companies Act 2006 (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are paid up in cash) apply to the Company except to the extent disapplied by special resolution of the Company.

(h) **Alteration of share capital**

The Company may by ordinary resolution consolidate or divide all of its share capital into shares of larger nominal value than its existing shares, or cancel any shares which, at the date of the ordinary resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the nominal amount of shares so cancelled or sub-divide its shares, or any of them, into shares of smaller nominal value.

The Company may, in accordance with the Companies Act 2006, reduce or cancel its share capital or any capital redemption reserve or share premium account in any manner and with and subject to any conditions, authorities and consents required by law.

(i) **Directors**

Unless otherwise determined by the Company by ordinary resolution, the number of Directors (other than any alternate Directors) shall be at least two and not more than fifteen (15).

Subject to the Articles and the Companies Act 2006, the Company may by ordinary resolution appoint a person who is willing to act to be a Director, either to fill a vacancy or as an addition to the existing Board but the total number of Directors shall not exceed any maximum number fixed in accordance with the Articles.

Subject to these Articles, the Board shall have power at any time to appoint any person who is willing to act as a Director, either to fill a vacancy or as an addition to the existing Board but the total number of Directors shall not exceed any maximum number fixed in accordance with these Articles.

At each annual general meeting of the Company all Directors shall retire from office except any Director appointed by the Board after the notice of that annual general meeting has been given and before that annual general meeting has been held.

Subject to the Companies Act 2006, these Articles and to any directions given by special resolution of the Company, the business of the Company will be managed by the Board, which may exercise all the powers of the Company, whether relating to the management of the business or not.

The quorum for a Directors' meeting shall be fixed from time to time by a decision of the Directors, but it must never be less than two and unless otherwise fixed, it is two.

Questions arising at any Board meeting shall be determined by a majority of votes. In the case of an equality of votes the chairman of that meeting shall have a second or casting vote (unless the chairman is not entitled to vote on the resolution in question).

Each of the Directors may be paid a fee at such rate as may from time to time be determined by the Board. However, the aggregate of all fees payable to the Directors (other than amounts payable under any other provision of the Articles) must not exceed £2,000,000 a year or such higher amount as may from time to time be decided by ordinary resolution of the Company. Any fees payable under this provision shall be distinct from any salary, remuneration or other amounts payable to a Director under any other provisions of the Articles and shall accrue from day to day.

The Directors shall also be entitled to be paid all reasonable expenses properly incurred by them in connection with their attendance at meetings of shareholders or class meetings, board or committee meetings or otherwise in connection with the exercise of their powers and the discharge of their responsibilities in relation to the Company.

The Board may, in accordance with the requirements in the Articles, authorise any matter proposed to them by any Director which would, if not authorised, involve a Director breaching such Director's duty under the Companies Act 2006 to avoid conflicts of interests.

A Director seeking authorisation in respect of such conflict shall declare to the Board the nature and extent of their interest in a conflict as soon as is reasonably practicable.

The Director shall provide the Board with such details of the matter as are necessary for the Board to decide how to address the Conflict together with such additional information as may be requested by the Board.

Any authorisation by the Board will be effective only if:

- (i) to the extent permitted by the Companies Act 2006, the matter in question shall have been proposed by any Director for consideration in the same way that any other matter may be proposed to the Directors under the provisions of the Articles;
- (ii) any requirement as to the quorum for consideration of the relevant matter is met without counting the conflicted Director and any other conflicted Director; and
- (iii) the matter is agreed to without the conflicted Director voting or would be agreed to if the conflicted Director's and any other interested Director's vote is not counted.

Subject to the provisions of the Companies Act 2006, every Director, secretary or other officer of the Company (other than an auditor) is entitled to be indemnified against all costs, charges, losses, damages and liabilities incurred by such person in the actual purported exercise or discharge of such person's duties or exercise of such person's powers or otherwise in relation to them.

(j) **General meetings**

The Company must convene and hold annual general meetings and general meetings in accordance with the Companies Act 2006.

The Company is able to hold any Shareholder meeting as a physical meeting or as an electronic meeting or a hybrid meeting using any virtual or electronic platform provided that all shareholders have the rights to: (i) attend and be heard at the meeting; and (ii) there is an opportunity to participate in poll voting (including the ability to submit an electronic vote) at the meeting.

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the choice or appointment of a Chair of the meeting which shall not be treated as part of the business of the meeting. Save as otherwise

provided by the Articles, two shareholders present in person or by proxy and entitled to vote shall be a quorum for all purposes.

(k) Borrowing powers

Subject to the Articles and the Companies Act 2006, the Board may exercise all of the powers of the Company to:

- (i) borrow money;
- (ii) indemnify and guarantee;
- (iii) mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company;
- (iv) create and issue debentures and other securities; and
- (v) give security either outright or as collateral security for any debt, liability or obligation of the Company or of any third-party.

(l) Capitalisation of profits

The Directors may, if they are so authorised by an ordinary resolution of the shareholders, decide to capitalise any undivided profits of the Company (whether or not they are available for distribution), or any sum standing to the credit of the Company's share premium account or capital redemption reserve. The Directors may also, subject to the aforementioned ordinary resolution, appropriate any sum which they so decide to capitalise to the persons who would have been entitled to it if it were distributed by way of dividend and in the same proportions.

(m) Uncertificated shares

Subject to the Companies Act 2006 and the uncertificated securities rules, the Board may permit title to shares of any class to be evidenced otherwise than by certificate and title to shares of such a class to be transferred by means of a relevant system and may make arrangements for a class of shares (if all shares of that class are in all respects identical) to become a participating class. Title to shares of a particular class may only be evidenced otherwise than by a certificate where that class of shares is at the relevant time a participating class

The Board may also, subject to compliance with the uncertificated securities rules, determine at any time that title to any class of shares may from a date specified by the Board no longer be evidenced otherwise than by a certificate or that title to such a class shall cease to be transferred by means of any particular relevant system.

The Board may take such other action that the Board considers appropriate to achieve the sale, transfer, disposal, forfeiture, re-allotment or surrender of an uncertificated share or otherwise to enforce a lien in respect of it.

6. DIRECTORS

6.1 The Directors and their principal functions at as the date of this document are listed below.

Name	Age	Position	Initial appointment date	Expiry date of appointment (if not renewed)
Andrew Austin	57	Executive Chairman	19 November 2021	Terminable on 12 months' notice

Name	Age	Position	Initial appointment date	Expiry date of appointment (if not renewed)
Peter Mann	42	Chief Executive Officer	14 October 2021	Terminable on 12 months' notice
Richard Slape	56	Chief Financial Officer	14 October 2021	Terminable on 3 months' notice
Julie Barlow	56	Independent Non-Executive Director	19 November 2021	Terminable on 3 months' notice
Alan Booth	64	Senior Independent Non-Executive Director	19 November 2021	Terminable on 3 months' notice
Richard Benmore	64	Independent Non-Executive Director	16 November 2020	Terminable on 3 months' notice

- 6.2 In compliance with the QCA Code, all continuing Directors stand for re-election at the Company's annual general meetings.
- 6.3 Each of the Director's business address is the Registered Office.
- 6.4 Brief biographical details of the Directors (in their capacities as directors of the Group) are set out in the annual report of Kistos plc for the financial year ended 31 December 2021.
- 6.5 From the Scheme Effective Date, it is expected that all of the Directors will be appointed as directors of Kistos Holdings plc. It is not expected that any of the Directors will resign from their positions within the Company as a result of the Scheme.
- 6.6 Set out below are the directorships and partnerships held by the Directors (other than, where applicable, directorships held in Kistos plc or its subsidiaries), in the five years prior to the date of this document:

Name	Current directorships/partnerships	Past directorships/partnerships
Andrew Austin	Artisan Ginyard Ltd <i>(England & Wales)</i> Austin Acquisitions 1 Ltd <i>(England & Wales)</i>	RockRose Energy plc (now RockRose Energy Limited) <i>(England & Wales)</i> RockRose (UKCS1) Limited <i>(England & Wales)</i> RockRose (UKCS2) Limited <i>(England & Wales)</i> RockRose (UKCS3) Limited <i>(England & Wales)</i> RockRose UKCS4 Limited <i>(England & Wales)</i> RockRose UKCS5 Limited <i>(England & Wales)</i> RockRose UKCS6 Limited <i>(England & Wales)</i> RockRose UKCS7 Limited <i>(England & Wales)</i> RockRose UKCS8 LLC <i>(Delaware, US)</i> RockRose UKCS9 Limited <i>(England & Wales)</i> RockRose UKCS10 Limited <i>(England & Wales)</i> RockRose UKCS11 Limited <i>(England & Wales)</i> RockRose UKCS12 Limited <i>(England & Wales)</i> RockRose UKCS13 LLC <i>(Delaware, US)</i> RockRose Energy (NL) B.V. <i>(the Netherlands)</i> RockRose (NL) CS1 B.V. <i>(the Netherlands)</i> RockRose (NL) Infrastructure B.V. <i>(the Netherlands)</i>
Julie Barlow	-	Treetops Management Services Limited <i>(England & Wales)</i>
Alan Booth	Amixir Limited <i>(England & Wales)</i> Storegga Limited <i>(England & Wales)</i> FYRD Energy Storage Ltd <i>(England & Wales)</i>	RockRose (NL) Infrastructure B.V. <i>(the Netherlands)</i> Postage Petroleum Limited <i>(England & Wales)</i> Integrated Georenewables (Dorset) Limited <i>(England & Wales)</i> Fyrd Energy Limited <i>(England & Wales)</i> Oil and Gas Independents Association Limited <i>(England & Wales)</i> Ophir Jaguar 2 Limited <i>(England & Wales)</i> Ophir Jaguar 1 Limited

		<p><i>(England & Wales)</i> Ophir Equitorial Guinea (EG-24) Limited</p> <p><i>(England & Wales)</i> Ophir Equitorial Guinea (Block R) Limited</p> <p><i>(England & Wales)</i> Ophir Energy Limited</p> <p><i>(England & Wales)</i> Ophir Holdings & Services (UK) Limited</p> <p><i>(England & Wales)</i> Pale Blue Dot Energy (Acorn) Limited</p> <p><i>(England & Wales)</i> Pale Blue Dot Energy Limited</p> <p><i>(England & Wales)</i> Pale Blue Dot Energy (investments) Limited</p> <p><i>(England & Wales)</i> C02Deepstore Limited</p> <p><i>(England & Wales)</i> C02Deepstore (Aspen) Limited</p> <p><i>(England & Wales)</i> Salamander Energy Limited</p> <p><i>(England & Wales)</i> Encounter Oil Limited</p> <p><i>(England & Wales)</i> Groliffe Limited</p> <p><i>(England & Wales)</i> Infrastrata Limited</p> <p><i>(England & Wales)</i></p>
Peter Mann	Peak Carbon Forest and Peatland Ltd <i>(England & Wales)</i>	-
Richard Slape	Hopton Petroleum Limited <i>(England & Wales)</i>	-
Richard Benmore	-	<p>RockRose Energy plc (now RockRose Energy Limited) <i>(England & Wales)</i></p> <p>RockRose Energy plc (now RockRose Energy Limited) <i>(England & Wales)</i></p> <p>RockRose (UKCS1) Limited <i>(England & Wales)</i></p> <p>RockRose (UKCS2) Limited <i>(England & Wales)</i></p> <p>RockRose (UKCS3) Limited <i>(England & Wales)</i></p> <p>RockRose UKCS4 Limited <i>(England & Wales)</i></p> <p>RockRose UKCS5 Limited <i>(England & Wales)</i></p> <p>RockRose UKCS6 Limited <i>(England & Wales)</i></p>

