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NS Capital Reorganisation

SUBSCRIPTION AND CAPITAL REORGANISATION

RURELEC PLC

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THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION FOR THE PURPOSES OF THE UK VERSION OF THE MARKET ABUSE REGULATION (EU NO. 596/2014) AS IT FORMS PART OF UNITED KINGDOM DOMESTIC LAW BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018. UPON PUBLICATION OF THIS ANNOUNCEMENT, THIS INSIDE INFORMATION IS NOW CONSIDERED TO BE IN THE PUBLIC DOMAIN.

24 April 2024
AIM: RUR

Rurelec PLC
("Rurelec" or "the Company")

Conditional Subscription , Capital Reorganisation and General Meeting

Rurelec PLC (AIM: RUR), the AIM Rule 15 cash shell and owner of Turbines, announces the Conditional Subscription to raise £450,000 before expenses and a Capital Reorganisation.

A Circular is being posted to Shareholders today, which is available on the Company's website at: https://www.rurelec.com/ . Extracts from the Circular are included below. Capitalised terms used but not otherwise defined in this announcement have the meanings shall have the meanings set out in the Circular.

Highlights

Subscription. Subscribers have been procured to raise £450,000 before expenses through the conditional issue of 148,221,343 New Ordinary shares at a price of 0.3036p per Ordinary Share to provide working capital for the Company through to the autumn.

Acquisition search underway for Reverse Take Over. The strategy of simplifying the Company continues. We are aggressively pursuing the disposal of the Turbines for the best possible value, having spent over 24 months marketing them on a global basis. We intend to preserve resource and make the Company a clean shell with only cash assets to attract Reverse take-over acquisition candidates.

Capital Reorganisation. In order to facilitate the Conditional Subscription, the Company is proposing a Capital Reorganisation, which will comprise the sub-division of each Ordinary Share of 1 penny into one New Ordinary Share of 0.01 pence and one Deferred Share of 0.99 pence.

General Meeting. A general meeting of the Company will be held at 5 St. John's Lane, London, England, EC1M 4BH at 10.00a.m. on 13 May 2024. The formal Notice of General Meeting is set out in the Circular and contains the Resolutions to be considered at the General Meeting.

Commenting on the Subscription, Andy Coveney, Executive Director said "*I am delighted to announce that with the support of our new shareholders and the Subscribers of New Ordinary shares, we can recapitalise the business, which will allow us time to complete the strategy of preparing the Company for a Reverse Takeover through which we can build value. Over the past few years the Company has navigated a precarious financial position, and we hope that we are now close to commencing a new phase of positive growth. We are actively seeking such opportunities, whilst we continue to manage the business prudently.*"

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1 Introduction

Rurelec has executed a conditional subscription letter to raise £450,000 through the issue of 148,221,343 ordinary shares in the Company at a price of 0.3036p to provide working capital for the Company. The subscription is conditional on shareholder approval at a General Meeting to be held on 13 May 2024;

The Directors believe that the monies raised from the Subscription will give the Company sufficient working capital until the autumn to enable them to pursue their strategy of crystalising shareholder value through the disposal of the Turbines, creating further worth from the acquisition of a growing business, yet to be identified, and the restoration of trading of the Company's shares on AIM or a listing of the Company's ordinary shares on another market. In particular, the Resolutions incorporate a capital reconstruction which is necessary to allow the Company to issue shares at the Subscription Price which is below the current nominal value of the Existing Ordinary Shares. A company is not permitted to issue shares below its current nominal value, pursuant to the Act.

As set out above, the Company will raise £450,000 before expenses through the Subscription by the issue of ordinary shares to new investors and certain existing shareholders. The issue of new Ordinary Shares at the Subscription Price will materially dilute Shareholders. **Shareholders should, however, note that trading on AIM is currently suspended and is expected to remain so after completion of the Subscription; there is no guarantee that trading will be restored**.

A general meeting of the Company will be held at 5 St. John's Lane, London, England, EC1M 4BH at 10.00a.m. on 13 May 2024.

If the Resolutions are not passed, the Subscription will not complete, and the Company will be unable to continue as a going concern beyond the short term. The Directors do not believe there are any other funding options available to the Company at this time, and therefore, if the Resolutions are not passed the Directors will have to consider immediately scrapping the Turbines as part of a wind down of the business through which Shareholders will receive limited or no value. In the alternative, the Directors believe the Proposals allow the business longer to find a buyer for the Turbines, and to acquire a new growing business in order to create future value, although there is no guarantee of either. Accordingly, the Board considers that the Proposals are in the best interests of the Company and the Shareholders as a whole, and the Directors recommend that shareholders vote in favour of the Resolutions contained in the Notice of General Meeting which will be set out in a Circular to shareholders.

