

RNS Number :  
Max Petroleum PLC  
16 April 2009

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**Max Petroleum Plc  
(the "Company")**

**NOTICE OF EXTRAORDINARY GENERAL MEETING AND NOTICE OF BONDHOLDER  
MEETING**

The Company today announces that it intends to convene an Extraordinary General Meeting (the "**EGM**") to be held at the Lansdowne Club, 9 Fitzmaurice Place, London W1J 5JD at 1 p.m. on 12 May 2009. A notice of EGM will be posted to shareholders of the Company (the "**Shareholders**") tomorrow to convene the EGM.

The Company also announces that, in accordance with the provisions of the trust deed dated 8 September 2006, between BNY Corporate Trustee Services Limited (successor to J.P. Morgan Corporate Trustee Services Limited) (the "**Trustee**") and the Company, relating to the issue of the Bonds (the "**Trust Deed**"), it intends to convene a meeting of the holders (the "**Bondholders**") of the outstanding U.S.\$75,000,000 6.75 per cent. Convertible Bonds due 2011 of the Company (the "**Bonds**") (the "**Bondholder Meeting**") to be held at the Lansdowne Club, 9 Fitzmaurice Place, London W1J 5JD at 3 p.m. on 12 May 2009. A notice will be issued to Bondholders tomorrow to convene the Bondholder Meeting.

**Introduction**

On 24 February 2009 the Company announced that it had amended its senior credit facility with Macquarie Bank Limited ("**Macquarie**") by increasing the potential borrowing base available to it under the Senior Subordinated Secured Loan Credit Agreement entered into between the Company, Madiran Investment B.V., Samek International LLP, Max Petroleum Astrakhanskiy Holding Limited and Macquarie dated 6 June 2007, as amended (the "**Facility Agreement**") from \$50 million to \$100 million, subject to certain terms and conditions (the "**Amendment to the Facility Agreement**"). It was a condition of the Amendment to the Facility Agreement that the Company also execute the Amended and Restated Warrant to Purchase ordinary shares in the Company ("**Ordinary Shares**") dated 23 February 2009 (the "**Warrant Deed**") in substitution for a warrant issued to Macquarie on 6 June 2007 (as amended on 6 March 2008), which will no longer have effect.

**The Amendment to the Facility Agreement**

The board of directors of the Company (the "**Board**" or "**Directors**") believe that the Amendment to the Facility Agreement is necessary for the following reasons:

1. It provides for the deferral of the initial principal repayment due under the Facility Agreement from 1 June 2009 to 1 December 2009. If Macquarie were to continue to advance borrowings to the Company up to the current borrowing base of \$50 million the amount of the initial principal repayment would be \$5.6 million. As of today, the Company could not meet this obligation.
2. It provides for the increase in the potential borrowing base from \$50 million to \$100 million subject to certain conditions, which is necessary because:
  - (a) this additional liquidity will allow the Company to execute its post-salt drilling programme on its Blocks A&E licence beginning in the summer of 2009 as it

continues to evaluate its 3D seismic data to develop additional post-salt and pre-salt prospects; and

- (b) the development of additional pre-salt prospects will allow the Company to complete a farmout of its pre-salt drilling programme on the Blocks A&E licence during 2009. A successful farmout will provide significant additional liquidity to the Company and in the longer term allow the Company to participate in the potential upside of this pre-salt drilling programme while continuing to pursue the farmout or sale of its Astrakhanskiy licence.
3. The deferral of the initial principal repayment and increase in potential borrowing base along with progress on the Company's strategic plan as outlined above will enable the Company to continue operating in accordance with its business plan and enhance the Company's ability to raise additional liquidity from other sources, which the Company believes should significantly enhance future shareholder value.
4. Pursuant to the Amendment to the Facility Agreement, the Facility Agreement has now been split between senior and subordinated tranches, with the initial \$25 million of advances comprising the senior tranche. The senior and subordinated tranches will bear interest ranging from LIBOR plus 4% to LIBOR plus 7.5%, depending upon the underlying value of the Company's oil and gas reserves. Principal outstanding under the Facility Agreement will be repaid over seven quarterly amortisation dates beginning on 1 December 2009 and ending on 1 June 2011. The Company expects that Macquarie will agree to a further deferral of the initial principal repayment provided the Company obtains approval to extend the maturity date of the Bonds to 8 September 2012.

In addition, certain additional events of default have been added to the Facility Agreement based on the Company achieving certain milestones between now and 30 November 2009.

If the Shareholders do not approve the execution of both the Amendment to the Facility Agreement and the Warrant Deed, the Company will be in default under the Facility Agreement. Upon the occurrence of such an event of default Macquarie would have various remedies under the Facility Agreement which it could exercise, in its sole discretion, at any time including:

1. the right to terminate immediately any commitments to extend further borrowings to the Company under the Facility Agreement. The Directors believe that, in the event Macquarie exercised this remedy, they would be forced to declare the Company insolvent and initiate insolvency proceedings in which case the Shareholders would likely receive little or no value for their shares;
2. the right to declare all principal, interest and fees under the Facility Agreement immediately due and payable. The Directors believe that, in the event Macquarie exercised this remedy, they would be forced to declare the Company insolvent and initiate insolvency proceedings in which case the Shareholders would likely receive little or no value for their shares; and
3. the right to enforce the assignment of proceeds granted to it under the Facility Agreement to require that all the Company's proceeds from the sale of hydrocarbons or any other source be credited to a depository account over which Macquarie would have the right to exercise absolute control.