		RockRose UKCS7 Limited <i>(England & Wales)</i> RockRose UKCS8 LLC <i>(Delaware, US)</i> RockRose UKCS9 Limited <i>(England & Wales)</i> RockRose UKCS10 Limited <i>(England & Wales)</i> RockRose UKCS11 Limited <i>(England & Wales)</i> RockRose UKCS12 Limited <i>(England & Wales)</i> RockRose UKCS13 LLC <i>(Delaware, US)</i> RockRose Energy (NL) B.V. <i>(the Netherlands)</i> RockRose (NL) CS1 B.V. <i>(the Netherlands)</i> Fujairah Oil and Gas UK 12 Limited <i>(England & Wales)</i> Fujairah Oil and Gas UK LLC <i>(Delaware, US)</i> Fujairah Oil and Gas UK 13 LLC <i>(Delaware, US)</i> Fujairah Oil and Gas UK 11 Limited <i>(England & Wales)</i> IGas Exploration UK Limited <i>(England & Wales)</i>
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7. DIRECTORS' INTERESTS IN KISTOS PLC

7.1 On the Scheme Effective Date, the Directors will have the following beneficial interests in Kistos Holdings plc Ordinary Shares by virtue of the effect of the Scheme on their current shareholdings in Kistos plc (excluding any interests over shares held by the Executive Directors pursuant to the Kistos plc Employee Share Schemes, which are outlined at paragraph 10.5 below).

Director	Number of Kistos plc Shares	Percentage of issued share capital of Kistos plc	Number of Kistos Holdings plc Shares	Percentage of issued share capital of Kistos Holdings plc
Andrew Austin	14,295,162	17.25%	14,145,162	17.25%
Peter Mann	1,264,516	1.53%	1,264,516	1.53%
Richard Slape	129,032	0.15%	129,032	0.15%
Richard Benmore	1,132,258	1.37%	1,132,258	1.37%
Alan Booth	232,258	0.28%	232,258	0.28%
Julie Barlow	-	-	-	-

- 7.2 The direct and indirect interests of the Directors together represent approximately 20.58% of the issued share capital of Kistos plc in existence as at the date of this document.
- 7.3 The Directors have the same voting rights as all other Kistos plc Shareholders.
- 7.4 The interests set out above are based upon the interests of the Directors in Kistos plc which: (a) have been notified by the relevant Director to Kistos plc pursuant to Chapter 3 of the DTRs on or before the date of this document; or (b) are interests of a connected person (within the meaning of the DTRs) of a Director which have been notified to Kistos plc by each connected person (within the meaning of the DTRs) pursuant to Chapter 3 of the DTRs.
- 7.5 The following Directors currently have the interests (beneficial or non-beneficial) set out in Kistos Holdings plc as follows:

Director	Number of Kistos Holdings plc's shares	Current percentage of issued share capital of Kistos Holdings plc (pre-Scheme)
Andrew Austin	50,000 Kistos Holdings plc Ordinary Shares of nominal value of £0.10 each	100%

- 7.6 There are no outstanding loans granted by Kistos plc or any member of the Group to any of the Directors, nor has any guarantee been provided by Kistos plc or any member of the Group for their benefit.
- 7.7 It is not expected that any Director will have any interest in the loan capital of Kistos plc following the Scheme Effective Date.
- 7.8 As at the date of this document, none of the Directors has at any time within the past five years:
- (a) save as disclosed in paragraph 6.6 above, been a director or partner of any companies or partnerships; or
 - (b) had any convictions in relation to fraudulent offences (whether spent or unspent); or
 - (c) been adjudged bankrupt or has entered into any individual voluntary arrangements; or
 - (d) has been partner of any partnership at the time of or within a 12 month period preceding any compulsory liquidation, administration or partnership voluntary arrangement of such partnership; or
 - (e) been partner of any partnership at the time of or within a 12 month period preceding any compulsory liquidation, administration or partnership voluntary arrangement of such partnership; or
 - (f) had their assets be the subject of any receivership; or
 - (g) been partner of any partnership at the time of or within a 12 month period preceding any assets thereof being the subject of a receivership; or
 - (h) been subject to any official public incrimination and/or sanctions by any statutory or regulatory authority (including any designated professional body); or

- (i) ever been disqualified by a court from acting as a director or other officer of any company or from acting in the management or conduct of the affairs of any company.

7.9 Save for their capacities as persons legally and beneficially interested in Shares, there are no potential conflicts of interest between any duties carried out on behalf of the Company by Directors and their private interests and/or other duties.

8. DIRECTORS' INTERESTS IN TRANSACTIONS

No Director of the Company has or has had any interest in any transactions which are or were unusual in their nature or conditions or are or were significant to the business of Kistos plc or any members of the Group and which were effected by Kistos plc or any member of the Group during the current or immediately preceding financial year and which remain in any respect outstanding or unperformed.

9. DIRECTORS EMPLOYMENT CONTRACTS AND LETTERS OF APPOINTMENT

9.1 There are three Executive Directors and three Non-Executive Directors.

Executive Directors

9.2 Upon the Scheme Effective Date, the employment of each of the Executive Directors will transfer to Kistos Holdings plc.

9.3 The overall level of remuneration of Executive Directors will remain unchanged as a consequence of the Scheme.

9.4 **Andrew Austin** (Executive Chairman) entered into a service agreement with the Company on 20 April 2021. The appointment may be terminated by either party giving the other party not less than six months' notice. The agreement permits termination by the Company without notice in a number of circumstances, including disqualification from acting as a director, gross misconduct or a serious breach of the terms of the agreement. Mr. Austin's annual basic salary is currently £300,000. Mr. Austin is eligible for a discretionary bonus, participation in the Company's bonus scheme.

9.5 **Peter Mann** (Chief Executive Officer) entered into a service agreement with the Company on 14 October 2021. The appointment may be terminated by either party giving the other not less than three months' notice. The agreement permits termination by the Company without notice in a number of circumstances, including gross misconduct or a serious or repeated breach or non-observance of any provision of the agreement. Mr. Mann's annual basic salary is currently £250,000. Mr. Mann is also eligible for a discretionary bonus, participation in the Company's deferred share bonus scheme and payment by the Company of a pension contribution equal to up to 6% of basic salary.

9.6 **Richard Slape** (Chief Financial Officer) entered into a service agreement with the Company on 14 October 2021. The appointment may be terminated by either party giving the other not less than three months' notice. The agreement permits termination by the Company without notice in a number of circumstances, including gross misconduct or a serious or repeated breach or non-observance of any provision of the agreement. Mr. Slape's annual base salary is currently £200,000. Mr. Slape is eligible for a discretionary bonus, participation in the Company's deferred share bonus scheme and payment by the Company of a pension contribution equal to up to 6% of basic salary.

Non-Executive Directors

9.7 All Non-Executive Directors have letters of appointment with Kistos plc which set out the specific terms of engagement. Each Non-Executive Director will enter into a letter of appointment with Kistos Holdings plc, the terms of which will be substantially the same as the terms of their current appointments with Kistos plc (including the expiry date).

- 9.8 The appointments of the Non-Executive Directors are subject to annual re-election. All new appointments would be made following recommendations by the Nomination Committee. No compensation is payable in the event of early termination except during the notice period.
- 9.9 The total fees payable to each Non-Executive Director will not be varied as a result of the Scheme.
- 9.10 **Richard Benmore** (Independent Non-Executive Director) entered into a service agreement for the role of non-executive director dated 19 November 2020. The appointment is terminable by either party giving three months' notice. Mr. Benmore's annual fee is currently £36,000, payable monthly. Mr. Benmore is not considered for a bonus, or for participation in the Company's deferred bonus plan.
- 9.11 **Alan Booth** (Senior Independent Non-Executive Director) entered into a letter of appointment to act as a non-executive director dated 19 November 2020. The appointment is terminable by either party giving three months' notice. Mr. Booth's annual fee is currently £36,000, payable monthly. There is no entitlement to a bonus or to participation in the Company's bonus scheme.
- 9.12 **Julie Barlow** (Independent Non-Executive Director) entered into a letter of appointment to act as a non-executive director dated 19 November 2021. The appointment is terminable by either party giving three months' notice. Ms. Barlow's annual fee is currently £36,000 payable monthly. There is no entitlement to a bonus or to participation in the Company's bonus plan.

10. DIRECTORS' REMUNERATION

- 10.1 The aggregate remuneration paid and benefits in kind granted to the Directors, and money purchase pension contributions for the financial year ended 31 December 2021 was £965,006.
- 10.2 There is no arrangement under which a Director has agreed to waive future Kistos plc emoluments, nor have there been any such waivers during the financial year immediately preceding the date of this document.
- 10.3 The emoluments receivable by the Directors will not be varied as a result of the Scheme.
- 10.4 The emoluments of each of the Directors (including benefits in kind) for the year ended 31 December 2021 were as follows:

(a) Executive Directors

Executive Director	Appointment date	Base salary (£)	Allowance and benefits (£)	Pension contribution (£)	Bonus (£)
Andrew Austin (Executive Chairman)	20 April 2021	171,000	41,000	-	-
Peter Mann (Chief Executive Officer)	14 October 2021	62,000	1,000	15,000	-
Richard Slape (Chief Financial Officer)	14 October 2021	50,000	4,000	11,000	60,000

(b) Non-Executive Directors

Non-Executive Director	Appointment date as NED (current term)	Current letter of appointment end date	Annual fee (£)	Additional responsibility payments (£)

Richard Benmore	19 November 2020	Terminable on 3 months' notice	£39,000	-
Alan Booth	19 November 2020	Terminable on 3 months' notice	£39,000	-
Julie Barlow	19 November 2020	Terminable on 3 months' notice	£39,000	-

10.5 As at the date of this document, the Directors interests in Kistos plc Ordinary Shares are as follows. Kistos plc as no outstanding share options:

Director	Number of Kistos plc Ordinary Shares at 31 December 2021	Options at 31 December 2021	% of total shares in issue at 31 December 2021
Andrew Austin	14,145,162	-	17.01%
Peter Mann	1,264,516	-	1.53%
Richard Slape	129,032	-	0.15%
Richard Benmore	1,132,258	-	1.37%
Alan Booth	232,258	-	0.28%
Julie Barlow	-	-	-

11. INTERESTS OF MAJOR SHAREHOLDERS

11.1 As at the date of this document, in so far as it has been notified to Kistos plc pursuant to the Chapter 5 of the DTRs, the name of each person, other than a Director who, directly or indirectly, has a notifiable interest in 3% or more of Kistos plc's issued share capital, and the amount of such person's interest, are set forth below:

Name	Percentage of issued Kistos plc Ordinary Shares at the date of notification (%)	Percentage of Kistos Holdings plc Ordinary Shares expected to be held (%)
Andrew Austin	17.25	17.25
Tulip Oil Holding B.V.	10.55	10.55
Canaccord Genuity Wealth	5.58	5.58
Investec Wealth and Investment Limited	5.02	5.02
Schroders plc	4.97	4.97

Fidelity Worldwide Investment	4.91	4.91
Chelverton Asset Management	3.92	3.92
Trium Capital LLP	3.88	3.88

11.2 Insofar as is known to the Company, the Company is not directly or indirectly owned or controlled by another corporation, any foreign government, or any other natural or legal person, severally or jointly.