2 Background to and reasons for the Resolutions

Over the past few years, the Directors have managed to stabilise Rurelec which struggled financially due to its limited financial liquidity, significant debt and unpredictable operating conditions in Argentina. This stability was achieved through the reduction of overhead and operating costs, the restructuring of arrangements with the joint venture partner in Patagonia Energy Limited, and latterly the overseas disposal program. This disposal programme consisted of the sale of the Frame 6B gas turbine generating set in September 2021, the disposal of Cochrane Power Limited and its Chilean subsidiaries in December 2023 and the disposal of the Argentinian Interests in June 2023. As a result, the Company was able to pay a dividend of £1.12 million in July 2023, the first since 2008.

The contingent deferred consideration from the disposal of the Argentinian Interests has been written down and the Directors consider that it is highly unlikely that this consideration will become due owing to the continuing effect of the economic and political situation on the power generation industry in Argentina.

At the current time, the Company's main assets are the Turbines. The Directors continue to pursue a sale of the Turbines; and a number of separate discussions have taken place with third parties. Disappointingly earlier discussions were not fruitful for reasons unconnected with Rurelec, but new interest has emerged. While this is encouraging, discussions therefore remain at an early stage and this serves to highlight the complex nature of power projects. The timing of any potential sale of the turbines remains highly uncertain owing to the limited demand and infrequent occurrence of projects into which the turbines could be injected. It is difficult to predict whether these potential counterparties will be able to enter into heads of terms and secure the necessary finance such that a deposit can be paid or any sale could complete. If no project is found into which these assets can be included, it is becomes increasingly likely that the turbines will be scrapped or sold at less than

their Net Book Value to a trader in such assets. Meanwhile there is a cost to the Company of insuring and storing the Turbines which means that if Rurelec does not have sufficient cash resources, or the Directors conclude that a sale is unlikely, the Turbines will need to be scrapped. As set out above, the Subscription will give the Company more time to pursue the disposal of the Turbines.

Following the successful sale of the Argentinian Interests on 9 June 2023, which was a fundamental change of business pursuant to the AIM Rules, the Company was deemed to be an AIM Rule 15 Cash Shell. The Company did not make an acquisition or acquisitions that constituted a reverse takeover under Rule 14 of the AIM Rules for Companies within 6 months of that date and the shares were suspended from trading on AIM on 11 December 2023. The Admission of the Company's ordinary shares to trading on AIM will be cancelled on 12 June 2024 if a qualifying acquisition is not completed by Rurelec by that date. The Directors wish to retain the inherent value of the quotation as a mechanism to maximise shareholder value, and therefore finding a suitable acquisition is now a priority. In the event that trading is not restored by 12 June 2024 which is now likely to be the case, the Directors intend to seek a new listing for the Company's shares on AIM or elsewhere if an appropriate acquisition can be completed. However, there can be no guarantee that this will be achieved.

The Directors will only pursue acquisition opportunities that are both deliverable and which have a compelling investment case. A qualifying transaction for the purposes of Rule 15 of the AIM Rules, as set out above, is likely to involve the further issue of New Ordinary Shares to the vendors of the business as consideration; this will be subject to a further shareholder approval at the time. In the meantime, the Subscription will give the Company time and resource to cover some of the costs associated with an acquisition. The Directors are also seeking additional authority at the General Meeting to issue New Ordinary Shares in excess of that required for the Subscription in order to allow a smaller acquisition or further fundraise without the cost and delay associated with convening a General Meeting. There is no current intention to issue any such New Ordinary Shares and there can be no guarantee that any transaction will occur. **The Directors believe the Subscription will provide the Company with sufficient funds to continue to operate until the autumn at the current expected rate of expenditure.**

3 The Capital Reorganisation

There are 561,387,586 Existing Ordinary Shares of 1 penny each in the capital of the Company in issue. The middle market share price of each Ordinary Share as at the close of business on 11 December 2023 (being the date prior to the suspension of trading on the London Stock Exchange) was 0.42 pence, giving a market capitalisation of £2.4 million. On 11 March 2024, 44% of the Company's share capital was traded in an off-market transaction at a price of 0.3036 pence, which is the Subscription Price.

Under the Act, a company is prohibited from issuing shares at below their nominal value. Given the restriction on companies issuing shares at below their nominal value, the Company is proposing to effect the Capital Reorganisation, which will comprise the sub-division of each Ordinary Share of 1 penny each into one New Ordinary Share of 0.01 pence each and one Deferred Share of 0.99 pence each. The Capital Reorganisation will allow the Company to issue New Ordinary Shares, assuming that the issue price is above the new 0.01 pence nominal value.

The rights attaching to the New Ordinary Shares will be identical in all respects to the Existing Ordinary Shares, including voting, dividend, return of capital and other rights.

