

ACE

From: ACE <acee24@hushmail.com>
Sent: 11 September 2014 12:25
To: 'Stephen Wheatley'; 'rberesford@mccarthydenning.com'
Cc: 'martin@meberhardt.plus.com'; 'James Holmes'
Subject: Clarification

Dear All

I thought it would be useful to set down exactly where I think we are so that we are all working in the right direction, as I for one have felt very confused as to what is going on and I don't think I am alone in that.

Firstly, Worthington wants to do the CPS deal providing it stacks up – that is the purpose of the Conditions Precedent and that position has not changed. Whilst it took longer for Worthington to get back on the market than expected it is delivering on what the agreement actually says (and it doesn't say that WRN shall raise money in the meantime to put into CPS - which business it has not yet been able to verify as it is awaiting delivery of all the information). It wanted to get its existing Newsflow into the market to ensure that CPS is just one of several deals it is doing from a Stock Exchange perspective. A random move into oil and gas would have risked suspension if it was not part of a broader strategy. Similarly the two or three phase deal is similarly crucial so that it is not a reverse. We are not interested in doing a reverse which would risk suspension. If the triggers for a full transaction with CPS are achieved (one of which is that CPS has £10m of permanent *cash raised* equity within CPS) then it should be done in parallel so that there is a seamless transition without the need for a suspension – in other words the documentation for this full deal would be done in the background in total confidence until such time as the full transaction could be announced and, as all the necessary information would then be in the public domain, it would not be necessary for the UKLA to suspend the shares ahead of the full transaction and re-listing taking effect.

Under the agreement CPS was raising money for CPS; not raising money for WRN to out into CPS. It is however OK to say, to those parties that have been made insiders, that it is envisaged that, once the Conditions have been met, WRN will take an initial 8% stake as a prelude to a possible 100% deal. Having said that WRN is interested in raising money, it is already looking at doing so independently, and so if CPS were to find investors willing to put money into WRN then an approach to WRN saying “we know investors who want to buy WRN shares” is fine. The important thing is who they are, what the terms are, are they long term holders, are there big commissions involved, do they pass the smell test. To avoid confusion on this point it has been suggested that Martin is the conduit for any investor interest that CPS may introduce. He is being paid by CPS/Stephen for this work and it is his job (as I understand it) to ensure that he checks the details out and then submits a proposal to WRN (via Richard). Accompanying that proposal may be a request from CPS that as a prelude to WRN taking a direct interest, would WRN lend money to CPS out of the funding introduced to WRN by CPS. This should be just one voice – Martin's - as he is known by all parties and will make sure that the proposal is one that he, as a qualified Accountant, would be happy to propose. Big discounts to the market price by way of commission or otherwise and purchases by short term holders is not something that would be of interest to WRN. We can raise enough money for WRN without a discount to the price from long terms holders.

As regards the Roadshow to investors next week in Switzerland it is difficult to see what the pitch is. Are investors being told that CPS is going into WRN (only an initial 8% is) and are they being asked to subscribe for WRN shares on the back of the initial 8% deal in the expectation of the full deal; or are they buying the Loan Stock issued to CPS vendors; or are they subscribing for CPS shares direct? We need to know what the pitch is, not least because there are mechanical issues to delivering WRN ordinary shares in the volumes being talked about if these investors are expecting WRN shares. Again, no clarity so far on this point.

As regards satisfaction of the Conditions, Martin is chasing up the information so that he can give WRN a completed file of all the required information. He is not an oil and gas expert and is only ensuring that the full suite of required information is provided. WRN is appointing an oil and gas expert to review the information. The key things from the Conditions that WRN needs to be satisfied about are as follows:

- 1) Are the reports bona fide, are they credible, are they industry standard. In other words would an investor be right to place reliance on them; or are they dodgy put together by mates or stooges to put an unsustainable spin on them. Maurice Eaton is going to produce a letter (s) commenting on the reports and producing a summary of the Net Value etc. as required by the conditions. These reports and Maurice Eaton's workings are going to be reviewed by our expert to check they stack up. Expect some questions, the purpose of which will be to satisfy all parties that this is a proper company that is investable at the claimed value by investors who know what they are doing. The idea is not to have a paper thin report that would only persuade the gullible. It is in everyone's interest that this is done in such a way that provides real value for investors.
- 2) The agreements with Oando and the Nigerian Petroleum Corp need to be robust, as stated in the condition precedent. An agreement that unravels 10 minutes after we have taken millions from investors is not where anyone of us would want to be.
- 3) The comparable valuations of oil and gas companies is important. If £150m of reserves in the ground with this amount of information, is only valued on the stock market at £10m then CPS is simply not worth £150m and reality will come home to roost sooner or later. From WRN's perspective it is not interested in being party to a proposition to overvalue a company that will in short order go down to its correct level. And I am assuming nobody else wants that either.

These are very simple, very straight forward unanswerable requirements. And let's say for arguments sake that the agreement didn't include these safeguards and you were to say that the agreement says that "we should be valued at £150m even though we are only in reality worth three and six pence so you have to go ahead so that we try and defraud investors worldwide", we simply would not do it. We would prefer to be sued than to be a party to seeing £ms of investor money go up in smoke and, in those circumstances, would rely on the fact that Condition Precedent 2 was not met. And of course I doubt any of you would want to be a party to ripping off investors either.

To conclude, we want to do the deal. We want the reports to stack up and we want the value to be £150m – because that means that it is easier for us to exit in the manner agreed.

I hope that has provided some clarity and a framework for completing this deal.

Regards
Aidan