11.3 None of the major shareholders referred to above has different voting rights from other Kistos plc Shareholders.

12. HISTORICAL FINANCIAL INFORMATION

12.1 The Group's audited consolidated financial statements are included in the 2021 Annual Report and other interim accounts for the period, together with the audit reports thereon, are incorporated by reference into this document.

12.2 The Group's audited consolidated financial statements for the financial year ended 31 December 2021, were prepared in accordance with International Financial Reporting Standards as adopted in the European Union and Article 23A of Regulation number 2019/980 of the European Commission, which is part of UK law by virtue of the European Union (Withdrawal) Act 2018. The Group's audited consolidated financial statements were audited in accordance with UK law implementing the Audit Directive 2006/43/EC. These documents are all available from the Company's website (<https://kistosplc.com/>).

12.3 There has been no change in the accounting reference date of the Group.

Reference document	Information incorporated by reference	Page number in the reference documents
2021 Annual Report	Strategic Report	Pages 6 to 25
	Directors' Report	Page 30
	Remuneration Committee Report	Pages 32 to 34
	Nomination Committee Report	Page 35
	Audit and Disclosure Committees Report	Page 36
	Consolidated Financial Statements (comprising: Consolidated Statement of Balance Sheet; Consolidated Statement of changes in Equity; and Consolidated Cash Flow Statement)	Pages 41 to 42
	Notes to Consolidated Financial Statements	Pages 43 to 69
	Company Financial Statements	70
	Notes to Company Financial Statements	Pages 71 to 74
	Independent Auditor's Report	Page 75 to 83

12.4 In the last three financial year the value of the dividend per share paid to Kistos plc Shareholders by the Company has been nil. The issued share capital of Kistos plc in each of the last financial year comprised 82,863,743 fully paid up Kistos plc Ordinary Shares.

12.5 Any material investments for each financial year covered by the historical financial information up to the date of this agreement are covered by the historical financial information, which is available on the Company's website (<https://kistosplc.com/>).

13. CORPORATE GOVERNANCE

13.1 The recognised corporate governance code of the Group is the QCA Code.

13.2 The Company complies with the independence requirement of the board set out in Provision B.1.1 of the QCA Code and has three Independent Non-Executive Directors and maintains three Independent Non-Executive Directors.

13.3 The Directors' Remuneration Report in the Annual Report, the Directors consider that the Group complied with those provisions of the QCA Code throughout the financial year ended on 31 December 2021.

13.4 Compliance with the QCA Code is not mandatory for companies whose shares are admitted to trading to AIM. If Admission occurs, Kistos Holdings plc will, however, seek to comply or explain any non-compliance with the QCA Code.

14. COMPANY'S ARTICLES

A copy of the amended Kistos plc Articles will be available for inspection on the Group's website (<https://kistosplc.com/>) or at the Registered Office.

15. KISTOS HOLDINGS PLC ARTICLES

15.1 Kistos Holdings plc Articles are based on, and as materially similar to the Kistos plc Articles and will contain the same amendments as those of the amended articles of association of Kistos plc (as set out above), with the exception of the additional Article 157 of the amended Kistos plc Articles.

15.2 The proposed amendment to Article 157 is as set out in paragraph 4.1(c) above of this *Part II – Explanation of the Scheme and its Effects* of this document.

16. UK TAXATION

16.1 The following statements are intended only as a general guide to certain UK tax considerations and do not purport to be a complete analysis of all potential UK tax consequences of acquiring, holding or disposing of Scheme Shares. They are based on current UK law and what is understood to be the current practice of HMRC as at the date of this document, both of which may change, possibly with retroactive effect. They apply only to Scheme Shareholders who are resident and, in the case of individuals domiciled, for tax purposes in (and only in) the UK (except insofar as express reference is made to the treatment of non-UK residents), who hold their Scheme Shares as an investment (other than where a tax exemption applies, for example where the shares are held in an individual savings account or pension arrangement) and who are the absolute beneficial owner of both the Scheme Shares and any dividends paid on them. The tax position of certain categories of the Scheme Shareholders who are subject to special rules is not considered and it should be noted that they may incur liabilities to UK tax on a different basis to that described below. This includes persons acquiring their Scheme Shares in connection with their employment (and the potential for protective elections to be made upon acquisition of their shares), dealers in securities, insurance companies, and collective investment schemes, charities, exempt pension funds, and temporary non-residents and non-residents carrying on a trade, profession or vocation in the UK.

16.2 **The statements summarise the current position and are intended as a general guide only. Prospective investors who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the UK are strongly recommended to consult their own professional advisers.**

Implementation of the Scheme

Taxation of income

16.3 The Scheme should not be treated as involving a distribution subject to UK tax as income.

Taxation of chargeable gains

16.4 For the purposes of CGT, the transfer of the Scheme Shares to Kistos Holdings plc and the issuance of the Kistos Holdings plc Ordinary Shares should be treated as a reorganisation. Accordingly, a Scheme Shareholder who holds (either alone or together with a connected person(s)) 5% or less of, or of any class of, shares in or debentures of Kistos plc should not be treated as having made a taxable disposal of such Scheme Shareholder's Scheme Shares at the date of the Scheme in respect of the transfer of Scheme Shares to Kistos Holdings plc and the issuance to it of the Kistos Holdings plc Ordinary Shares. This means the Kistos Holdings plc Ordinary Shares issued to the Scheme Shareholder should be treated as the same asset as, and as having been acquired at the same time and for the same consideration as, its Scheme Shares.

16.5 A Scheme Shareholder who holds (either alone or together with connected person(s)) more than 5% of, or of any class of, shares in or debentures of Kistos plc should be eligible for the tax treatment described in the preceding paragraph only if the Scheme is effected for *bona fide* commercial reasons and does not form part of a scheme of arrangement of which the main purpose, or one of the main purposes, is the avoidance of a liability to CGT or corporation tax. Advance clearance has been obtained from HMRC pursuant to section 138 of the TCGA 1992 that HMRC is satisfied that such anti-avoidance rule should not have effect where the conditions of section 135 TCGA 1992 are met.

Taxation of income from Kistos Holdings plc Ordinary Shares

16.6 Under current UK tax rules, Kistos Holdings plc is not required to withhold UK tax when paying a dividend.

16.7 Liability to UK tax on dividends will depend on the individual circumstances of a Shareholder.

UK resident individual Kistos Holdings plc Shareholders

16.8 Under current UK tax rules specific rates of tax apply to dividend income. These include a nil rate band for the first £2,000 (expected to reduce to £1,000 from April 2023, and £500 from April 2024) of non-exempt dividend income in any tax year and different rates of tax for dividend income that exceeds the nil rate band. No tax credit attaches to dividend income. For these purposes "dividend income" includes UK and non-UK source dividends and certain other distributions in respect of shares.

16.9 An individual shareholder who is resident for tax purposes in the UK and who receives a dividend in respect of Kistos Holdings plc Ordinary Shares should not be liable to UK tax on the dividend to the extent that (taking account of any other non-exempt dividend income received by the shareholder in the same tax year) that dividend falls within the nil rate band.

16.10 To the extent that (taking account of any other non-exempt dividend income received by the shareholder in the same tax year) the dividend exceeds the nil rate band, the dividend should be subject to income tax at 7.5% to the extent that the dividend falls below the threshold for higher rate income tax. To the extent that (taking account of other non-exempt dividend income received by the shareholder in the same tax year) the dividend falls above the threshold for higher rate income tax then the dividend should be taxed at 32.5% to the extent that it is within the higher rate band, or 38.1% to the extent that it is within the additional rate band.

16.11 For the purposes of determining which of the taxable bands dividend income falls into, dividend income is treated as the highest part of an individual shareholder's income. In addition, dividends within the nil rate band which would (if there was no nil rate band) have fallen within the basic or higher rate bands

should use up those bands respectively for the purposes of determining whether the threshold for higher rate or additional rate income tax is exceeded.

UK resident corporate Kistos Holdings plc Shareholders

- 16.12 It is likely that most dividends paid on the Kistos Holdings plc Ordinary Shares to UK resident corporate shareholders would fall within one or more of the classes of dividend qualifying for exemption from corporation tax. However, it should be noted that the exemptions are not comprehensive and are also subject to anti-avoidance rules.

Disposal of Kistos Holdings plc Ordinary Shares

UK resident Kistos Holdings plc Shareholders

- 16.13 A subsequent disposal or deemed disposal of Kistos Holdings plc Ordinary Shares by a Kistos Holdings plc Shareholder who is resident in the UK, may, depending on the Kistos Holdings plc Shareholder's circumstances and subject to any available exemption or reliefs (such as the annual exempt amount for individuals), give rise to a chargeable gain or an allowable loss for the purposes of CGT or corporation tax on chargeable gains (as applicable).

Stamp duty and SDRT

- 16.14 No charge to stamp duty or SDRT should arise on the transfer of the Scheme Shares or on the issue of the Kistos Holdings plc Ordinary Shares.
- 16.15 Under current UK tax rules, a subsequent agreement to transfer or transfer on sale of Kistos Holdings plc Ordinary Shares should not be subject to stamp duty or SDRT assuming that (i) the Kistos Holdings plc Ordinary Shares are admitted to trading on AIM and are not listed on any exchange, and (ii) AIM continues to be a recognised growth market as construed in accordance with section 99A of the Finance Act 1986.
- 16.16 The comments in this section are intended as a guide to the general UK stamp duty and SDRT position and may not relate to persons such as charities, market makers, brokers, dealers, intermediaries, nor persons connected with depositary arrangements or clearance services to whom special rules may apply.

