

LEKOIL LIMITED
(the *Company*)

DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTION POLICY AND PROCEDURE

1. Introduction

- 1.1 Cayman Islands company law and the Articles of Association of the Company impose certain requirements on the Company and its directors with respect to the notification of interests or potential interests of a director (or any person connected with him) in transactions with the Company. In certain circumstances, such transactions may be captured by the Related Party provisions set out in Rule 13 of the AIM Rules.
- 1.2 Accordingly, this policy and procedure has been adopted to set out the method by which interests and potential interests of directors (and in the case of Related Party transactions, significant shareholders) must be captured, monitored and managed.

2. Directors' Interests

- 2.1 Under the Articles of Association of the Company, directors must not vote, or be counted in the quorum in respect of a resolution, on any contract, arrangement, transaction or any other proposal whatsoever in which he has an interest which (together with any interest of any person connected with him) is a material interest otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company. There are exceptions to this rule which are set out in Article 160.
- 2.2 Where an interest, or potential interest, exists, the Articles of Association require that the interested director must declare the nature of his interest at the meeting of the Board at which the question of entering into the transaction is first taken into consideration (or, if the director in question did not at the date of that meeting know his interest in the transaction existed, at the first meeting of the Board after he knows that he is or has become interested).
- 2.3 Under Article 164, directors can notify the board of all their interests as a director, member or officer of other named entities, or where they have a fiduciary relationship with respect to another entity or named individual. Such notification is deemed to be sufficient disclosure of interest in any subsequent transaction with such parties.

3. Related Party Transactions

- 3.1 For the purposes of AIM Rule 13, a Related Party Transaction is any transaction with a Related Party which exceeds 5% in any of the Class Tests (set out in Appendix [I]).
- 3.2 Under Rule 13, the Company must release an announcement containing certain prescribed information without delay as soon as the terms of a Related Party Transaction are agreed.
- 3.3 Contravention of Rule 13 would expose the Company to the sanctions set out in AIM Rule 42.
- 3.4 It is therefore essential that the Company is aware of all potential Related Parties at an early stage to ensure that proposed transactions with such parties can be assessed in accordance with Rule 13.
- 3.5 Meaning of a "Related Party"
- For the purposes of Rule 13, a Related Party is:
- (a) any person who is a director of an AIM company or of any company which is its subsidiary or parent undertaking, other subsidiary undertaking of its parent company;

(b) a substantial shareholder;

(c) an associate of (a) or (b) being;

(i) the family of such a person;

(ii) the trustees (acting as such) of any trust of which the individual or any of the individual's family is a beneficiary or discretionary object (other than a trust which is either an occupational pension scheme as defined in regulation 3 of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, or an employees' share scheme which does not, in either case, have the effect of conferring benefits on persons all or most of whom are related parties).

(iii) any company in whose equity shares such a person individually or taken together with his or her family (or if a director, individually or taken together with his family and any other director of that company) are directly or indirectly interested (or have a conditional or contingent entitlement to become interested) to the extent that they are or could be able:

- to exercise or control the exercise of 30% or more of the votes (excluding treasury shares) able to be cast at general meetings on all, or substantially all, matters; or
- to appoint or remove directors holding a majority of voting rights at board meetings on all, or substantially all, matters;

(iv) any other company which is its subsidiary undertaking, parent undertaking or subsidiary undertaking of its parent undertaking;

(v) any company whose directors are accustomed to act in accordance with (a)'s directions or instructions;

(vi) any company in the capital of which (a), either alone or together with any other company within (iv) or (v) or both taken together, is (or would on the fulfilment of a condition or the occurrence of a contingency be) interested in the manner described in (iii);

(d) for the purposes of rule 13, any person who was a director of an AIM company or any of its subsidiaries, sister or parent undertakings or a substantial shareholder within the twelve months preceding the date of the transaction.

