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**THIS DOCUMENT IS IMPORTANT. When considering what action to take on the contents of this document, you are recommended to seek your own financial advice immediately from an independent financial adviser being, if you are resident in Ireland, an organisation or firm authorised under the European Union (Markets in Financial Instruments) Regulations 2017 (as amended) or the Investment Intermediaries Act 1995 (as amended) or, if you are resident in the United Kingdom, an organisation or firm authorised pursuant to the Financial Services and Markets Act 2000 of the United Kingdom (as amended) or, if you are not so resident, from another appropriately authorised independent financial adviser in the relevant jurisdiction.**

If you have sold or otherwise transferred all your Ordinary Shares in PetroNeft Resources plc (“**PetroNeft**” or “**the Company**”), please immediately forward this document, together with the enclosed Form of Proxy, to the purchaser or transferee, or to the stockbroker, bank, or other agent through whom the sale or transfer was affected, for delivery to the purchaser or transferee. If you have sold only part of your holding of Ordinary Shares in the Company, please contact your stockbroker, bank, or other agent through whom the sale or transfer was affected immediately.

The statements contained in this document are not to be construed as legal, business, financial or tax advice. If you are in any doubt about the contents of this document, you should consult your own legal adviser, financial adviser, or tax adviser for legal, business, financial or tax advice.

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Neither the London Stock Exchange nor Euronext Dublin are required to, or have, examined, or approved the contents of this document.

The Directors of PetroNeft (whose names are set out on page 6) accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors of PetroNeft (having taken all reasonable care to ensure that such is the case), the information contained in this document for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

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## **PetroNeft Resources plc**

*(Incorporated and registered in Ireland under the Companies Act 2014 with registered number 408101)*

### **Proposed Disposal of PetroNeft’s Russian Business and Assets Notice of Extraordinary General Meeting**

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This document is not a prospectus and does not contain an offer to the public to purchase or subscribe for securities within the meaning of the Prospectus Regulations. This document has not been approved by the UK Financial Conduct Authority or the Central Bank of Ireland. This document does not constitute a prospectus and a copy of it has not been and will not be delivered to the Registrar of Companies in Ireland or in England and Wales. This document is a Circular relating to the Proposed Disposal of the PetroNeft’s interest in its Russian Assets which has been prepared in accordance with the Euronext Growth Market Rules and the AIM Rules.

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**Your attention is drawn to the letter from the Chairman set out on pages 6 to 13 of this document, which explains the purpose of the Resolution to be proposed at the Extraordinary General Meeting and includes a unanimous recommendation from the members of the Board (other than Pavel Tetyakov, who is conflicted and therefore may not participate in any such recommendation) to vote in favour of the Resolution.**

**Notice of the Extraordinary General Meeting of PetroNeft Resources plc, to be held at the Clayton Hotel, Merrion Road, Ballsbridge, Dublin 4, DO4 P3C3 at 11.00 am on Thursday 12 October 2023.**

The Board remains committed to ensuring Shareholders have the opportunity to engage with the Board. Shareholders may listen to the proceedings of the meeting remotely by conference call. The conference call dial-in details will be provided by an update on the Company's website at <http://petroneft.com/investor-relations/investor-notices/> and by way of RNS. Please note that this facility will enable Shareholders to listen to the proceedings of the Extraordinary General Meeting. If Shareholders have any questions for the Board, they can use the facilities of the electronic platform provided or send them to the following email: [info@petroneft.com](mailto:info@petroneft.com) in advance of the Extraordinary General Meeting. All correspondence should include sufficient information to identify the shareholders in the Company's Register of Members, for example, a shareholder reference number, which is an 11-digit unique identifier printed on the enclosed Form of Proxy. The Board will endeavor to answer key themes of these questions at the EGM as time permits.

#### **Action to be taken by Shareholders.**

Shareholders whose names appear on the register of members of the Company (i.e. those Shareholders who hold their shares in certificated form and who do not hold their interests in shares through the Euroclear Bank system or as CREST Depository Interests (CDIs) through the CREST system) will find enclosed a Form of Proxy which, to be effective, should be completed in accordance with the instructions given and returned so as to reach the Company's registrar at Computershare Investor Services (Ireland) Limited, 3100 Lake Drive, Citywest Business Campus, Dublin 24, D24 AK82, Ireland, or returned electronically via the Company's registrar's website at [www.eproxyappointment.com](http://www.eproxyappointment.com) as soon as possible but in any event no later than 48 hours before the time of the meeting, which is no later than 11.00 am on 10 October 2023 (or, in the case any adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting).

Persons who hold interests in shares through the Euroclear Bank system or as CDIs through the CREST system should consult with their stockbroker or other intermediary at the earliest opportunity for further information on the processes and timelines for submitting proxy votes or voting instructions for the EGM through the respective systems. Further details on how to submit proxy votes or voting instructions through the Euroclear Bank system or through the CREST system are provided in the Notes to the EGM Notice on pages 19 to 20.

All persons affected are recommended to consult with their stockbroker or other intermediary at the earliest opportunity for further information on the processes and timelines for submitting proxy votes for the EGM through the respective systems. Further information is listed in the following paragraphs.

**Completion and return of a Form of Proxy will not preclude Shareholders from attending and voting at the Extraordinary General Meeting should they so wish.**

**Further instructions on how to appoint a proxy are set out in the notes to the Notice of EGM set out in this document and on the Form of Proxy.**

**The statements contained in this document are made as at the date of this document, unless some other time is specified in relation to them, and service of this document shall not give rise to any implication that there has been no change in facts set out in this document since such date. PetroNeft does not intend or undertake any obligation to update any information contained in this document, except as required by applicable law.**

**No statement in this document is intended to constitute a profit forecast or profit estimate for any period, nor should any statement be interpreted to mean that losses or losses per share will necessarily be greater or lesser than those for the relevant preceding financial periods for PetroNeft. Furthermore, no statement in this document is intended to constitute a valuation of any asset of PetroNeft.**