THE SUMMARY ABOVE IS A GENERAL SUMMARY OF THE POSSIBLE UK TAX CONSEQUENCES OF THE SCHEME FOR SHAREHOLDERS. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE IMPORTANT TO A PARTICULAR SHAREHOLDER. EACH SHAREHOLDER SHOULD CONSULT THEIR OWN TAX ADVISER ABOUT THE TAX CONSEQUENCES OF PARTICIPATING IN THE SCHEME AND HOLDING KISTOS PLC /ACQUIRING KISTOS HOLDINGS PLC ORDINARY SHARES AND ANY SUBSEQUENT DISPOSAL OF THE SAME UNDER THE HOLDER'S OWN PERSONAL CIRCUMSTANCES.

17. DIVIDEND POLICY

The Directors will assess dividend payments in the context of consolidation opportunities, new product investment requirements and the broader growth strategy of the Company. The Board intends to distribute the majority of adjusted earnings to shareholders as dividends. In due course, the Board may also consider increasing the dividend payout ratio should the funding structure of the Company enable an increase in gearing.

18. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by Kistos plc or another member of the Group within the two years immediately preceding and including the date of this document, and are, or may be, material or have been entered into at any time by Kistos plc or any member of the Group and contain provisions under which by Kistos plc or any

member of the Group has an obligation or entitlement which is, or may be, material to Kistos plc or any member of the Group as at the date of this document:

18.1 **TON Acquisition Agreement**

The Company entered into an acquisition agreement with TOH on 12 March 2021 and (i) an amendment thereto on 31 March 2021 and (ii) a second amendment thereto on 20 April 2021, pursuant to which it acquired issued and outstanding share capital of TON.

The headline consideration payable by the Company to TOH to be satisfied at completion of the acquisition amounted to EUR 222.75 million in aggregate. Contingent consideration of up to Euro 163 million (based on an exchange rate of \$1.19: EUR 1) is payable based on the achievement of certain development milestones.

18.2 **Outstanding Nordic bonds**

The Company has issued and listed on the Oslo Børs, a stock exchange operated by Oslo Børs ASA: (i) the Kistos NL2 B.V. 8.75% senior secured EUR 90,000,000 bonds 2021/2024 with ISIN O0010990575; and (ii) the Kistos NL2 B.V. 9.15% senior secured EUR 60,000,000 bonds 2021/2026 with ISIN NO0010998537. The prospectus pertaining to those securities can be found on the Company's website (<https://kistosplc.com/>).

18.3 **TotalEnergies APA**

Kistos Energy Limited (as buyer) and Kistos plc (as guarantor) entered into an English-law governed asset purchase agreement with TotalEnergies E&P UK Limited (as seller) dated 30 January 2022.

Pursuant to the TotalEnergiesAPA, Kistos Energy purchased:

- (a) a 20% working interest in the Laggan Field Block 206/1a, with licence P.911;
- (b) a 20% working interest in the Laggan Field and Tormore Filed Blocks 205/5a and 205/5d, with licence P.1159;
- (c) a 20% working interest in the Tormore Field Block 205/4b, with licence P.1678;
- (d) a 20% working interest in the Glenlivet Field Block 214/30a (Glenlivet Area and rest of block), with licence P.1195;
- (e) a 20% working interest in the Edradour Field and a 20% interest in the undeveloped Glendronach Field (known as Edradour Royal Sovereign) Block 206/4a (rest of block – excluding Benriach Area), with licence P.1453;
- (f) a 25% interest in the Benriach Prospect Blocks 206/4a (Benriach Area), 214/30d and 206/5c with licences P.1453 and P.2411;
- (g) a 20% interest in the Bunnehaven Prospect Blocks 208/1c, 208/6, 214/4b, 214/5c, 214/9b, 214/10b and 214/14a, with licence P.2415;
- (h) a 20% interest in the Cardhu Prospect Blocks 214/28b, 214/29b, 214/30e, 206/3, 206/4b and 206/8b, with licence P.2594; and
- (i) a 14% interest in the Roseisle Prospect Blocks 214/12a, 214/13a, 214/14b, 214/17, 214/18a and 214/19a, with licence P.2604.

The acquisition completed on 11 July 2022, with an effective date of 1 January 2022. The consideration payable under the TotalEnergies APA, financed from Kistos' internal resources, comprised initial cash consideration of US\$25.0 million (subject to customary closing adjustments), payable on completion, and further contingent cash payments as follows:

- (a) in the event the average day-ahead gas price at the National Balancing Point exceeds 150p/therm in 2022, up to US\$40.0 million will be payable in January 2023; and
- (b) should Benriach be developed, Kistos Energy will pay US\$0.25 per MMBtu of net 2P reserves after first gas.

The TotalEnergies APA contained customary warranties and indemnities given by Total in favour of Kistos Energy. The Total Acquisition had an effective date of 1 January 2022.

18.4 **Natural Gas SPA**

Kistos Energy (as seller) and Kistos N.L.2 B.V. (as buyer) are party to the Natural Gas SPA. Pursuant to the Natural Gas SPA, Kistos Energy shall exclusively sell and deliver the natural gas from the Greater Laggan Area Fields to Kistos N.L.2 B.V.. The delivery point for the natural gas is the last flange, weld or mark designating the separation point between the FUKA Terminal and the Downstream Transportation System. The price under the Natural Gas SPA is the mean of the bid and offer of the reference price for the commodity in the market minus 1% plus 0.25p per therm delivered for a relevant month.

19. **RELATED PARTY TRANSACTIONS**

19.1 Details of any related party transactions of the Company are set out on pages 58 and 74 of the 2021 Annual Report.

19.2 There have been no further related party transactions between the date of the 2021 Annual Report being published and the latest practicable date prior to the publication of this document.

20. **LITIGATION**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), during the period covering the 12 months preceding the date of this document which may have, or have had in the recent past, significant effects on the Company's and/or the Group's financial position or profitability.

21. **PRE-ADMISSION ANNOUNCEMENT AND WORKING CAPITAL**

The pre-Admission announcement document for listing with AIM will be circulated to the members at least 20 business days before the Scheme Effective Date. That announcement contains a working capital statement made by Kistos plc which states that the Directors have no reason to believe that the working capital available to it or its group will be insufficient for at least 12 months from the date of Admission.

22. **NO SIGNIFICANT CHANGE**

There has been no significant change in the financial position or the financial performance of the Group between 31 December 2021, the date to which the latest financial information in relation to the Group was published, and the date of this document.

23. **AUDITORS**

23.1 The auditors of the Company are BDO LLP, with a registered address of 55 Baker Street, London W1U 7EU, United Kingdom.

- 23.2 Being on AIM, the Company is not a public interest company and therefore is not required to review its external auditor after 10 years. The auditor was re-appointed as the Company's auditor at the annual general meeting of the Company in 2022.

24. CREST

- 24.1 CREST is a paperless settlement procedure which allows securities to be evidenced without a certificate and transferred other than by written instruction. The Kistos plc Articles permit the holding of Kistos plc Ordinary Shares under the CREST system. Application has been made for all of the issued and to be issued Kistos Holdings plc Ordinary Shares to be eligible for admission to CREST with effect from Admission. Accordingly, settlement of transactions in the Kistos Holdings plc Ordinary Shares following Admission may take place within the CREST system if the individual shareholders so wish.
- 24.2 CREST is a voluntary system and holders of Kistos Holdings plc Ordinary Shares who wish to receive and retain share certificates will be able to do so. Should shareholders wish to hold their Kistos Holdings plc Ordinary Shares in CREST, they will need to follow the requisite CREST procedures.
- 24.3 The Directors have applied for the Kistos Holdings plc Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, it is expected that the Kistos Holdings plc Ordinary Shares will be enabled for settlement in CREST following Admission.

25. COSTS AND EXPENSES

All costs and expenses relating to the issue of this document and to the negotiation, preparation and implementation of the Scheme will be borne by Kistos plc. No such costs and expenses will be borne by investors.

26. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected during normal business hours on any Business Day at the Registered Office up to and including the date of the Meetings:

- (a) Executive Directors' service agreements and Non-Executive Directors' letters of appointment with Kistos plc referred to in paragraph 9 of *Part V – Additional Information* of this document;
- (b) current articles of association of Kistos plc;
- (c) amended articles of association of Kistos plc, to be adopted before Admission; and
- (d) a comparison document of the current articles of association of Kistos plc as against the amended articles of association of Kistos plc.

**PART VI
SCHEME OF ARRANGEMENT**

**IN THE HIGH COURT OF JUSTICE
BUSINESS AND PROPERTY COURTS OF
ENGLAND & WALES
COMPANIES COURT (ChD)**

No. CR-2022-004101

**IN THE MATTER OF KISTOS PLC
- and -
IN THE MATTER OF THE COMPANIES ACT
SCHEME OF ARRANGEMENT
(under Part 26 of the Companies Act 2006)
BETWEEN
KISTOS PLC
AND
THE HOLDERS OF THE SCHEME SHARES
(as hereinafter defined)**

Preliminary

- (A) In this scheme of arrangement, references to Clauses are references to clauses of this scheme of arrangement and the following expressions shall, unless inconsistent with the subject or context, bear the following meanings:

"£", "pence" or "pounds sterling" means the lawful currency of the United Kingdom;

"Business Day" means any day other than a Saturday or Sunday on which banks in London are open for normal business;

"Certificated" or "in Certificated form" means in relation to a share or other security, which is not in Uncertificated form (i.e., not in CREST);

"Companies Act 2006" means the UK Companies Act 2006 (as amended from time to time);

"Court" means the High Court of Justice of England & Wales;

"Court Hearing" means the hearing by the Court of the claim form to sanction the Scheme under section 899 of the Companies Act 2006 at which the Court Order will be sought;

"Court Meeting" means the meeting of Scheme Shareholders to be convened pursuant to an order of the Court pursuant to Part 26 of the Companies Act 2006, to be held at the offices of Orrick, Herrington & Sutcliffe (UK) LLP, 107 Cheapside, London EC2V 6DN, United Kingdom at 10.30 a.m. on 14 December 2022, to consider and, if thought fit, approve the Scheme, including any adjournment thereof;

"Court Order" means the order of the Court sanctioning the Scheme under Part 26 of the Companies Act 2006;

"CREST" means the UK-based system for the paperless settlement of trades in listed securities, of which Euroclear is the operator;

"CREST Regulations" means the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) as amended from time to time;

"Euroclear" means Euroclear UK & International Limited, a company incorporated in England & Wales with company number 02878738, being the operator of CREST;

"holder" means a registered holder, including any person entitled by transmission;

"members" means members of Kistos plc on the register of members at any relevant date and **"member"** shall be construed accordingly;

"Kistos Holdings plc" means Kistos Holdings plc, a public limited company incorporated in England & Wales (company number 14490676), whose registered office is at 2nd Floor, 3 St James' Square, London SW1Y 4JU, United Kingdom;

"Kistos Holdings plc Ordinary Shares" means ordinary shares of nominal value £0.10 each in the capital of Kistos Holdings plc to be allotted and issued, credited as fully paid, in accordance with Clause 2 of the Scheme;