4. Procedure for identifying interests and related parties

- 4.1 Each director of the Company should be asked to complete a list of all potential interests and related parties using the template provided in Appendix II. New directors appointed to the Board must be asked to complete the list on their appointment.
- 4.2 All directors must notify [Chairman] and [the Company Secretary] of any changes to their list of potential interests and related parties as soon as they occur.
- 4.3 [The Company Secretary] must send requests to all directors to update their lists every quarter.
- 4.4 [The Company Secretary] is responsible for maintaining a consolidated list of interests/related parties to be checked against future transactions or potential transactions which could be Related Party Transactions under Rule 13.
- 4.5 [A director's list of potential interests and related parties is to be treated as a disclosure to all other directors of an interest in any transaction which may be entered into with entities set out on the list in accordance with Article 164.2.]

- 4.6 Lists of interests/related parties provided by former Directors will be maintained by [the Company Secretary] for the period of at least 12 months following termination of a director's appointment.

5. Dealing with Related Party Transactions

- 5.1 No Related Party Transaction can be entered into unless approved by the board of directors of the Company or another designated committee of the board.
- 5.2 All potential Related Party Transactions will be promptly reported to [the Company Secretary]. [The Company Secretary] will then analyse the terms of the potential transaction in consultation with [General Counsel], [management], and [the Company's Nominated Adviser] and apply the class tests to determine whether the transaction is a Related Party Transaction under Rule 13.
- 5.3 If application of the class tests identifies the transaction as a Related Party Transaction under Rule 13, the Board (with the exception of any director who is involved in the transaction as a Related Party) must, in consultation with the Company's Nominated Adviser, consider whether the transaction is fair and reasonable insofar as the Company's shareholders are concerned.
- 5.4 If the Board deems the Related Party Transaction to be fair and reasonable and approves the terms of the transaction, an announcement must be released as soon as possible containing:
- the information specified by Schedule Four of the AIM rules (set out in Appendix III);
 - the name of the related party concerned and the nature and extent of their interest in the transaction; and
 - a statement that with the exception of any director who is involved in the transaction as a related party, its directors consider, having consulted with its nominated adviser, that the terms of the transaction are fair and reasonable insofar as its shareholders are concerned.
- 5.5 For the avoidance of doubt, no director shall participate in the evaluation or approval of any Related Party Transaction for which he or she is a Related Party and will abstain from voting on the approval of the Related Party Transaction.

Appendix I – AIM Rules Class Tests

The **class tests** for determining the size of a transaction pursuant to rules 12, 13, 14, 15 and 19 are as follows:

The Gross Assets test

$$\frac{\text{Gross assets the subject of the transaction}}{\text{Gross assets of the AIM company}} \times 100$$

Figures to use for the Gross assets test:

1. The “Gross assets of the AIM company” means the total non-current assets plus total current assets. These figures should be taken from the most recent of the following:
 - (a) the most recently notified consolidated balance sheet; or
 - (b) where an admission document has been produced for the purposes of admission following a reverse takeover, any pro forma net asset statement published in the admission document may be used, provided it is derived from information taken from the last published audited consolidated accounts and that any adjustments to this information are clearly shown and explained; or
 - (c) in a case where transactions are aggregated pursuant to rule 16, the most recently notified consolidated balance sheet (as at a date prior to the earliest aggregated transaction).

2. The “Gross assets the subject of the transaction” means:
 - (a) in the cases of an acquisition of an interest in an undertaking which will result in consolidation of the undertaking’s net assets in the accounts of the AIM company, or a disposal of an interest in an undertaking which will result in the undertaking’s net assets no longer being consolidated in the accounts of the AIM company, the assets the subject of the transaction means the value of 100% of the undertaking’s assets, irrespective of what interest is acquired or disposed.
 - (b) in the case of an acquisition or disposal which does not fall within paragraph 2(a), the assets the subject of the transaction means:
 - for an acquisition, the consideration plus any liabilities assumed (if any); and
 - for a disposal, the book value of the assets attributed to that interest in the AIM company’s last audited accounts.
 - (c) in the case of an acquisition of assets other than an interest in an undertaking, the assets the subject of the transaction means the book value of the assets.

The Profits test

$$\frac{\text{Profits attributable to the assets the subject of the transaction}}{\text{Profits of the AIM company}} \times 100$$

Figures to use for the Profits test:

3. The "Profits of the AIM company" means profits before taxation and extraordinary items as stated in the following:
 - (a) the last published annual consolidated accounts;
 - (b) the last notified preliminary statement of annual results; or
 - (c) in a case where transactions are aggregated pursuant to rule 16, the last such accounts or statement prior to the earliest transaction.