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**This document includes forward-looking statements. The words “believe”, “anticipate”, “expect”, “intend”, “aim”, “plan”, “predict”, “continue”, “assume”, “positioned”, “may”, “will”, “shall”, “risk” and other similar expressions that are predictions of or indicate future events and future trends identify forward-looking statements. These forward- looking statements may also include statements regarding the intentions, belief, or current expectations of the Directors, PetroNeft and/or the PetroNeft Group concerning, among other things, the results of operations, expectations in respect of the Proposed Disposal, financial condition, liquidity, prospects, growth, and strategies of the PetroNeft Group.**

**By their nature, forward-looking statements are subject to several risks and uncertainties, many of which are beyond the control of the PetroNeft Group, which could cause the actual results of the PetroNeft Group to differ materially from those indicated in any such statements. Shareholders should not place undue reliance on forward- looking statements because they may involve known and unknown risks, uncertainties and other factors that are in many cases beyond the control of PetroNeft. By their nature, forward-looking statements involve risks and uncertainties because such statements relate to events and depend on circumstances that may or may not occur in the future.**

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## TIMETABLE OF KEY EVENTS

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<b>Event</b>	<b>Time and Date</b>
Announcement of the Proposed Disposals	10 February 2023
Date of publication of this Circular	15 September 2023
Latest time and date for receipt of Forms of Proxy for the EGM	11.00 am on 10 October 2023
EGM	11.00 am on 12 October 2023
Announcement of the result of the EGM	12 October 2023
Expected Completion of the Proposed Disposal	30 November 2023

**Note:** *The date of Completion in the table above is indicative only, and PetroNeft's best guess, given it is subject to attaining all the necessary approvals. Timing may be adjusted by PetroNeft, in which event details of the new dates will be notified, by way of an announcement issued via the Regulatory News Service, to Euronext Dublin and to the London Stock Exchange to the extent possible. References to times in this Circular are to Dublin times unless otherwise stated.*

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**PART I**  
**LETTER FROM THE CHAIRMAN**

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**PETRONEFT RESOURCES PLC**

*(Incorporated and registered in Ireland under the Companies Act 2014 with  
registered number 408101)*

*Directors*

David Sturt (*Executive Chairman*)  
Pavel Tetyakov (*Chief Executive Officer & Executive Director*)  
Anthony Sacca (*Non-Executive Director*)  
Eskil Jersing (*Non-Executive Director*)  
Daria Shaftelskaya (*Non-Executive Director*)

*Registered Office*  
20 Holles Street  
Dublin 2

15 September 2023

*To the Shareholders*

**PROPOSED DISPOSAL OF PETRONEFT'S INTEREST IN ITS RUSSIAN ASSETS AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

Dear Shareholder,

**1. INTRODUCTION**

On 14 June 2023 and, subsequently, on 1 August 2023, PetroNeft announced that it had reached agreement for the sale of its Russian business interests to Pavel Tetyakov, CEO of PetroNeft.

The Company proposes to enter into the share purchase agreements in connection with the proposed sale of its Russian business interests for a net cash consideration of RUB189.01M, plus US\$1 (before any withholding taxes as may be applied by existing laws and regulations) plus 10% of any LLC Granite Construction or WorldAce Investment Limited, receivable paid to Pavel Tetyakov from the date of Completion of the relevant sale and purchase agreement until the date falling on the first anniversary thereof. All monies, to be paid to PetroNeft's bank account in Dublin, Ireland.

The cash consideration for the Russian Assets is allocated as follows:

<b>Legal Entity</b>	<b>Proceeds (M Rub)</b>	<b>To PetroNeft (%)</b>	<b>PetroNeft (M Rub)</b>	<b>Partner Share (M Rub)</b>	<b>Partner</b>
LLC Lineynoye	210	90%	189	21.0	Belgrave Naftogas B.V.
LLC Granite Construction	0.01	100%	0.01	N/A	N/A
	<b>210.01</b>	<b>89.7%</b>	<b>189.01</b>	<b>21.0</b>	

<b>Legal Entity</b>	<b>Proceeds (US \$)</b>	<b>To PetroNeft (%)</b>	<b>PetroNeft (US \$)</b>	<b>Partner Share</b>	<b>Partner</b>
WorldAce Investment Limited	1	100%	1	N/A	Oil India International B.V.
	<b>1</b>	<b>100%</b>	<b>1</b>	<b>0</b>	

The Proposed Disposals constitute a fundamental change of business pursuant to the AIM Rules and Euronext Growth Rules, and therefore require the approval of the Shareholders at an EGM of the Company. The Proposed Disposals are also subject to approval by the Russian regulatory authorities.

Contingent on the approval of the Proposed Disposals by Shareholders, the Company will become an AIM Rule 15 cash shell pursuant to the AIM Rules and a cash shell pursuant to the Euronext Growth Rules following Completion. Accordingly, the Company will have a period of six and 12 months under the AIM Rules and the Euronext Growth Rules, respectively, to complete a reverse takeover before trading in its shares will be automatically suspended by the relevant exchange, followed by a cancellation of admission after being suspended

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for six months.

The purpose of this document is to provide details on the Proposed Disposals, to set out the reasons for the Proposed Disposals, to explain why the Board considers the Proposed Disposals to be in the best interests of the Shareholders, and to recommend that Shareholders vote in favour of the Special Resolution to be proposed at the EGM.

A notice convening an Extraordinary General Meeting for 11.00 am on 12 October 2023, at the Clayton Hotel, Merrion Road, Ballsbridge, Dublin 4, DO4 P3C3 to consider the Resolution, is set out at the end of this Circular.

## 2. BACKGROUND TO AND REASONS FOR THE PROPOSED DISPOSALS

In the annual report and accounts for 2021 published on 29 September 2022, the Company highlighted the increasing challenges facing the Company due to the on-going Russia-Ukraine conflict. Since that date the situation has continued to deteriorate with the Company unable to secure a range of essential services including auditing and other services required to maintain the Company. In addition, due to increasing international sanctions, the Company has been unable to secure or deploy working capital to its Russian operational subsidiaries to enable development of its assets.

On 24 November 2022, the Company announced that it would carry out a strategic asset review of all available options. Part of this process included running a competitive process by inviting interested parties to participate in a potential disposal of all or some of the Russian Assets.