"Kistos Holdings plc Subscriber Shareholder" means a holder of Kistos Holdings plc Subscriber Shares;

"Kistos Holdings plc Subscriber Shares" means the 50,000 subscriber ordinary shares with a nominal value of £0.10 each in the capital of Kistos Holdings plc;

"Kistos plc" means Kistos plc, a public limited company incorporated in England & Wales with company number 12949154, whose registered office is at 2nd Floor, 3 St James' Square, London SW1Y 4JU, United Kingdom;

"Kistos plc Ordinary Shares" means ordinary shares of nominal value £0.10 each in the capital of Kistos plc in issue prior to the Scheme Effective Date;

"Kistos plc Shareholder" means a holder of Kistos plc Ordinary Shares from time to time;

"Overseas Shareholder" means a Scheme Shareholder who is a citizen, resident or national of any jurisdiction outside the United Kingdom;

"Prospectus Regulation Rules" means the prospectus regulation rules of the FCA made in accordance with section 73A of FSMA;

"Registered Office" means the registered office of Kistos plc or Kistos Holdings plc, as applicable, which is at 2nd Floor, 3 St James' Square, London SW1Y 4JU, United Kingdom;

"Registrar of Companies" means the Registrar of Companies in England & Wales;

"Scheme" means this scheme of arrangement in its present form or with any modification thereof or addition thereto or condition approved or imposed by the Court and agreed to by Kistos plc and Kistos Holdings plc;

"Scheme Effective Date" means the date on which the Scheme becomes effective in accordance with its terms;

"Scheme Effective Time" means the time at which the Scheme becomes effective on the Scheme Effective Date;

"Scheme Record Time" means close of business on the Business Day immediately prior to the Scheme Effective Date;

"Scheme Shareholder" means a holder of Scheme Shares;

"Scheme Shares" means, (i) all Kistos plc Ordinary Shares in issue at the date of the Scheme and remaining in issue at the Scheme Record Time; (ii) all additional (if any) Kistos plc Ordinary Shares in issue at the Scheme Voting Record Time and remaining in issue at the Scheme Record Time; and (iii) all further (if any) Kistos plc Ordinary Shares in respect of which the original or any subsequent holders thereof are, or shall have agreed in writing to be, bound by the Scheme and remaining in issue at the Scheme Record Time;

"Scheme Voting Record Time" means close of business on 12 December 2022, or if the Court Meeting or is adjourned, close of business on the day which is two days before the date of the adjourned meeting, excluding any that is not a working day;

"Uncertificated or 'in Uncertificated form'" means in relation to a share or other security, a share or other security title to which is recorded on the relevant register as in uncertificated form, being held in uncertificated form in CREST and title to which by virtue of CREST Regulations may be transferred by means of CREST; and

"United Kingdom" or "UK" means the United Kingdom of Great Britain and Northern Ireland.

- (B) On 21 November 2022, the issued share capital of Kistos plc as at the date of this Scheme is £8,286,374.30 consisting of 82,863,743 Kistos plc Ordinary Shares, all of which are in issue and fully paid up. On 21 November 2022 (being the latest practicable date prior to the publication of this document), Kistos plc did not hold any Kistos plc Ordinary Shares in treasury. No Scheme Shares are or will be owned by Kistos Holdings plc.
- (C) Kistos Holdings plc was incorporated in the United Kingdom as a public limited company on 17 November 2022 with company number 14490676 under the name Kistos Holdings plc. The share capital of Kistos Holdings plc as at the date of this Scheme is £50,000 divided into 50,000 Kistos Holdings plc Subscriber Shares (all of which have been issued and are credited as fully paid).
- (D) The effect of the Scheme will be to, *inter alia*, (i) transfer the Scheme Share; and (ii) in consideration of the transfer of the Scheme Shares to Kistos Holdings plc, Kistos Holdings plc shall allot and issue Kistos Holdings plc Ordinary Shares to the Scheme Shareholders, in each case, in accordance with the provisions of this Scheme. As a result, subject to the Scheme becoming effective, on the Scheme Effective Date, Kistos Holdings plc will be the holding company of Kistos plc and its subsidiary companies.
- (E) Kistos Holdings plc have agreed to appear by Counsel at the Court Hearing to sanction this Scheme and to undertake to the Court to be bound by this Scheme and to execute and do or procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed or done by them for the purpose of giving effect to this Scheme.

The Scheme

1. TRANSFER OF THE SCHEME SHARES

- 1.1 At the Scheme Effective Time, the issued share capital of Kistos plc shall be transferred to Kistos Holdings plc.
- 1.2 The Scheme Shares shall be transferred from the Scheme Shareholders to Kistos Holdings plc and/or its nominee(s) and such transfer shall be effected by means of a form of transfer or other instrument or instruction of transfer and to give effect to such transfer(s) any person may be appointed by Kistos Holdings plc as attorney and/or agent and/or otherwise and shall be authorised as such attorney and/or

agent and/or otherwise on behalf of the relevant Scheme Shareholder to execute and deliver as transferor a form of transfer or other instrument or instruction of transfer, or to procure the transfer by means of CREST or otherwise give any instructions to transfer (in each case, whether as a deed or otherwise), the Scheme Shares and every form, instrument or instruction of transfer so executed or instruction given shall be effective as if it had been executed or given by the holder or holders of the Scheme Shares thereby transferred.

2. KISTOS HOLDINGS PLC ORDINARY SHARES

2.1 In consideration for the transfer of the Scheme Shares pursuant to Clause 1, Kistos Holdings plc shall (subject to, and in accordance with, the remaining provisions in this Scheme), at the Scheme Effective Time, allot and issue (credited as fully paid) the Kistos Holdings plc Ordinary Shares to the Scheme Shareholders (as appearing in the register of members of Kistos plc at the Scheme Record Time) on the following basis:

- (a) With the exception of the Kistos Holdings plc Subscriber Shareholders, one Kistos Holdings plc Ordinary Share for each Scheme Share held at the Scheme Record Time, for Kistos Holdings plc Subscriber Shareholder, one Kistos Holdings plc Ordinary Share for each Scheme Share held at the Scheme Record Time minus 50,000 Kistos Holdings plc Ordinary Shares from the final total Kistos Holdings plc Ordinary Shares owed to the Kistos Holdings plc Subscriber Shareholder.
- (b) The Kistos Holdings plc Ordinary Shares shall be issued and credited as fully, shall rank *pari passu* in all respects with all other fully paid Kistos Holdings plc Ordinary Shares and shall be entitled to all dividends and other distributions declared, paid or made by Kistos Holdings plc by reference to a record date on or after the Scheme Effective Date.

2.2 The provisions of Clause 2.1 and 2.2(b) shall be subject to any prohibition or condition imposed by law. Without prejudice to the generality of the foregoing, if, in respect of any Overseas Shareholder, Kistos Holdings plc is advised that the allotment and issue of Kistos Holdings plc Ordinary Shares pursuant to this Clause would or might infringe the laws of any jurisdiction outside the United Kingdom or would or might require Kistos Holdings plc to observe any governmental or other consent or effect any registration, filing or other formality with which, in the opinion of Kistos Holdings plc, it would be unable to comply or which it regards as unduly onerous, then Kistos Holdings plc may in its sole discretion either:

- (a) determine that such Kistos Holdings plc Ordinary Shares shall be sold, in which event the Kistos Holdings plc Ordinary Shares shall be issued to such Overseas Shareholder and Kistos Holdings plc shall appoint a person to act pursuant to this Clause 2.2(a) and such person shall be authorised on behalf of such Overseas Shareholder to procure that any shares in respect of which Kistos Holdings plc has made such a determination shall, as soon as practicable following the Scheme Effective Date, be sold at the best price which can reasonably be obtained at the time of sale and the net proceeds of such sale shall (after the deduction of all expenses and commissions, including any amount in respect of value added tax payable thereon) be paid to such Overseas Shareholder by sending a cheque or warrant to such Overseas Shareholder in accordance with the provisions of Clause 3 below. To give effect to any such sale, the person so appointed shall be authorised on behalf of such Overseas Shareholder to execute and deliver a form of transfer and to give such instructions and do all such things which such person may consider necessary or expedient in connection with such sale. In the absence of bad faith or wilful default, none of Kistos plc, Kistos Holdings plc, any appointee referred to in this Clause 2.2(a) or any broker or agent of any of them shall have any liability for any loss arising as a result of the timing or terms of any such sale; or
- (b) determine that no such Kistos Holdings plc Ordinary Shares shall be allotted and issued to such Overseas Shareholder under this Clause, but instead such Kistos Holdings plc Ordinary Shares shall be allotted and issued to a nominee appointed by Kistos Holdings plc as trustee for such Overseas Shareholder, on terms that they shall, as soon as reasonably practicable following the

Scheme Effective Date, be sold on behalf of such Overseas Shareholder at the best price which can reasonably be obtained at the time of sale and the net proceeds of such sale shall (after the deduction of all expenses and commissions, including any amount in respect of value added tax payable thereon) be paid to such Overseas Shareholder by sending a cheque or warrant to such Overseas Shareholder in accordance with the provisions of Clause 3 below. In the absence of bad faith or wilful default, none of Kistos plc, Kistos Holdings plc, any nominee referred to in this Clause 2.2(b) or any broker or agent of any of them shall have any liability for any loss arising as a result of the timing or terms of any such sale.

3. CERTIFICATES AND PAYMENTS

- 3.1 Not later than 10 Business Days after the Scheme Effective Date, Kistos Holdings plc shall send by post to the allottees of the allotted and issued Kistos Holdings plc Ordinary Shares certificates in respect of such shares, save that where Scheme Shares are held in Uncertificated form, Kistos Holdings plc shall procure that Euroclear is instructed to cancel the entitlement to Scheme Shares of each of the Scheme Shareholders concerned and to credit to the appropriate stock accounts in CREST of the Scheme Shareholders concerned their due entitlements to Kistos Holdings plc Ordinary Shares.
- 3.2 Not later than 10 Business Days following the sale of any relevant Kistos Holdings plc Ordinary Shares pursuant to Clause 2.2, Kistos Holdings plc shall procure that the nominee appointed under Clause 2.4(a) or the person appointed under Clause 2.2(b) shall account for the cash payable by dispatching to the persons respectively entitled thereto, cheques and/or warrants by post or by any direct, bank or other funds transfer or, in the case of an Uncertificated share, by the relevant system.
- 3.3 All certificates required to be sent by Kistos Holdings plc pursuant to Clause 3.1 and all cheques and/or warrants required to be sent pursuant to Clause 3.2 shall be sent by post in pre-paid envelopes addressed to the persons respectively entitled thereto at their respective addresses appearing in the register of members of Kistos plc at the Scheme Record Time (or, in the case of joint holders, to the address of that one of the joint holders whose name stands first in the register in respect of the joint holding) or in accordance with any special instructions regarding communications received at the Registered Office prior to the Scheme Record Time.
- 3.4 If the Kistos Holdings plc Ordinary Shares are consolidated or subdivided or if the nominal value of the Kistos Holdings plc Ordinary Shares is reduced prior to the dispatch of any certificates or the giving of any instructions in accordance with this Clause 3, the certificates or instructions shall relate to such Kistos Holdings plc Ordinary Shares as so consolidated, subdivided and/or reduced.
- 3.5 None of Kistos plc, Kistos Holdings plc, any nominee referred to in Clause 2.2(a), such person appointed to act under Clause 2.2(b) or any agent of any of them shall be responsible for any loss or delay in transmission of certificates, cheques or warrants sent in accordance with this Clause 3.
- 3.6 All cheques and warrants shall be made payable to the Scheme Shareholder or, in the case of joint holders, to the first-named of such holders of the Scheme Shares concerned, in pounds sterling drawn on a UK clearing bank, and the encashment of any such cheque or warrant shall be a complete discharge to Kistos Holdings plc for the monies represented thereby. With respect to Scheme Shareholders who hold their Scheme Shares in Uncertificated form, all assured payment obligations created by Euroclear in favour of the payment bank of the persons entitled thereto for any sums payable to them respectively pursuant to Clause 2 above, shall be a complete discharge of Kistos Holdings plc for the monies represented thereby.
- 3.7 This Clause 3 shall take effect subject to any prohibition or condition imposed by law.