Rights attaching to New Ordinary Shares and Deferred Shares

The New Ordinary Shares will have the same rights and benefits as the Existing Ordinary Shares from which they will be derived. Following the Capital Reorganisation, the number of New Ordinary Shares held by each Shareholder will be the same as the number of Existing Ordinary Shares held immediately before the Capital Reorganisation.

Previously, certain deferred shares of 1 penny each were created pursuant to a reduction of capital ("**Reduction of Capital**") that was approved by Shareholders at the Company's 2020 annual general meeting and subsequently by an order ("**Order**") of the High Court of England and Wales on 14 August 2020. These deferred shares were cancelled pursuant to this Order although the rights attaching to them remain in the articles of association. Accordingly, the New Deferred Shares will be issued upon the rights set out in article 2.6 of the Articles, subject only to the amendments required to reflect the nominal value of the new Deferred Shares to be created pursuant to the current Capital Reorganisation.

As with the deferred shares created pursuant to the previous Reduction of Capital (none of which remain in issue), the Deferred Shares of 0.99 pence each will have no income or voting rights. The only right attaching to a Deferred Share will be to receive the amount paid up on that Deferred Share (i.e. 0.99p) on a winding-up of the Company once the holders of New Ordinary Shares have received the amount paid up on each of the New Ordinary Shares (i.e. 0.01p) together with a premium of £10,000,000 per New Ordinary Share held. Save for this and the par value, the Deferred Shares will be identical to the Deferred Shares created pursuant to the Reduction of Capital.

The Deferred Shares will not be admitted to trading on AIM, will have only very limited rights on a return of capital and will be effectively valueless and non-transferable. The Directors consider that the Deferred Shares will have no effect on the respective economic interests of Shareholders.

Immediately following the Capital Reorganisation, but prior to the issue of the Subscription Shares, the issued share capital of the Company will be 561,387,586 New Ordinary Shares and 561,387,586 Deferred Shares.

Admission of, and dealings in, the New Ordinary Shares

Application cannot be made for the New Ordinary Shares to be admitted to trading on AIM in place of the Existing Ordinary Shares until the Company is in a position to apply for the restoration of trading pursuant to Rule 14 of the AIM Rules. **Accordingly, Shareholders should note that although the New Ordinary Shares will be issued, they will not be admitted to trading**. Dealings in the New Ordinary Shares will not commence until the conditions set out in AIM Rule 15 are satisfied, and then only if the conditions have been satisfied by 12 June 2024 which the Directors consider is unlikely. If the conditions necessary to restore trading were satisfied before the deadline of 12 June 2024 application would immediately be made to seek admission of the New Ordinary Shares and the Subscription Shares to trading on AIM, subject to the Resolutions being passed at the General Meeting. No application for Admission will be made in respect of the Deferred Shares.

Subject to the passing of Resolution 1, the Capital Reorganisation will become effective at 6pm on 13 May 2024

Settlement of the Subscription will occur in two tranches of £250,000 and £200,000. Upon receipt of funds by the Company, the relevant Subscription Shares will be issued into CREST the following day. This is expected to occur on 14 May 2024 and 28 May 2024 respectively.

The New Ordinary Shares will have the same stock identification codes as the Existing Ordinary Shares, being SEDOL code B01XPW4 and ISIN code GB00B01XPW41.

Shareholders who hold Existing Ordinary Shares in uncertificated form will have such shares disabled in their CREST accounts on the Record Date, and their CREST accounts will be credited with the New Ordinary Shares on the business day following the passing of the Resolutions at the General Meeting. Existing share certificates will continue to be valid following the Capital Reorganisation. No share certificates will be issued in respect of the Deferred Shares, nor will CREST accounts of shareholders be credited in respect of any entitlement to New Deferred Shares.

All mandates and other instructions, including communication preferences given to the Company by Shareholders and in force at the Record Date shall, unless and until revoked, be deemed to be valid and effective mandates or instructions in relation to the New Ordinary Shares.

4 Directors' authority to allot shares

The Resolutions numbered 2 and 3 set out in the Notice of General Meeting relate to the authority of the directors to issue Ordinary Shares, including on a non-pre-emptive basis.

The Directors are seeking authority to issue the Subscription Shares. In addition, the Directors are seeking to obtain an additional general authority to issue shares on a non-pre-emptive basis. Taking into account the current market capital of the Company, it is considered that increasing the relevant authorities to:

- an amount representing approximately 100 per cent. of the aggregate issued share capital (following the Capital Reorganisation and Subscription) in respect of the general authority of the Directors to allot New Ordinary Shares; and
- an amount representing approximately 85 per cent. of the aggregate issued share capital (following the Capital Reorganisation) in respect of the general authority of the Directors to allot New Ordinary Shares for cash on a non-pre-emptive basis,

will allow the Company to implement the Subscription and provide some flexibility to issue shares for small fundraisings or acquisitions in the future, although there is no current intention to use this additional authority.