On 10 February 2023, a further announcement was made stating that the Company had received an expression of interest from the Company's CEO, Pavel Tetyakov, that may or may not lead to an offer being made to acquire the Russian Assets. As a result, an independent committee of the Board was constituted, comprising Mr. Sacca, Mr. Jersing, Mr. Sturt and Miss Shaftelskaya, (the "**Independent Committee**") to consider all other viable options.

During the process, two other prospective purchasers issued expressions of interest and undertook due diligence. After completion of their respective due diligence efforts, both parties declined to submit a bid.

On 14 June 2023, the Company and Pavel Tetyakov signed heads of terms for the potential disposal of LLC Lineynoye, the holder of Licence 67.

In addition to LLC Lineynoye, Pavel Tetyakov also expressed an interest in acquiring 100% of LLC Stimul-T (which owns and operates Licence 61). The Company's joint venture partner in respect of Licence 61, Oil India International B.V. ("OIIBV"), rejected the expressed interest and rejected buying out PetroNeft's interest for the equivalent price offered by Pavel Tetyakov. Therefore, under Russian legal requirements LLC Stimul-T had to voluntarily file for bankruptcy administration in Russia in May 2023.

On 27 July 2023, Pavel Tetyakov resubmitted a revised bid for (a.1) the Company's entire shareholding (50%) in WorldAce Investments Limited, the Cypriot-registered joint venture entity and the sole parent of LLC Stimul-T, plus (a.2) an assignment of any loan receivables arising from shareholder loan agreements between PetroNeft and WorldAce Investments, for a total consideration of US\$1 plus a 10% share of any WorldAce Investment Limited receivables paid to the buyer from the date of Completion of this SPA until the date falling on the first anniversary thereof, and (b.1) the Company's entire interest (100%) in LLC Granite Construction, a Russian-registered service company, the main activity of which is transportation and construction services provided to LLC Stimul-T; plus (b.2) an assignment of any loan receivables arising from shareholder loan agreements between PetroNeft and LLC Granite Construction for a total consideration of RUB 10,000 plus a 10% share of any LLC Granite Construction receivables paid to the buyer from the date of Completion of the SPA until the date falling on the first anniversary thereof.

The Independent Committee engaged Carlsquare AB (an investment bank registered in Sweden) to carry out an independent valuation of LLC Lineynoye. The report concluded that the consideration offered by Pavel Tetyakov for LLC Lineynoye was fair and reasonable in all material respects. The Independent Committee considered engaging Carlsquare AB to carry out an independent valuation of WorldAce Investments Limited but concluded that it was not necessary given it is no longer a going concern (see section 4 Part 2 of this circular).

Note: LLC Granite Construction is a Russian-registered wholly owned subsidiary of PetroNeft. The Company was set up post the farm-in by OIIBV in 2016 to manage small scale infield construction projects for the Licence 61 operator LLC Stimul-T. Given LLC Stimul-T is no longer a going concern (see section 4 Part 2 of this circular) operations at LLC Granite Construction are being wound down, to include staff layoffs.

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The Proposed Disposals represent an opportunity to mitigate adverse consequences of the Russia-Ukraine conflict by creating alternative options for the Company's development following the Completion of the Proposed Disposals. Such means of development might include, without limitation, completing a reverse takeover or raising capital to acquire assets in developed or emerging markets (other than Russia and its sanctioned allies) in energy and, possibly, other sectors, provided the Company manages to appoint an auditor and file its 2022 annual report and accounts by 31 December 2023 (see section 7- Audited Accounts).

### 3. PRINCIPAL TERMS OF THE PROPOSED DISPOSALS

The Proposed Disposals comprise three transactions as summarised below:

#### 3.1 Disposal of LLC Lineynoye

Pursuant to the SPA relating to this Proposed Disposal, the Company, and its joint venture partner (Belgrave NaftoGaz B.V.) sells the entire issued share capital of LLC Lineynoye to Pavel Tetyakov, (or a corporate entity solely owned by Pavel Tetyakov). The gross consideration payable by Pavel Tetyakov is RUB 210M (equivalent to US \$2.3M), of which the Company will receive RUB 189M (equivalent to US \$2.1M) for its 90% interest (before withholding taxes in Russia which are currently estimated to be at least 10% or RUB 18.9M (equivalent to US \$0.21 M)). Net proceeds to be received by the Company are projected to amount to US \$1.9M. Pavel Tetyakov will also assume all liabilities of Lineynoye which, as of 30 June 2023, amounted to RUB 111M (equivalent to US \$1.23M).

The SPA is conditional on the passing of the Special Resolution (as set out in the Notice of the EGM on page 18 of this Circular) approving this Proposed Disposal and obtaining all necessary statutory and legal approvals.

#### 3.2 Disposal of PetroNef't's entire shareholding (50%) in WorldAce Investments Ltd.

Pursuant to the SPA relating to this Proposed Disposal, the Company sells and Pavel Tetyakov (or a corporate entity solely owned by Pavel Tetyakov) buys, for a total consideration of US\$1 plus a 10% share of any WorldAce Investment Limited receivables paid to the buyer from the date of Completion of this SPA until the date falling on the first anniversary thereof, the following:

- PetroNef't's entire shareholding (50%) in the Cypriot-registered entity, WorldAce Investments Limited; and
- by way of assignment, the rights to all receivables of PetroNef't in connection with a shareholder loan agreement between PetroNef't and WorldAce Investments Limited,

As of 30 June 2023, the shareholder loans outstanding to PetroNef't from WorldAce Investments Limited amounts to an unaudited sum of US\$74.9M.

Fees due to PetroNef't under the operator's contract for management services will not be assigned, which as of the end of 30 June 2023, amount to unaudited circa US\$1.2 M.

The SPA is conditional on the passing of the Special Resolution (as set out in the Notice of the EGM on page 18 of this Circular) approving this Proposed Disposal and obtaining all necessary statutory and legal approvals.