4. CERTIFICATES REPRESENTING SCHEME SHARES

With effect from and including the Scheme Effective Date, all certificates representing holdings of Scheme Shares shall cease to have effect as documents of title to the Scheme Shares comprised therein and

every holder of Scheme Shares should destroy such certificates upon receipt of their share certificate for Kistos Holdings plc Ordinary Shares.

5. RECORD OF TRANSFER OF SCHEME SHARES

- 5.1 Euroclear shall be instructed to cancel the entitlements to Scheme Shares of holders of Scheme Shares in Uncertificated form and appropriate entries shall be made in Kistos plc's register of members, with effect from the Scheme Effective Date, to reflect Clauses 1 and 2.
- 5.2 Appropriate entries shall be made in Kistos plc's register of members, with effect from the Scheme Effective Date, to reflect their transfer.

6. MANDATES AND INSTRUCTIONS

Each mandate in force and duly notified to Kistos plc at the Scheme Record Time relating to the payment of dividends and each instruction, election and communication preference then in force as to notices and other communications (including electronic communications) from Kistos plc shall, unless and until varied or revoked, be deemed, from and including the Scheme Effective Date, to be a valid and effective mandate or instruction to Kistos Holdings plc in relation to the corresponding Kistos Holdings plc Ordinary Shares to be allotted and issued pursuant to this Scheme.

7. SCHEME EFFECTIVE DATE

- 7.1 The Scheme shall become effective as soon as a copy of the Court Order shall have been duly delivered to the Registrar of Companies for registration.
- 7.2 Unless the Scheme shall have become effective on or before 31 January 2022 or such later date, if any, as Kistos plc and Kistos Holdings plc may agree and the Court may allow, this Scheme shall never become effective.

8. MODIFICATION

Kistos plc and Kistos Holdings plc may jointly consent on behalf of all persons concerned to any modification of, or addition to, the Scheme or to any condition which the Court may think fit to approve or impose. No amendment shall be capable of being made to the Scheme once it has taken effect.

9. COSTS

Kistos plc is authorised and permitted to pay all the costs and expenses relating to the negotiation, preparation and implementation of the Scheme.

Dated: 22 November 2022

PART VII
DEFINITIONS AND GLOSSARY

The following definitions apply throughout this document (except in *Part VIII – Scheme of Arrangement* of this document containing the Scheme of Arrangement, which contains separate definitions) unless the context requires otherwise:

"Admission" means admission of the Kistos Holdings plc Ordinary Shares to AIM in accordance with the AIM Rules, expected to occur on or around 22 December 2022;

"AIM" means AIM, the market of that name operated by the London Stock Exchange;

"AIM Rules" means the AIM Rules for Companies published by the London Stock Exchange;

"Audit Committee" means the audit committee of Kistos plc or, following the Scheme becoming effective, of Kistos Holdings plc;

"Business Day" means any day other than a Saturday or Sunday on which banks in London are open for normal business;

"CGT" means capital gains tax;

"Chair" means chair of the Court Meeting;

"Certificated" or "in Certificated form" means in relation to a share or other security, which is not in Uncertificated form (that is, not in CREST);

"Companies Act 2006" or "Act" means the UK Companies Act 2006 (as amended from time to time);

"Court Hearing" means the Scheme Sanction Hearing;

"Court" means His Majesty's High Court of Justice of England & Wales;

"Court Meeting" means the meeting of holders of Scheme Shares to be held at the offices of Orrick, Herrington & Sutcliffe (UK) LLP, 107 Cheapside, London EC2V 6DN, United Kingdom at 10.30 a.m. convened for 14 December 2022 pursuant to an order of the Court pursuant to Part 26 of the Companies Act 2006 for the purposes of considering and, if thought fit, approving the Scheme, notice of which is set out in *Part VIII – Notice of Meetings* of this document, and any adjournment thereof;

"CREST Manual" means the CREST manual referred to in agreements entered into by Euroclear;

"CREST" means the UK-based system for the paperless settlement of trades in listed securities, of which Euroclear is the operator;

"CREST Regulations" means the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) as amended from time to time;

"Delisting" means the delisting and transfer of admission to trading of Kistos plc Ordinary Shares from AIM, expected to occur on 22 December 2022;

"Directors" or "Board" means the directors of Kistos plc, as set out in paragraph 6 of *Part V – Additional Information* of this document;

"Disclosure Committee" means the disclosure committee of Kistos plc or, following the Scheme becoming effective, of Kistos Holdings plc;

"DTRs" means the disclosure guidance and transparency rules relating to the disclosure of information in respect of financial instruments which have been admitted to trading on a regulated market or for which a request for admission to trading on such a market has been made, as published by the FCA;

"EHS" means environmental, health and safety;

"ESG" means environmental, social and governance;

"Euroclear" means Euroclear UK & International Limited, a company incorporated in England & Wales with company number 02878738, being the operator of CREST;

"Executive Director(s)" means the executive director(s) of Kistos plc as set out in paragraph 6 of *Part V – Additional Information* of this document;

"Explanatory Statement" means *Part II - Explanation of the Scheme and its Effects* of this document and the parts of this document referred to in it which has been prepared in accordance with section 897 of the Act;

"FCA" means the UK Financial Conduct Authority;

"Form(s) of Proxy" means the yellow and blue form(s) of proxy sent to Scheme Shareholders for use in connection with the Court Meeting and the General Meeting, which accompany this document;

"FSMA" means the Financial Services and Markets Act 2000, as amended from time to time;

"General Meeting" means the general meeting of Kistos plc to be held at the offices of Orrick, Herrington & Sutcliffe (UK) LLP, 107 Cheapside, London EC2V 6DN, United Kingdom at 10.50 a.m. on 14 December 2022;

"GHG" means greenhouse gas;

"GLA" means the Greater Laggan Area;

"Group" means (i) prior to the Scheme Effective Date, Kistos plc and its subsidiary undertakings; and (ii) after the Scheme Effective Date, Kistos Holdings plc and its subsidiary undertakings;

"HMRC" means His Majesty's Revenue and Customs;

"holder" means a registered holder, including any person entitled by transmission;

"Kistos Energy" means Kistos Energy Limited, a private limited company incorporated in England & Wales (company number 12859749), whose registered office is at 2nd Floor, 3 St James' Square, London SW1Y 4JU, United Kingdom;

"Kistos Holdings plc" means Kistos Holdings plc, a public limited company incorporated in England & Wales (company number 14490676), whose registered office is at 2nd Floor, 3 St James' Square, London SW1Y 4JU, United Kingdom;

"Kistos Holdings plc Articles" means the articles of association of Kistos Holdings plc;

"Kistos Holdings plc Ordinary Shares" means the ordinary shares of nominal value £0.10 each in the capital of Kistos Holdings plc to be allotted and issued, credited as fully paid, in accordance with Clause 2 of the Scheme;

"Kistos Holdings plc Subscriber Shareholder" means a holder of Kistos Holdings plc Subscriber Shares;

"Kistos Holdings plc Subscriber Shares" means the 50,000 subscriber ordinary shares of nominal value of £0.10 each in the capital of Kistos Holdings plc;

"Kistos plc" or the **"Company"** means Kistos plc, a public limited company incorporated in England & Wales with company number 12949154;

"Kistos plc Articles" means the articles of association of Kistos plc;

"Kistos plc Ordinary Shares" means the ordinary shares of nominal value £0.10 each in the share capital of Kistos plc;

"Kistos plc Shareholder" means a holder for the time being of Kistos plc Ordinary Shares;

"Kistos plc's Registrar" or "Registrar" means Link Group;

"LDAR" means Lead Detection and Repair;

"London Stock Exchange" means London Stock Exchange plc;

"London time" means the prevailing time in London, United Kingdom;

"Meetings" means the Court Meeting and the General Meeting, and **"Meeting"** shall be construed accordingly;

"members" means members of Kistos plc on the register of members at any relevant date and **"member"** shall be construed accordingly;

"Natural Gas SPA" means the natural gas sale and purchase agreement between Kistos Energy and Kistos N.L.2 B.V., pursuant to which Kistos Energy has agreed to exclusively sell and deliver the natural gas from the Greater Laggan Area Fields to Kistos N.L.2 B.V..