In the case of an acquisition or disposal of an interest in an undertaking of the type described within paragraph 2(a), the "profits attributable to the assets the subject of the transaction" means 100% of the profits of the undertaking irrespective of what interest is acquired or disposed.

The Turnover test

$$\frac{\text{Turnover attributable to the assets the subject of the transaction}}{\text{Turnover of the AIM company}} \times 100$$

Figures to use for the Turnover test:

4. The "Turnover of the AIM company" means the turnover figure as stated in the following:
 - (a) the last published annual consolidated accounts;
 - (b) the last notified preliminary statement of annual results; or
 - (c) in a case where transactions are aggregated pursuant to rule 16, the last such accounts or statement prior to the earliest transaction.

In a case of an acquisition or disposal of an interest in an undertaking of the type described within paragraph 2(a), the "turnover attributable to the assets the subject of the transaction" means 100% of the turnover of the undertaking irrespective of what interest is acquired or disposed.

The Consideration test

$$\frac{\text{Consideration}}{\text{Aggregate market value of all the ordinary shares (excluding treasury shares) of the AIM company}} \times 100$$

Figures to use for the Consideration test:

5. The "Consideration" means the amount paid to the vendors, but the Exchange may require the inclusion of further amounts.
 - (a) Where all or part of the consideration is in the form of securities to be listed, or traded on AIM, the consideration attributable to those securities means the aggregate market value of those securities.
 - (b) If deferred consideration is, or may be, payable or receivable by the AIM company in the future, the consideration means the maximum total consideration payable or receivable under the agreement.

6. The “Aggregate market value of all the ordinary shares of the AIM company (excluding treasury shares)” means the value of its enfranchised securities on the day prior to the notification of the transaction (excluding treasury shares).

The Gross Capital test

$$\frac{\text{Gross capital of the company or business being acquired}}{\text{Gross capital of the AIM company}} \times 100$$

Figures to use for the Gross capital test:

7. The “Gross capital of the company or business being acquired” means the aggregate of:
- (a) the consideration;
 - (b) if a company, any of its shares and debt securities which are not being acquired;
 - (c) all other liabilities (other than current liabilities), including for this purpose minority interests and deferred taxation; and
 - (d) any excess of current liabilities over current assets.
8. The “Gross capital of the AIM company” means the aggregate of:
- (a) the aggregate market value of its securities (excluding treasury shares);
 - (b) all other liabilities (other than current liabilities), including minority interest and deferred taxation; and
 - (c) any excess of current liabilities over current assets.

The figures to be used must be the aggregate market value of the enfranchised securities on the day prior to the notification of the transaction (excluding treasury shares).

Substitute Tests

In circumstances where the above tests produce anomalous results or where the tests are inappropriate to the sphere of activity of the AIM company, the Exchange may (except in the case of a transaction with a related party), disregard the calculation and substitute other relevant indicators of size, including industry specific tests. Only the Exchange can decide to disregard one or more of the class tests, or substitute another test.

Appendix II – Template Director Interest/Related Party List

Appendix III – Related Party Transaction Announcement Content (Aim Rules Schedule 4)

In respect of transactions which require notifications pursuant to rules 12, 13, 14 and 15 an AIM company must notify the following information:

- (a) particulars of the transaction, including the name of any other relevant parties;
- (b) a description of the assets which are the subject of the transaction, or the business carried on by, or using, the assets;
- (c) the profits (or if applicable, losses) attributable to those assets;
- (d) the value of those assets if different from the consideration;
- (e) the full consideration and how it is being satisfied;
- (f) the effect on the AIM company;
- (g) details of the service contracts of any proposed directors;
- (h) in the case of a disposal, the application of the sale proceeds;
- (i) in the case of a disposal, if shares or other securities are to form part of the consideration received, a statement whether such securities are to be sold or retained; and
- (j) any other information necessary to enable investors to evaluate the effect of the transaction upon the AIM company.