#### 3.3 Disposal of LLC Granite Construction

Pursuant to the SPA relating to this Proposed Disposal, the Company sells and Pavel Tetyakov (or a corporate entity solely owned by Pavel Tetyakov) buys for a total consideration of RUB 10,000 (equivalent to US \$111 plus 10% share of any LLC Granite Construction receivable received by the buyer from the date of sale and purchase agreement until the date falling on the first anniversary thereof, the following:

- PetroNef't's 100% equity interest in the Russian registered entity, LLC Granite Construction;
- by way of assignment the rights to all receivables of PetroNef't due from LLC Granite Construction,

As of 30 June 2023, the shareholder loans outstanding to PetroNef't from LLC Granite Construction amount to an unaudited sum of US\$0.34M

The SPA is conditional on the passing of the Special Resolution (as set out in the Notice of the EGM on page 18 of this Circular) approving this sale and obtaining all necessary statutory and legal approvals.



## 4. INFORMATION ON RUSSIAN ASSETS

### 4.1 LLC Lineynoye

LLC Lineynoye is a Russian-registered entity and holder of the Licence 67, located in Tomsk Region, of the Russian Federation.

PetroNeft, through its Russian legal entity, LLC Lineynoye acquired Licence 67 through a state auction, bidding RUB49M (equivalent to US\$1.39M). In January 2009 Belgrave Naftogas B.V. (formerly Arawak Energy B.V.), farmed in, by acquiring 50% of the PetroNeft's interest in the Licence. In 2021 PetroNeft acquired an additional 40% interest in the Licence from Belgrave Naftogas B.V., taking the Company's interest to 90%.

There are two fields within the Licence, Cheremshanskoye (producing) and Ledovoye (exploration).

There is one production well (C4) at the Cheremshanskoye field which is currently producing +/- 250bopd. This well is the only source of cash flow generation from the Company's Russian operations. The well has already produced over 231,480 barrels of oil as of 31<sup>st</sup> July 2023. There is a material risk that production from the well could stop at any time as the well is produced under natural depletion with no pressure support.

The Cheremshanskoye field has access to an all-season road and sells oil at the well head to the Alexandrovskoye Refinery in the Tomsk region.

Full field development of the Cheremshanskoye field will require the drilling of up to 33 vertical and 22 horizontal wells along with significant additional infrastructure (pipeline, oil processing facility, power plant etc). The Russian-Ukrainian conflict has led to sanctions being put in place making it impossible for the Company to be able to raise and invest capital into its Russian Assets.

Prior to the conflict, the Company had awarded a drilling contract to commence Phase 1 development drilling and progressed discussions with a major Russian bank to finance the majority of the capital requirement. The bank was targeted by sanctions, at which point all negotiations ceased.

During 2021-2022, the Licence generated positive EBITDA. However, cash operating costs increased in 2022 with the need to start pumping oil using an electric submersible pump.

As of 30 June 2023, the net debt of LLC Lineynoye amounted to RUB 111M (equivalent to US\$1.23M).

Key metrics of the Licence 67 (unaudited):

Production	2020		2021		2022	
	Tons	bbls	Tons	bbls	Tons	bbls
	149	1,122	11,785	88,859	12,622	95,173
Revenue	Gross (US\$,000)	\$/bbl	Gross (US\$,000)	\$/bbl	Gross (US\$,000)	\$/bbl
	37	33.3	4,640	52.2	6,141	64.5
EBITDA	(174)	(155)	1,034	11.6	962	10.1
PetroNeft's share	(87)		931		866	

### 4.2 WorldAce Investments Limited

WorldAce Investments Limited is the parent company of LLC Stimul-T, which is the holder of Licence 61, located in Tomsk Region, of the Russian Federation. WorldAce Investments Limited is owned 50/50 between PetroNeft and its joint venture partner OIBV.

Licence 61 has a significant infrastructure including a crude processing facility with capacity of 14 thousand barrels of fluid per day and was producing 1,500 barrels of oil per day until September 2022.

In 2009, prior to starting up production from Licence 61, LLC Stimul-T, owner, and Operator of Licence 61 signed a contract with LLC Nord Imperial to cover the storage and transfer of oil by pipeline from Licence 61 to the Transneft Entry point at Zavyalovo, from which it was then transported to either domestic or international markets.

PetroNeft had for some time considered the terms of the contract tariff to be significantly higher than normal market rates due to US dollar denomination and a quarterly inflator which makes the contract increasingly uncompetitive. Since inception of the contract, these terms have seen transportation costs increase by 4.8 times and about two and a half times faster than the increase in the Transneft national tariff rate over the same period. The Company had been in discussions with LLC Nord Imperial for many years trying to secure more market standard rates as, without such, further investment in Licence 61 was not economically viable. All discussions resulted in no meaningful offer or agreement.

To protect the Company's position, and due to no progress in our attempts to find a more equitable outcome since 2015, in 2021 LLC Stimul-T started remitting payments to LLC Nord Imperial at a reduced level while at the same time, launching a series of legal cases against LLC Nord Imperial. The latest being a submission to the Russian Anti-Monopoly Committee. LLC Nord Imperial responded by shutting down transshipments. The case, when heard in the first instance, went against LLC Stimul T. While subject to appeal, given the time requirements and costs involved combined with the initial findings, it is unlikely that LLC Stimul T will be successful.

In May 2023, unable to perform on its debts which are in excess of US\$11M, LLC Stimul-T voluntarily filed for bankruptcy administration under Russian legal requirements. Accordingly, LLC Stimul-T and WorldAce Investments Limited are no longer going concerns.

Key metrics of the Licence 61 (unaudited)

	2020		2021		2022	
	Tons	bbls	Tons	bbls	Tons	bbls
<b>Production</b>	72,094	571,710	83,348	692,669	53,944	428,315
	<b>Gross (US\$,000)</b>	<b>\$ per bbl</b>	<b>Gross (US\$,000)</b>	<b>\$ per bbl</b>	<b>Gross (US\$,000)</b>	<b>\$ per bbl</b>
<b>Revenue</b>	16,720	29.2	29,912	43.1	29,946	69.9
<b>EBITDA</b>	(1,113)	(1.94)	(801)	(1.15)	(4,442)	(10.37)
<b>PetroNeft's share</b>	(557)		(400)		(2,221)	

### 4.3 LLC Granite Construction

LLC Granite Construction is 100% owned and managed by PetroNeft. It was set up upon farm-in by OIIBV to manage maintenance and small-scale construction projections for and on behalf of Stimul-T LLC, owner, and operator of Licence 61.