5 Recommendation

The Board considers, for the reasons set out above, that each of the Resolutions is in the best interests of the Company and its Shareholders as a whole. Shareholders should note that if the Proposals are not approved, the Company will have only limited resources, and no other options available to it, accordingly the Directors will have to consider scrapping the Turbines as part of a wind down of the business through which shareholders will receive limited or no value. Accordingly, the Board unanimously recommends that Shareholders vote in favour of each of the Resolutions at the General Meeting.

DEFINITIONS

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

"Act"	the Companies Act 2006 (as amended);
"Admission"	admission of the New Ordinary Shares to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules;
"AIM"	the AIM market operated by the London Stock Exchange;

"AIM Rules"	the AIM Rules for Companies published by the London Stock Exchange from time to time;
"Argentinian Interests"	the Interests disposed of by the Company which are detailed in a circular to shareholders dated 16 May 2023;
"Articles"	the articles of association of the Company;
"Business Day"	a day (other than a Saturday, a Sunday or a public holiday) on which clearing banks are open for all normal banking business in the city of London;
"Capital Reorganisation"	the proposed sub-division of each Existing Ordinary Shares into one New Ordinary Share and One Deferred Share;
"certificated form" or "in certificated form"	an Ordinary Share recorded on a company's share register as being held in certificated form (namely, not in CREST);
"Company" or "Rurelec"	Rurelec PLC, a company incorporated under the laws of England and Wales with company number 04812855;
"CREST"	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the operator (as defined in those regulations);
"CREST Regulations"	the Uncertificated Securities Regulations 2001 (S.I. 2001 No. 3755) (as amended);
"Deferred Share"	the 561,387,586 new deferred shares of 0.99 pence each in issue immediately following the Capital Reorganisation;
"Directors" or "Board"	the directors of the Company, or any duly authorised committee thereof;
"Document" or "Circular"	the circular convening a General meeting to be sent to shareholders which for the avoidance of doubt does not comprise a prospectus (under the Prospectus Regulation Rules) or an admission Document (under the AIM Rules);
"Euroclear"	Euroclear UK & International Limited, the operator of CREST;
"Existing Ordinary Shares"	the Ordinary Shares of 1 penny each in the capital of the Company in issue immediately prior to the Capital Reorganisation;
"FCA"	the UK Financial Conduct Authority;
"FSMA"	the Financial Services and Markets Act 2000 (as amended);
"General Meeting"	a general meeting of the Company to be held at 5 St. John's Lane, London, England, EC1M 4BH at 10.00 a.m. on 13 May 2024;
"Group"	the Company, its subsidiaries and its subsidiary undertakings;

"London Stock Exchange"	London Stock Exchange plc;
"New Ordinary Shares"	the 561,387,586 new ordinary shares of 0.01 pence each in the capital of the Company in issue immediately following the Capital Reorganisation;
"**Notice of General Meeting**"	the notice of general meeting
"Ordinary Shares"	ordinary shares in the capital of the Company;
"Prospectus Regulation Rules"	regulation (EU) No 2017/1129 of the European Parliament and of the Council as it forms part of the domestic law of England and Wales pursuant to the European Union (Withdrawal) Act 2018;
"Proposals"	the Capital Reorganisation and the Subscription
"Record Date"	the record date for the Capital Reorganisation, being 6.00 p.m. on 13 May 2024;
"Regulatory Information Service"	a service approved by the FCA for the distribution to the public of regulatory announcements and included within the list maintained on the FCA's website;
"Resolutions"	The resolutions to be proposed at the Company's General Meeting, o be set out in the Notice of General Meeting
"Shareholders"	holders of Ordinary Shares;
"Subscription"	the issue of 148,221,343 New Ordinary Shares each at the Subscription Price, pursuant to the subscription letter dated 24 April 2024, of which 82,345,191 New Ordinary Shares are to be paid for on 13 May 2024 and 65,876,152 New Ordinary Shares are to be paid for on 27 May, in each case conditional on the Resolutions being approved;
"Subscription Shares"	148,221,343 New Ordinary Shares
"Subscription Price"	0.3036 pence per share;
"Turbines"	two Siemens Westinghouse TG50D5/W701DS 127.8 MW gas turbine generator packages, including ancillary equipment owned, insured and maintained by the Company;
"UK"	the United Kingdom of Great Britain and Northern Ireland;
"uncertificated" or **"in uncertificated form"**	an Ordinary Share recorded on a company's share register as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST;
"£", "pounds sterling", "pence" or "p"	are references to the lawful currency of the United Kingdom.

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