"nil rate band" means a nil rate of tax;

"Nomination Committee" means the nomination committee of Kistos plc or, following the Scheme Effective Date, of Kistos Holdings plc;

"Non-Executive Director(s)" means the non-executive director(s) of Kistos plc as set out in paragraph 6 of *Part V – Additional Information* of this document;

"Official List" means the official list maintained by the FCA pursuant to Part VI of FSMA;

"Overseas Shareholders" means Kistos plc Shareholders who are resident in, ordinarily resident in, or citizens or nationals of, jurisdictions outside the United Kingdom;

"Proposals" means the Scheme;

"QCA Code" means the Quoted Companies Alliance Corporate Governance Code 2018;

"Registered Office" means the registered office of Kistos plc or Kistos Holdings plc, as applicable, which is at 2nd Floor, 3 St James' Square, London SW1Y 4JU, United Kingdom;

"Registrar of Companies" means the Registrar of Companies in England & Wales;

"Resolutions" means the resolutions to be proposed to Shareholders at the General Meeting;

"relevant system" has the meaning given to it in the Uncertificated Securities Regulation 2001;

"Remuneration Committee" means the remuneration committee of Kistos plc or, following the Scheme Effective Date, of Kistos Holdings plc;

"RIS" means any information service authorised from time to time by the FCA for the purpose of disseminating regulatory announcements;

"Scheme" or the **"Scheme of Arrangement"** means the members' scheme of arrangement under Part 26 of the Companies Act 2006 between Kistos plc and holders of Scheme Shares including any modification, addition or condition approved by the Court, details of which are set out in this document;

"Scheme Effective Date" means the date on which this Scheme becomes effective in accordance with its terms, expected to be 22 December 2022;

"Scheme Effective Time" means the time at which the Scheme becomes effective on the Scheme Effective Date;

"Scheme Record Time" means close of business on the Business Day immediately prior to the Scheme Effective Date, being the time at which entitlement to Kistos Holdings plc Ordinary Shares under the Scheme is determined;

"Scheme Sanction Hearing" means the hearing by the Court of the claim form to sanction the Scheme under Section 899 of the Companies Act 2006;

"Scheme Sanction Order" means the order of the Court sanctioning the Scheme under Part 26 of the Act;

"Scheme Shareholder" means a holder of Scheme Shares;

"Scheme Shares" means, (i) all Kistos plc Ordinary Shares in issue at the date of the Scheme and remaining in issue at the Scheme Effective Date; (ii) all additional (if any) Kistos plc Ordinary Shares in issue at the Scheme Voting Record Time and remaining in issue at the Scheme Effective Date in respect of which the original or any subsequent holder shall be bound or shall have agreed in writing by such time to be bound by the Scheme and remaining in issue at the Scheme Effective Date;

"Scheme Voting Record Time" means close of business on 12 December 2022, or if the Court Meeting or General Meeting is adjourned, close of business on the day which is two days before the date of such adjourned meeting, excluding any day that is not a working day;

"SDRT" means stamp duty reserve tax;

"Special Resolutions" means the special resolutions which are set out in *Part VIII – Notice of Meetings* of this document, to be proposed to be passed at the General Meeting;

"subsidiary" or **"subsidiary undertaking"** has the meaning given in the Act;

"Takeover Code" means the City Code on Takeovers and Mergers;

"TCGA 1992" means the Taxation of Chargeable Gains Act 1992;

"TOH" means Tulip Oil Holding B.V.;

"TON" means Tulip Oil Netherlands B.V.;

"Total Acquisition" means the acquisition from TotalEnergies E&P UK of a 20% working interest in the fields that comprise the GLA, as well as interests in certain associated exploration prospects, announced by Kistos plc on 31 January 2022.

"TotalEnergiesAPA" means the English-law governed asset purchase agreement amongst Kistos Energy, Kistos plc and TotalEnergies E&P UK Limited, dated 30 January 2022.

"UK" or **"United Kingdom"** means the United Kingdom of Great Britain and Northern Ireland;

"Uncertificated" or in **"Uncertificated form"** means in relation to a share or other security, a share or other security title to which is recorded on the relevant register as in uncertificated form, being held in uncertificated form in CREST and title to which by virtue of CREST Regulations may be transferred by means of CREST;

"2021 Annual Report" means the Group and the Company's 2021 annual report and accounts.

**PART VIII
NOTICE OF MEETINGS**

NOTICE OF COURT MEETING

**IN THE HIGH COURT OF JUSTICE
BUSINESS AND PROPERTY COURTS OF ENGLAND &
WALES
COMPANIES COURT (ChD)**

CR-2022-004101

IN THE MATTER OF KISTOS PLC

- and -

IN THE MATTER OF THE COMPANIES ACT 2006

NOTICE IS HEREBY GIVEN that by an Order dated 15 November 2022 made in the above matter the Court has given permission for a meeting (the "**Court Meeting**") to be convened of the holders of the ordinary shares of £0.10 each not including any ordinary share held by Kistos Holdings plc (hereinafter called the "**Scheme Shares**") in the capital of Kistos plc (registered in England & Wales with company number 12949154) (hereinafter called "**Kistos plc**" or the "**Company**") for the purpose of considering and, if thought fit, approving (with or without modification) a scheme of arrangement proposed to be made between Kistos plc and the holders of the Scheme Shares (the "**Scheme of Arrangement**") expressed to be subject to that Scheme of Arrangement and that such meeting will be held at the offices of Orrick, Herrington & Sutcliffe (UK) LLP, 107 Cheapside, London EC2V 6DN, United Kingdom at 10.30 a.m. on 14 December 2022 (London time) at which place and time all the holders of Scheme Shares are requested to attend.

A copy of the Scheme of Arrangement and a copy of the explanatory statement required to be furnished pursuant to section 897 of the Companies Act 2006 (the "**Explanatory Statement**") are incorporated in the document of which this notice forms part.

Scheme Shareholders entitled to attend and vote at the Court Meeting may vote in person at the Court Meeting or they may appoint another person, whether a member of the Company or not, as their proxy to attend and vote in their stead.

A blue Form of Proxy for use at the Court Meeting is enclosed with this notice. Completion of the blue Form of Proxy (or appointment of a proxy electronically) will not prevent a Scheme Shareholder from attending and voting at the Court Meeting (or any adjournment thereof) in person, if they wish to do so.

It is requested that the blue Form of Proxy (together with any power of attorney or other authority under which it is signed, or a notarially certified copy of such power or authority) be lodged with the Registrar of the Company, Link Group, at PXS 1, Central Square, 29 Wellington Street, Leeds, LS1 4DL, United Kingdom no later than 10.30 a.m. on 12 December 2022 or, if the meeting is adjourned, by not later than 48 hours before the time of the adjourned meeting but, if forms are not so lodged, they may be handed to the Registrar of the Company, Link Group, or the Chair at the Court Meeting. For an electronic proxy appointment to be valid, it must be received by the Registrar of the Company by no later than 10.30 a.m. on 12 December 2022.

Alternatively, a shareholder may register a proxy appointment and give voting instructions online via the Registrar of the Company, Link Group, at <https://www.signalshares.com/> subject to the terms and conditions shown on the website. If not previously registered, you will need your investor code to do so. This is shown on your share certificate. Once registered, you will immediately be able to vote.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Court Meeting and any adjournment(s) thereof by using the procedures described in the CREST manual.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with the specifications of Euroclear UK & International Limited ("**Euroclear**") and must contain the information required for such instructions, as described in the CREST manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's Registrars, Link Group (CREST ID RA10) by 10:30 a.m. (London time) on 12 December 2022. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which Link Group is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001

In the case of joint holders of a share, the vote of the senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder(s) and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

To be entitled to attend and vote at the Court Meeting (and for the purpose of the determination of the votes that may cast), Scheme Shareholders must be registered in the register of members at the Scheme Voting Record Time (as defined in the Scheme of Arrangement). Changes to entries on the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend or vote at the meeting. Changes to entries in the relevant register of members after close of business on 12 December 2022 or, in the event that the Court Meeting is adjourned, at close of business two days before the date of any adjourned meeting (excluding any day that is not a working day), shall be disregarded in determining the rights of any person to attend or vote at the Court Meeting.

Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "**Nominated Person**") may, under an agreement between them and the member by whom they were nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, they may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights. The statement of the rights of members in relation to the appointment of proxies in this notice does not apply to Nominated Persons. The rights described therein can only be exercised by members of the Company.

Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

By the Order, the Court has appointed Andrew Austin or, failing him, Alan Booth or, failing him, Richard Benmore, to act as Chair of the Court Meeting and has directed the Chair to report the result of it to the Court.

The Scheme of Arrangement will be subject to the subsequent sanction of the Court.

Dated: 22 December 2022

Orrick, Herrington & Sutcliffe LLP
9th Floor
107 Cheapside
London EC2V 6DN
United Kingdom

NOTICE OF GENERAL MEETING

The General Meeting of Kistos plc (the "**Company**") will be held at the offices of Orrick, Herrington & Sutcliffe (UK) LLP, 107 Cheapside, London ECV 6DN, United Kingdom at 10.50 a.m. on 14 December 2022 to consider and, if thought fit, to pass the proposed Resolutions as set out below. Voting on these resolutions will be by way of a poll.

SPECIAL RESOLUTIONS

1. RESOLUTION 1 – ADOPTION OF AMENDED ARTICLES OF ASSOCIATION

That with effect from the time that Resolution 2 is passed, the amended articles of association of the Company produced to the meeting and initialled by the Chair for the purpose of identification (the "**Amended Articles**") be approved and adopted as the articles of association of the Company, in substitution for the existing articles of association.

2. RESOLUTION 2 – SCHEME OF ARRANGEMENT

That:

- (a) for the purpose of giving effect to the scheme of arrangement between the Company and the holders of the Scheme Shares (as defined in the Scheme), a print of which has been produced to this meeting and for the purposes of identification signed by the Chair hereof, in its original form or subject to such modification, addition or condition agreed between the Company and Kistos Holdings plc and approved or imposed by the High Court (the "**Scheme**");
- (b) the Scheme be approved and the directors of the Company be and are hereby authorised to take all such action as they may consider necessary or appropriate for carrying the Scheme into effect;
- (c) the Scheme Shares be transferred to Kistos Holdings plc;
- (d) subject to and conditional upon the Scheme becoming effective, all of the ordinary shares of nominal value £0.10 in the capital of the Company be delisted from AIM (as defined in the Scheme).

By order of the Board

OHS Secretaries Limited
Company Secretary

NOTES TO THE NOTICE OF GENERAL MEETING

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to any aspect of the Proposals referred to in this document or as to the action you should take, you should seek your own advice immediately from, if you are in the UK, your stockbroker, bank manager, solicitor, accountant or other independent financial adviser that specialises in advising on the acquisition of shares and other securities who is duly authorised under FSMA (or, if you are a person outside the UK, a person otherwise similarly qualified in your jurisdiction).

If you have sold or otherwise transferred (or will sell or transfer) all of your shares prior to close of business on 12 December 2022 please pass this document, together with the accompanying documents, to the purchaser or transferee, or to the person who arranged the sale or transfer, so that they can pass these documents to the person who now holds the shares.

Issued share capital and total voting rights

As at 21 November 2022, the Company's ordinary issued share capital consists of 82,863,743 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 21 November 2022 are 82,863,743.

Entitlement to attend and vote

To be entitled to vote at the General Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), shareholders must be registered in the register of members of the Company at close of business on 12 December 2022. Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to vote at the General Meeting.

Proxies

Shareholders entitled to attend and vote at the General Meeting may appoint one or more proxies to attend, speak and vote at the General Meeting instead of them. The Company encourage shareholders to appoint the Chairman, as their proxy. Appointing a proxy will not preclude shareholders from attending and voting at the General Meeting if they later decide to do so.

You should have received a yellow and blue proxy form with this Notice. The yellow form of proxy is for use at the General Meeting. You can only appoint a proxy using the procedures set out in these notes and the explanatory notes to the proxy form.

A proxy need not be a shareholder of the Company but must attend the General Meeting to represent you. If you wish to appoint a person other than the Chairman, please insert the name of your chosen proxy holder in the space provided. If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name the number of ordinary shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or, if the proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account).