Key metrics of LLC Granite Construction (unaudited) are presented below:

	2020	2021	2022
	<b>Net (US\$,000)</b>	<b>Net (US\$,000)</b>	<b>Net (US\$,000)</b>
<b>Revenue</b>	752	769	931
<b>EBITDA</b>	64	90	84

## 5. USE OF PROCEEDS AND DEBT SETTLEMENT ARRANGEMENTS

### Summary use of proceeds

The Company expects net proceeds of the Proposed Disposals to be circa US\$1.9M, assuming (i) an exchange rate of USD1 = RUB90, (ii) Russian withholding tax at 10% (US \$0.21M) on gross proceeds of US\$ 2.3M, and (iii) payment to Belgrave Naftogas B.V. of its share approximating to US\$0.21M.

As of 30 June 2023, total unaudited liabilities of the Company amounted to US\$7.68M, before restructuring.

The Company has successfully restructured its Financial Debt with the holders of the Company's debt instruments by reducing the amount payables from US \$5.64M (US \$4.64M of principal and US \$1M of interest) to an envisaged cash disbursement US\$0.92M (an overall 84% reduction), before adjustments for any adverse movements in foreign

exchange differences and applicable taxes. These debt instruments comprise the Petrogrand A.B. loan, 2019 and 2021 convertible loans and the Belgrave Naftogas B.V. convertible loan, each as more particularly described in the table below.

To date the Company has received commitments from its staff and directors to reduce monies owed to them by circa US \$1M, reducing the respective balance to US \$0.6M.

Other trade creditors will be managed on a business needs basis.

With remaining cash balances, the Company will proactively manage its cash holdings to maintain maximum flexibility going forward, as the Company sets out its plans for future business development in areas other than Russia.

### **Financial Debt restructuring**

As of 30 June 2023, the Company's Financial Debt consisted of four term loan facilities, three of which had convertible options, and exercised in full. Total financial debts amounted to US\$5.64M including US\$1M of accumulated interest.

Following successful negotiations of deeds of settlement and release with each of the debt holders, the Company has been able to secure the following initial concessions, which may be amended for adverse exchange rate movements, and withholding tax when known, in full and final settlement.

<b>Debt Type</b>	<b>Balance – (US\$ M)</b>	<b>Concession % (on Principal)</b>	<b>Concession % (on Interest)</b>	<b>Cash Settlement (US\$ M)</b>
Petrogrand A.B.	2.65	70%	100%	0.69
2019 Convertible notes	0.63	90%	100%	0.05
2021 Convertible notes	1.29	90%	100%	0.10
Convertible loan from Belgrave Naftogas B.V.	1.07	90%	100%	0.08
<b>Total</b>	<b>5.64</b>	<b>80.0%</b>	<b>100%</b>	<b>0.92</b>

Key terms of the debt settlement agreements are as follows:

- The Petrogrand A.B. loan is the only secured debt owed by the Company, secured by a floating charge over all of the Company's assets. In addition to the cash settlement amount of US \$689,316, Petrogrand A.B. also has the right (but not the obligation) to receive 65,000,000 ordinary shares in the Company. This right expires within 24 months from the effective date of the settlement, which is provisionally calculated as of 2 August 2025.

Petrogrand A.B. also has the right to success-based payments on the disposal of either of the Company's interests in Licence 61 and 67 of US\$2.5M per licence. Petrogrand A.B. has agreed to waive this right.

Petrogrand A.B. has agreed to receive 30% of the outstanding loan principal in full and final settlement of the debts owed to it. The higher rate to be received by Petrogrand A.B. reflects the seniority of its debt position.

- The balance of the loans is unsecured debt, with all providers having agreed to receive 10% of the outstanding principal in full and final settlement of the respective outstanding debt.
- The cash settlement amount shall be amended for any withholding tax deducted at source in Russia and any adverse ruble/dollar exchange movements.
- The debt settlement agreements are conditional on completion of the disposal of the Company's interest in LLC Lineynoye.

## **6. RELATED PARTY TRANSACTION**

Pavel Tetyakov is the CEO and an Executive Director of the Company and owns 1.46 % of the issued share capital of the Company. Accordingly, the Proposed Disposal constitutes a related party transaction under the AIM

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Rules and the Euronext Growth Rules. Pavel Tetyakov has taken no part in any board assessment of the Proposed Disposal to the Independent Committee.

The Independent Committee, consider, having consulted with the Company's Nominated Adviser and Euronext Growth Listing Sponsor, Davy, that the terms of the Proposed Disposal are fair and reasonable insofar as the Company's shareholders are concerned.

## **7. STRATEGY OF THE COMPANY FOLLOWING COMPELTION**

The Company will on Completion become a cash shell and, as such, would be required to make an acquisition or acquisitions which constitute(s) a reverse takeover on or before the date falling six months and twelve months (AIM and Euronext Growth respectively) from Completion, failing which the Company's Ordinary Shares would then be suspended from trading. Admission to trading on AIM and Euronext Growth would be cancelled six months from the date of suspension should the reason for the suspension not be rectified during that period.

Any failure in completing an acquisition or acquisitions which constitute(s) a reverse takeover under AIM Rule 14 and Euronext Growth Rule 3.2 will result in the cancellation of the Company's Ordinary Shares from trading on AIM and Euronext Growth.

There is however no guarantee that the Company will be able to acquire an identified opportunity at an appropriate price nor any guarantee that the Company will be successful in meeting the AIM and Euronext Growth deadlines as described above.

The Company continues to operate in a prudent, cost-effective manner with a view to conserving cash for investment in a meaningful project or projects.

### **Audited accounts**

As a result of the Russia-Ukraine conflict, the Company has to date, been unable to secure the services of an accredited audit firm to conduct an audit in respect of the Company's financial statements for the financial year ended 31 December 2022 and consequently has not yet been able to publish audited accounts for 2022. As a result, trading in the Company's shares on the London Stock Exchange and Euronext Dublin were suspended on 3 July 2023. If an auditor cannot be appointed and the 2022 annual report and accounts are not published by 31 December 2023, admission to trading in the Company's shares will be permanently cancelled by AIM and Euronext Dublin.