Pursuant to the Companies Act 1985 and to the extent in force the Companies Act 2006, the Company is also obliged to seek Shareholder approval to the potential allotment of Ordinary Shares to Macquarie pursuant to the terms of the Warrant Deed and the restructuring of the Bonds, and for increasing the authorised share capital of the Company.

At the EGM Shareholders will therefore be asked to approve the Resolutions, as further described below.

#### **The Warrant Deed**

It was a condition of the Amendment to the Facility Agreement that the Company also execute the Warrant Deed in substitution for a warrant issued to Macquarie on 6 June 2007 (as amended on 6 March 2008), which will no longer have effect.

Subject to the provisions of the Warrant Deed, including vesting criteria linked to the level of the available borrowing base under the Facility Agreement, Macquarie is entitled to subscribe for up to 547,918,106 new Ordinary Shares. If Macquarie's rights fully vested and were fully exercised, Macquarie could subscribe for an aggregate number of Ordinary Shares representing 60% of the issued ordinary share capital of the Company on a fully-diluted basis.

Macquarie is entitled to subscribe for up to 121,759,579 Ordinary Shares at 4.54p per Ordinary Share as a result of amounts already drawn under the Facility Agreement (these Ordinary Shares form part of the 547,918,106 referred to above). This right is subject to, and will vest immediately, upon Shareholder approval.

Macquarie also has certain anti-dilution rights in respect of any Ordinary Shares it subscribes for pursuant to the Warrant Deed.

Macquarie's right to subscribe for the remaining new Ordinary Shares pursuant to the Warrant Deed (up to the maximum 547,918,106 Ordinary Shares but subject to its anti-dilution rights) is also subject to Shareholder approval but shall only vest when the Company obtains future increases in the available borrowing base under the Facility Agreement. To the extent vested, Macquarie's rights under the Warrant Deed can be exercised at any time prior to the fifth anniversary of the applicable vesting date of the underlying shares.

Copies of the Amendment to the Facility Agreement and of the Warrant Deed are available for inspection on the Company's website [www.maxpetroleum.com](http://www.maxpetroleum.com) and at the Company's registered office and will be available at the EGM.

### **Restructuring of the Bonds**

The Company is further obliged under the terms of the Amendment to the Facility Agreement to restructure the terms of the Bonds on terms satisfactory to Macquarie. The Company will, subject to approval from Bondholders and Shareholders restructure the terms of the Bonds and to extend the maturity date of the Bonds to 8 September 2012 (the "**Bond Restructuring**"). If approved, this will give the Company the option to defer cash interest payments which will otherwise become due in the period up to and including 8 September 2010. Where the Company exercises such option the rate of interest payable on the principal amount outstanding in respect of the Bonds and on any previously deferred interest in respect of the interest period immediately prior to the relevant interest payment date shall be 9 per cent. per annum. With effect from 8 September 2010 all such deferred interest will be effectively added to the principal and the combined amount will bear interest at 6.75 per cent. per annum payable semi-annually in arrear on 8 September and 8 March (the "**Increase in the Principal**"). In addition the conversion strike price will be reduced to 35p, fixing at the exchange rate of \$1.49 to £1 (the "**Reduced Conversion Price**"). Together this could potentially result in an extra 141,122,766 Ordinary Shares being issued as a result of the Increase in the Principal and the Reduced Conversion Price. In addition, warrants will be issued to the Bondholders with an exercise price of 5p per Ordinary Share, which would vest as and when any interest payments are deferred by the Company (the "**Bondholder Warrants**"). This would result in up to 120 million new Ordinary Shares being subscribed for by Bondholders representing approximately 10% of the issued ordinary share capital of the Company on a fully-diluted basis.

### **Allotment of shares and dis-application of pre-emption rights**

The Company does not currently have in place sufficient existing authorities to enable the allotment of Ordinary Shares pursuant to the terms of the Warrant Deed and pursuant to the restructuring of the Bonds. Accordingly, the Board is seeking Shareholders' authority to issue up to 810,000,000 Ordinary Shares to Macquarie and to Bondholders and to dis-apply pre-emption rights in respect of any such issue at the Extraordinary General Meeting.

In addition the Board is seeking Shareholders' approval for the authorised ordinary share capital to be increased from £80,000 to £200,000. The existing authorised share capital is insufficient for potential allotments of new Ordinary Shares pursuant to the terms of the Warrant Deed and the terms of the restructuring of the Bonds.

### Extraordinary General Meeting

At the EGM the resolutions will be proposed as follows:

1. an ordinary resolution to approve the terms of the Amendment to the Facility Agreement and of the Warrant Deed;
2. an ordinary resolution to increase the authorised ordinary share capital from £80,000 to £200,000;
3. an ordinary resolution to authorise the Directors to allot Ordinary Shares to:
  - (i) Macquarie pursuant to the terms of the Warrant Deed;
  - (ii) the Bondholders as a result of the Reduced Conversion Price; and
  - (iii) the Bondholders pursuant to the terms of the Bondholder Warrants;
4. a special resolution to dis-apply statutory pre-emption rights in respect of the above allotment of Ordinary Shares to: (i) Macquarie; and (ii) to Bondholders.

### Bondholder Meeting

At the Bondholder Meeting an extraordinary resolution will be proposed to authorise and direct the Trustee to agree with the Company to modify the provisions of the Trust Deed to give effect to the Bond Restructuring.

## Ends

### Enquiries

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Richard Hook, Chief Operating Officer of the Company, is the qualified person that has reviewed and approved the technical information contained in this announcement. Mr. Hook is a member of the Houston Geological Society and holds both Masters and Bachelors of Science degrees in geology.