You may indicate how you wish your proxy to vote by ticking the relevant boxes on the enclosed proxy form. If no voting indication is given, your proxy will vote or abstain from voting at such Shareholder's discretion. Your proxy will vote or abstain from voting as such Shareholder thinks fit in relation to any other matter which is put before the General Meeting.

Voting at the General Meeting

On a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative, not being himself a member entitled to vote, shall have one vote. Also, every proxy present who has been duly appointed by one or more members entitled to vote on the resolution has one vote. A proxy has one vote for and one vote against the resolution if the proxy has been duly appointed by more

than one member entitled to vote on the resolution and the proxy has been instructed by one or more of those members to vote for the resolution and by one or more other of those members to vote against it.

On a poll, every member shall have one vote for every ordinary share of which such member is the holder.

Vote withheld

A vote withheld option is provided to enable you to abstain on any particular resolution. It is not a vote in law, which means that the vote will not be counted in the calculation of the number of votes for or against the resolution.

Multiple proxies

You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different ordinary shares. You may not appoint more than one proxy to exercise rights attached to any one ordinary share. To appoint more than one proxy, (an) additional proxy form(s) may be obtained by contacting the shareholder's helpline or you may copy the enclosed proxy form. Please enter in the box next to the proxy holder's name, the number of ordinary shares in relation to which they are authorised to act as your proxy.

Appointment of proxy using hard-copy form

Proxy forms are enclosed. To be valid these should be completed, signed and sent or delivered to the Registrar in the reply paid envelope provided, to be received no later than 10.50 a.m. on 12 December 2022 in the case of the yellow Form of Proxy (General Meeting) or not less than 48 hours before any adjourned meeting at which the person named in the proxy form proposes to vote.

In the case of a shareholder which is a company, a proxy form must be executed under its common seal or signed on its behalf by a duly authorised person or in any other manner authorised by its constitution.

Where this proxy form is signed under a power of attorney or other authority, such power or authority (or a notarially certified copy thereof) should be enclosed with the proxy form.

Appointment of proxy by joint shareholders

In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holding (the first named being the most senior).

Electronic appointment of proxies

As an alternative to completing the hard-copy proxy form, you can register your proxy appointment at <https://www.signalshares.com/>.

Changing proxy instructions

To change your proxy instructions, you must submit a new proxy appointment using either the hard-copy proxy form appointment method or the electronic appointment method set out above. Note that the cut-off time as set out above for receipt of proxy appointments also applies in relation to the receipt of amended proxy appointments; any amended proxy appointment received after the relevant cut-off time will be disregarded. For the avoidance of doubt, any indication of how you wish your proxy to vote contained in your proxy appointment constitutes part of such appointment and, as such, the relevant cut-off time applicable to the receipt of amended proxy appointments also applies to any amendment of any voting instructions given to your proxy by way of your proxy appointment.

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact the Registrar, using the details set out below.

If you have voted online you can amend your vote by resubmitting your voting instructions electronically as described above.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointment

In order to revoke a proxy instruction you will need to inform the Company using one of the following methods:

- by sending a signed hard-copy notice clearly stating your intention to revoke your proxy appointment to the Registrar. In the case of a shareholder which is a company, the revocation notice must be executed under its common seal or signed on its behalf by a duly authorised person or in any other manner specified in its constitution. Any power of attorney or any other authority under which the revocation notice is signed (or a notarially certified copy of such power or authority) must be included with the revocation notice; or
- by calling the Registrar's helpline.

In either case, the revocation notice must be received by the Registrar at least three hours before the commencement of the General Meeting or adjourned meeting at which the vote is to be given.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the General Meeting and voting in person. If you have appointed a proxy and attend and vote at the General Meeting in person, your proxy appointment will be terminated automatically.

Nominated Persons

The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 of the Companies Act 2006 ("**Nominated Persons**"). If you are a Nominated Person you may have a right under an agreement with the registered shareholder who has nominated you to have information rights (the "**Relevant Shareholder**") to be appointed (or to have someone else appointed) as a proxy for the Court Meeting and the General Meeting but you cannot yourself appoint a proxy. Alternatively, if you do not have such a right, or do not wish to exercise it, you may have the right under such an agreement to give instructions to the Relevant Shareholder as to the exercise of voting rights.

Nominated Persons should also remember that their main point of contact in terms of their investment in the Company remains the Relevant Shareholder (or the custodian or broker who administers the investment on their behalf).

Nominated Persons should continue to contact that shareholder, custodian or broker (and not the Company) regarding any changes or queries relating to the Nominated Person's personal details and interest in the Company (including any administrative matter). The only exception to this is where the Company expressly requests a response from a Nominated Person.

Voting through the CREST electronic proxy appointment service

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Court Meeting and the General Meeting (and any adjournment of the General Meeting) by using the procedures described in the CREST Manual (available from www.euroclear.com). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & International Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the Registrar (ID RA10) by 10.30 a.m. in the case of the Court Meeting and 10.50 a.m. in the case of the General Meeting, both on 12 December 2022. For this purpose, the time of receipt will be taken to mean the time (as determined by the timestamp applied to the message by the CREST application host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & International Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that their CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Corporate representatives

Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that no more than one corporate representative exercises powers in relation to the same shares.

Documents available for inspection

The following documents are available for inspection during normal business hours at the Registered Office on any Business Day from the date of these Notices until the time of the General Meeting and may also be inspected at the General Meeting venue, as specified in these Notices, from at least 15 minutes prior to, and on the day of the Court Meeting and the General Meeting until the conclusion of the General Meeting:

- copies of the Executive Directors' service agreements with Kistos plc;
- copies of the Non-Executive Directors letters of appointment with Kistos plc;
- the 2021 Annual Report;
- the current articles of association of Kistos plc;
- the amended articles of association of Kistos plc;
- a comparison document of the current articles of association of Kistos plc as against the amended articles of association of Kistos plc; and
- the document of which these Notices form part.

Information available on the Company's website

A copy of these Notices, and other information required by Section 311A of the Companies Act 2006, can be found on the Company's website at <https://kistosplc.com/>.

Communication

Except as provided above, shareholders who have general queries about the General Meeting should use the following means of communication (no other methods of communication will be accepted):

- by calling the Registrar's helpline on +44(0) 371 664 0321; or
- email Link at shareholderenquiries@linkgroup.co.uk.

Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open 9.00 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England & Wales. Link Group are open 9.00 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England & Wales.

You may not use any electronic address provided either in these Notices or in any related documents (including the Executive Chairman's letter and proxy form) to communicate with the Company for any purposes other than those expressly stated.

EXPLANATION OF RESOLUTIONS

Resolutions 1 and 2 will be proposed as Special Resolutions.

For these resolutions to be passed, 75% or more of shareholders' votes cast must be in favour.

Resolution 1 – Adoption of amended articles of association

This resolution seeks shareholders' approval to adopt the Amended Articles.

The change that is of particular relevance to the Scheme is Article 157 which provides that any shares are issued by the Company after the adoption of the Amended Articles but before the Scheme Record Time shall be Scheme Shares. It also provides that any shares issued by the Company after the Scheme Record Time to any person other than Kistos Holdings plc shall immediately be transferred to Kistos Holdings plc in return for shares in Kistos Holdings plc on the same terms as under the Scheme. The text of Article 157 is set out below

"Shares not otherwise subject to the Scheme

Notwithstanding any other provision of these Articles, if the Company issues any shares on or after the date of adoption of this Article 157 and at or prior to the Scheme Record Time (as defined in the Scheme of Arrangement Circular), such shares shall be issued subject to the terms of the Scheme of Arrangement (and shall be scheme shares for the purposes of the Scheme) and the holder or holders of such shares shall be bound by the Scheme of Arrangement accordingly:

- (a) If any shares in the Company are allotted and issued to any person other than Kistos Holdings plc and/or its nominee or nominees (a "**New Member**") after the Scheme Record Time, they will immediately be transferred to Kistos Holdings plc and/or its nominee or nominees in consideration of and conditional on the issue or transfer to the New Member of one Kistos Holdings plc Ordinary Share for every one share in the Company so transferred. The Kistos Holdings plc Ordinary Shares issued or transferred pursuant to this Article 157 to the New Member will be credited as fully paid and will rank equally in all respects with all Kistos Holdings plc Ordinary Shares in issue at the time and be subject to the memorandum and articles of association of Kistos Holdings plc.
- (b) The number of Kistos Holdings plc Ordinary Shares to be issued or transferred to the New Member under this Article 157 may be adjusted by the directors in such manner as the auditors of the Company may determine on any reorganisation or material alteration of the share capital of either the Company or of Kistos Holdings plc or any other return of value to holders of Kistos Holdings plc Ordinary Shares, provided always that any fractions of Kistos Holdings plc Ordinary Shares shall be disregarded and shall be aggregated and sold for the benefit of Kistos Holdings plc.
- (c) In order to give effect to any such transfer required by this Article 157, the Company may appoint any person to execute and deliver a form of transfer on behalf of the New Member in favour of Kistos Holdings plc and/or its nominee or nominees and to agree for and on behalf of the New Member to become a member of Kistos Holdings plc. Pending the registration of Kistos Holdings plc as holder of any share to be transferred pursuant to this Article 157, Kistos Holdings plc shall be empowered to appoint a person nominated by the directors to act as agent and/or irrevocable appointee on behalf of any holder of such share in accordance with such directions as Kistos Holdings plc may give in relation to any dealings with or disposal of such share (or any interest therein), exercising any rights attached thereto or receiving any distribution or other benefit accruing or payable in respect thereof and any holder of such share shall exercise all rights attached thereto in accordance with the directions of Kistos Holdings plc but not otherwise.
- (d) If the Scheme of Arrangement shall not have become effective by the applicable date referred to in (or otherwise set in accordance with) the Scheme of Arrangement Circular, this Article 157 shall cease to be of any effect."

Resolution 2 – Scheme of Arrangement

The Company proposes to introduce a new AIM holding company, Kistos Holdings plc, for the Kistos plc group of companies by way of the Scheme under Part 26 of the Act. The background and reasons for the Scheme are set out in the Executive Chairman's Letter included in the document of which these Notices form part. Resolution 2 seeks to obtain shareholder approval for certain matters in connection with the Scheme and is proposed to give the Directors the necessary powers and authorities to implement the Scheme.

Paragraphs (a) – (b) of Resolution 2 are proposed to give the Directors the necessary powers and authorities to implement the Scheme.

Paragraph 2.3(c) of Resolution 2 transfers the Scheme Shares, which are all the ordinary shares of Kistos plc.

Paragraph (d) of Resolution 2 is proposed to enable the shareholders of the Company, to approve the de-listing of the Company's ordinary shares upon the Scheme becoming effective. Further details relating to the proposed de-listing of the ordinary shares of the Company are contained in *Part II – Explanation of the Scheme and its Effects* of the document of which these Notices forms part.