Completion of the Proposed Disposals will greatly enhance the possibility of the Company sourcing an auditor. If successful in securing an auditor at commercially viable terms, the Company plans to publish its 2022 annual report and accounts by 31 December 2023, which should result in the suspension in trading of the Company's shares being lifted.

## **8. EXTRAORDINARY GENERAL MEETING**

The EGM will be held at the Clayton Hotel, Merrion Road, Ballsbridge, Dublin 4, DO4 P3C3, at 11.00 am on Thursday 12 October 2023, at which Shareholders will be asked to consider, and, if thought fit, to pass the Resolution.

The implementation of the Proposed Disposals is conditional upon the approval of the Shareholders being obtained at the EGM. Accordingly, you will find, set out at the end of this Circular, a notice convening the EGM at which the Resolution will be proposed to approve the Proposed Disposals.

The full text of the Resolution is set out in the EGM Notice.

The Resolution will be proposed as a Special Resolution requiring a 75% majority of votes in favour of the Resolution. The Proposed Disposals will not proceed if the Resolution is not passed. The Resolution proposes that the Proposed Disposals be approved and that the Directors be authorised to implement the Proposed Disposals.

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## **9. ACTION TO BE TAKEN**

A Form of Proxy for use by Shareholders at the EGM is enclosed. Whether or not Shareholders intend to be present at the meeting, they are requested to complete and sign the Form of Proxy and return it to the Registrar to arrive no later than 48 hours before the time fixed for the EGM. The completion and return of the Form of Proxy will not preclude Shareholders from attending the EGM and voting in person should they wish to do so.

Further instructions on how to cast your vote and appoint a proxy, including for those shareholders holding their shares via the Euroclear System or via CREST, are set out in the notes to the Notice of EGM set out in this Circular and on the Form of Proxy.

In considering whether to vote in favour of the Proposed Disposals, you should read the whole of this Circular and not rely solely on the summarised information.

## **10. RECOMMENDATION**

The Independent Committee consider the terms of the Proposed Disposals to be fair and reasonable insofar as the Company's Shareholders are concerned and recommends Shareholders to vote in favour of the Resolution.

The Independent Committee intend to vote in favour of the Resolution in respect of their shareholdings which, in aggregate, amount to 125,026,959 Ordinary Shares representing 11.6% per cent of the issued share capital of the Company.

Yours faithfully,  
**David Sturt**  
**Chairman**

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## PART II RISK FACTORS

**Shareholders should carefully consider all the information in this Circular including the risks below. The Board have identified these risks as material risks, but additional risks and uncertainties not presently known to the Board, or that the Board consider immaterial, may also adversely affect the Company. If any or a combination of the following risks materialise, the Company's business, financial condition and/or performance could be materially adversely affected. In any such case the value of the Ordinary Shares could be affected.**

The following risk factors should not be considered in any order of priority. The Company's future performance might be affected by changes in market conditions and legal, regulatory and tax requirements.

### Transaction settlements

The only potential source of financing currently available to the Company are those available if the contemplated transactions concludes as anticipated and net proceeds can be successfully remitted to the Company's bank account in Dublin. There is a risk of settlements completion due to sanctions and rapidly changing legal environment in Russia. Should the risk crystalize, the Company would have to unwind the Proposed Disposals through legal channels in the Russian Federation and in Cyprus.

### Russian Withholding Tax

The Company anticipates the transactions values will be subject to Russian withholding tax according to recent changes in Russian legislation. The rate is inherently difficult to calculate, given approval for the transaction requires in-country Russian government authorisation and is based on a rapidly changing legal environment in Russia.

### Limited current funds

The Company has no operating cash flow and is dependent on the net proceeds of the Proposed Disposals. If the Proposed Disposals are not completed, the Company will have to undergo a voluntarily liquidation.

### Currency Exchange Risks.

As with most emerging market economies, the Russian domestic currency is subject to significant variations in short periods of time. The fluctuations in USD/RUB foreign exchange rate may have significant effect on the outcome of the Proposed Disposals.

For the purposes of this circular, the assumed rouble dollar exchange rate is 90 roubles to \$1 USD.

### Sanctions

International sanctions imposed on Russia following the commencement of the Ukrainian / Russian conflict are evolving over time. Targeted sanctions affect the oil and gas sector in particular.

Whilst no such sanctions legislation directly targets the business of the Company at the time of drafting this Circular, the Company has been indirectly affected by the consequences of such legislation, including:

- (i) by non-binding recommendations of certain professional bodies to their respective members not to provide services to Irish-registered companies with interests located in the Russian Federation on potential reputational and/or ethical grounds; and
- (ii) by the imposition by other professional bodies of additional due diligence requirements which carry significant administrative burdens to members, such as those issued by the Law Society of Ireland and the Institute of Chartered Accountants Ireland.

Such recommendations have impacted the capacity of the Company to retain professional services, most notably legal companies, and audit companies and, for the purposes of signing-off on this Circular, in compliance with Irish company law requirements.

### Continuation of trading.

Without approval of the contemplated transactions, the Company will not be able to continue on a going concern basis.

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## DEFINITIONS

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*In this Circular the following expressions have the following meanings unless the context otherwise requires or unless otherwise provided:*

“AIM”	the Alternative Investment Market operated by the London Stock Exchange;
“AIM Rules”	the rules governing the admission to and operation of AIM, as published by the London Stock Exchange from time to time;
“Board”	the board of Directors of PetroNeft, whose names are set out on page 6 of this document;
“Broadridge”	Broadridge Proxy Voting Service, a third-party service provider engaged by EUI in connection with the voting service provided in respect of CDIs;
“Circular”	this document dated 15 September 2023;
Companies Act	The Companies Act 2014(No.38 of 2014), as amended.
“Completion”	completion of the Proposed Disposals in accordance with the terms of the SPAs;
“CREST Depository”	CREST Depository Limited, a subsidiary of EUI; “CREST Depository Interest” or “CDI” an English law security issued by the CREST Depository that represents a CREST members’ interest in the underlying share;
“CREST” or “CREST System”	the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by EUI;
“Davy”	J&E Davy, trading as Davy including its affiliate Davy Corporate Finance;
“Directors”	the directors of the Company whose names are set out on page 6 of this document;
“EGM” or “Extraordinary General Meeting”	the extraordinary general meeting of the Company, to be held at the Clayton Hotel, Merrion Road, Ballsbridge, Dublin 4, DO4 P3C3 at 11.00 am on Thursday 12 October 2023,
“EGM Notice” or “Notice of EGM”	the notice of EGM set out at the end of this Circular;
“EUI”	Euroclear UK & Ireland Limited, a company incorporated in England and Wales, the operator of the CREST System;
“Euroclear Bank”	Euroclear Bank SA/NV, an international CSD incorporated in Belgium;
“Euroclear System” or “EB System”	the securities settlement system operated by Euroclear Bank and governed by Belgian law.
“Euronext Growth Market”	the Euronext Growth Market operated by Euronext Dublin;
“Euronext Growth Rules”	the rules governing the admission to and operation of

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	Euronext Growth Market, as published by Euronext Dublin from time to time;
“Financial Debt”	financial liabilities arising from the Company’s debt instruments, including: 2019 and 2021 convertible notes, Petrogrand A.B. loan, and the Belgrave Naftogaz B.V. loan.
“Form of Proxy”	the form of proxy for use at the EGM;
“Ireland”	the island of Ireland, save for Northern Ireland;
“Ordinary Shares”	ordinary shares of nominal value €0.01 each in the Company;
“PetroNeft” or “the Company”	PetroNeft Resources plc;
“PetroNeft Group”	PetroNeft Resources plc and its subsidiaries;
“Proposed Disposals” or “Disposals”	the sale of the PetroNeft’s 90% indirect interest in LLC Lineynoye, the holder of Licence 67, the sale of the PetroNeft’s 100% direct interest in LLC Granite Construction and the sale of PetroNeft’s 50% direct interest in WorldAce Investment Limited, the 100% parent of LLC Stimul-T, the holder of Licence 61.;
“Prospectus Regulations”	the Prospectus (Directive 2003/71/EC) Regulations 2005 of Ireland (as amended);
“Registrar”	the Company’s registrar, being Computershare Investor Services (Ireland) Limited of 3100 Lake Drive, Citywest Business Park, Dublin 24, D24 AK82, Ireland;
“Resolution”	the Special Resolution contained in the EGM Notice, to be proposed in the manner specified in the EGM Notice at the EGM;
“Russian Assets”	the Company’s 90% shareholding in Lineynoye, (held indirectly through a 90% shareholding in the Dutch-registered legal entity Russian BD Holdings B.V.), the Company’s 50% shareholding in LLC Stimul-T (held indirectly through a 50% shareholding in the Cypriot-registered legal entity WorldAce Investments Limited) and the Company’s 100% direct holding in LLC Granite Construction;
“Shareholder(s)”	holder(s) of the Company’s Ordinary Shares;
“SPAs”	the sale and purchase agreements proposed to be entered into between PetroNeft (or, in respect of the Proposal Disposals) and Pavel Tetyakov in respect of the disposal of the Russian Assets, the principal terms of which are described in section 3 of the Letter from the Chairman included in this Circular and “SPA” shall mean any one of them; and
“subsidiary”	has the meaning given to that term by Section 7 of the Companies Act 2014.



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**Notes:**

- i. Unless otherwise stated in this Circular, all references to statutes or other forms of legislation shall refer to statutes or forms of legislation of Ireland. Any reference to any provision of any legislation shall include an amendment, modification, re-enactment, or extension thereof.
- ii. Words importing the singular shall include the plural and *vice versa* and words importing the masculine gender shall include the feminine or neuter gender.

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**NOTICE OF EXTRAORDINARY GENERAL MEETING**

of  
**PETRONEFT RESOURCES PLC**

*(Incorporated and registered in Ireland under the Companies Act 2014 with registered number 408101)*

**Notice is hereby given that the Extraordinary General Meeting of PetroNeft Resources plc (the “Company”) will be held at the Clayton Hotel, Merrion Road, Ballsbridge, Dublin 4, DO4 P3C3 at 11.00 am on Thursday 12 October 2023.**

**SPECIAL RESOLUTION**

**With respect to PetroNeft’s Russian Assets:**

“That the Company be and is hereby authorised to enter into, perform and complete the Proposed Disposals of the Company’s Russian Assets, (on such terms as defined for the purposes of the Circular accompanying the notice convening this meeting) and the Directors of the Company (excluding Pavel Tetyakov) be authorised: (1) to take all such steps as may be necessary or desirable in connection with, and to implement, the Proposed Disposals of the Russian Assets; and (2) to agree such modifications, variations, revisions, waivers or amendments to the terms and conditions of the SPAs documenting the Proposed Disposals, and to any documents or arrangements relating thereto as they may consider to be appropriate.

**BY ORDER OF THE BOARD**

**Michael Power**  
**Secretary**

*Registered Office:*  
20 Holles Street  
Dublin 2  
D18R9C7  
Ireland

***Dated: 15 September 2023***

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## NOTES TO THE EXTRAORDINARY GENERAL MEETING

### Entitlement to attend and vote.

1. Pursuant to the Companies Act 2014 (as amended), entitlement to attend and vote at the EGM and the number of votes which may be cast there at will be determined by reference to the Register of Members of the Company at 6pm on Friday, 6 October 2023 (or in the case of an adjournment as at close of business on the day immediately preceding the date which falls 96 hours before the date of the adjourned meeting). Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend and vote at the EGM.

### Attending in Person

2. The EGM will be held on 12 October 2023 at 11.00 am in the Clayton Hotel, Merrion Road, Ballsbridge, Dublin 4, DO4 P3C3, Ireland. The Company will ensure that all legal requirements of the EGM, in accordance with its Articles of Association, are satisfied with the minimum necessary quorum of three Shareholders. The Company reserves the right to refuse entry to the meeting where reasonably necessary to comply with public health measures and advice. We strongly encourage all Shareholders on this occasion to vote by proxy on the resolution set out in this notice, to appoint the Chair as their proxy and to submit their Forms of Proxy as early as possible to ensure their vote counts at the EGM.

The EGM is subject to change, possibly at short notice. If it becomes necessary or appropriate to revise the current arrangements for the EGM, further information will be made available as quickly as possible by RNS and on our website at <http://petroneft.com/investor-relations/investor-notices/>.

### Appointment of Proxies

3. Following the migration of the holding and settlement of uncertificated shares in the Company from the CREST system (“CREST”) to the system operated by Euroclear Bank SA/NV (“Euroclear Bank”), (“EB System”) on 15 March 2021, the process of appointing a proxy will depend on the manner in which you hold your ordinary shares in the Company. A shareholder (being a registered member of the Company) who is entitled to attend and vote at the EGM is entitled to appoint a proxy (or more than one proxy as alternates) to attend, speak and vote instead of the shareholder in the manner set out in Notes (4) to (8) below. Persons who hold their interests in ordinary shares through the Euroclear Bank system or as CREST Depository Interests should see Notes (9) to (14) below for the appointment of proxies by them and consult with their stockbroker or other intermediary at the earliest opportunity for further information on the processes and timelines for submitting proxy appointments and voting instructions for the EGM through the respective systems.

4. A member may appoint more than one proxy to attend and vote at the EGM in respect of shares held in different securities accounts. A member acting as an intermediary on behalf of one or more clients may grant a proxy to each of its clients or their nominees provided each proxy is appointed to exercise rights attached to different shares held by that member. A proxy need not be a member of the Company. If you wish to appoint more than one proxy then please contact the Company’s Registrar, Computershare Investor Services (Ireland) Limited, by emailing [clientservices@computershare.ie](mailto:clientservices@computershare.ie). In order to retain flexibility, we recommend appointing the “Chair of the Meeting” as your proxy.

5. A Form of Proxy for use by members is enclosed with this Notice of Extraordinary General Meeting (or is otherwise being delivered to Shareholders). Completion of a Form of Proxy (or submission of proxy instructions electronically) will not prevent a shareholder from attending the EGM and voting in person should he or she wish to do so.

6. To be valid, the Form of Proxy and any power of attorney or other authority under which it is executed (or a duly certified copy of any such power or authority) must be lodged with the Company’s Registrar Computershare Investor Services (Ireland) Limited, 3100 Lake Drive, Citywest Business Campus, Dublin 24, D24 AK82, Ireland, as soon as possible and, in any event, so as to be received not less than forty-eight hours before the time for the holding of the meeting, or any adjournment thereof.

7. To appoint a proxy electronically log onto the website of the Company Registrar, [www.eproxyappointment.com](http://www.eproxyappointment.com). To appoint a proxy on this website, Shareholders need to enter a Control Number, a Shareholder Reference Number (SRN), a PIN and agree to the terms and conditions specified by the Company’s Registrar. The Control Number, the Shareholder Reference Number (SRN) and PIN can be found on the top of the Form of Proxy

8. In the case of a corporation, the instrument shall be executed either under its common seal or under the hand of an officer or attorney duly authorised on its behalf. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other registered holder(s) and for this purpose, seniority will be determined by the order in which the names stand in the Register of Members in respect of a joint holding. If a proxy is executed under a power of attorney or other authority, such power or authority (or a duly certified copy of any such power or authority) must be deposited with the Company with the Instrument of Proxy.

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#### **Further information for participants in the Euroclear Bank system**

9. Shareholders of interests in the Company's shares held through the Euroclear Bank system (other than as CDIs) are advised to consult with their custodian, stockbroker, or other intermediary at the earliest opportunity for further information on the processes and timelines for submitting proxy appointments or voting instructions for the EGM.

#### **Further information for CREST members with holdings of CDIs**

10. Euroclear UK & Ireland Limited ("EUI"), the operator of the CREST system has arranged for holders of CDIs to issue voting instructions relating to the Company's ordinary shares via a third-party service provider, Broadridge Financial Solutions Limited ("Broadridge"). CREST members can complete and submit electronic voting instructions or proxy appointment instructions electronically through Broadridge.

11. If you hold CDIs and wish to submit electronic voting instructions or proxy appointment instructions you must use the Broadridge Global Proxy Voting service. To avail of the voting service, you will need to complete the Meetings and Voting Client Set-up Form (CRT408) prescribed by Broadridge and return it with a completed application form to EUI (signed by an authorised signatory with another relevant authorised signatory copied for verification purposes) to the following email address: eui.srd2@euroclear.com. Fully completed application forms will be shared by EUI with Broadridge and Broadridge will contact you and provide information on its service and enable access to the Broadridge platform.

12. Broadridge will set a voting deadline by which time electronic voting instructions or proxy appointment instructions must be received by it for use at the EGM. Broadridge's voting deadline will be earlier than Euroclear Bank's voting instruction deadline.

13. CREST members with holdings of CDIs are strongly encouraged to familiarise themselves with the new arrangements with Broadridge, including the new voting deadlines and procedures and to take, as soon as possible, any further actions required by Broadridge in order that they may avail of this voting service.

#### **Deadlines for receipt by the Company of proxy voting instructions**

14. All proxy appointments and voting instructions (whether submitted directly or through the Euroclear Bank system or (via a holding of CDIs) the CREST system) must be received by the Company's Registrar not less than 48 hours before the time appointed for the EGM or any adjournment of the EGM. However, persons holding through the Euroclear Bank system or (via a holding of CDIs) the CREST system will also need to comply with any additional voting deadlines imposed by their respective custodian, stockbroker, or other intermediary. All persons affected are recommended to consult with their custodian, stockbroker, or other intermediary at the earliest opportunity.

#### **Issued shares and total voting rights.**

15. The total number of issued ordinary shares as at 14 September 2023 (being the latest practicable date prior to publishing of this notice of EGM) is 1,071,792,613.

On a vote by show of hands every shareholder who is present in person and every proxy has one vote (but no individual shall have more than one vote). On a poll every shareholder shall have one vote for every share carrying voting rights of which he or she is the holder.

16. An ordinary resolution requires a simple majority of votes cast by Shareholders voting in person or by proxy at the meeting to be passed. A special resolution requires a majority of not less than 75 per cent of votes cast by those who vote either in person or by proxy at the meeting to be passed.