3Legs Resources plc

("3Legs" or the "Company")

Return of Capital, Subscription, Adoption of New Investing Policy and Board Changes

Further to the announcement of 25 November 2014, 3Legs announces that it is today posting a circular to Shareholders convening an Extraordinary General Meeting to seek (i) approval for a return of capital to Qualifying Shareholders, the adoption of a new Investing Policy and a subscription to raise £0.8m at a price of 0.232 pence per share and (ii) the authority to allot for cash further Ordinary Shares up to an aggregate par value of £150,000 on a non-preemptive basis. In addition, the circular contains details of various proposed Board changes.

Highlights

- Proposed return to Qualifying Shareholders of remaining cash reserves of approximately £1.1 million (1.28 pence per share)

- Proposed subscription to raise £800,460 (gross) through the issue of 345,025,861 Ordinary Shares at 0.232 pence per share

- Proposed adoption of a new Investing Policy to focus on new investments in the natural resources and technology sectors

- Proposed appointment of Richard Armstrong and Colin Weinberg as Directors and resignation of Tim Eggar and Kamlesh Parmar subject to the approval of various resolutions and admission of the Subscription Shares to trading on AIM

The Directors believe these proposals will serve the interests of Shareholders better than a liquidation of the Company, as previously envisaged, since they will enable an immediate distribution of the Company's remaining cash reserves without the additional cost and delay of a liquidation process.

Following the completion of the Subscription, 3Legs will retain its AIM admission and Qualifying Shareholders will hold approximately 20 per cent. of the enlarged share capital of the Company.

The Extraordinary General Meeting is to be held at The Claremont Hotel, 18-22 Loch Promenade, Douglas, Isle of Man, IM1 2LX at 11.00 a.m. on 13 February 2015.

The times and dates referred to above may be subject to change, in which case the Company will give notice of such change by issuing a further announcement.

Unless the context otherwise requires, the defined terms used in this announcement shall have the meanings given to them in the circular posted to Shareholders today which will also be available to view shortly on the Company's website (www.3legsresources.com).

Enquiries

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Background to and reasons for the Capital Return and the Subscription

In its Interim Report published on 30 September 2014, the Company announced its intention, in the absence of a suitable alternative course of action, to return its remaining funds, net of windup costs, to Shareholders and to place itself into solvent liquidation.

An extraordinary general meeting of the Company was held on 25 November 2014 at which Shareholders approved a resolution to make an interim return of capital to qualifying shareholders of 18.5 pence per Ordinary Share (equivalent to approximately £15,900,000 in total). Capital return payments were subsequently made to qualifying shareholders on 2 December 2014.

As at 23 January 2015, the Company held cash resources of approximately £1,200,000. The Company estimates the remaining costs of winding up its activities, excluding the costs of a liquidation, at approximately £100,000, leaving a surplus of approximately £1,100,000.

Instead of a solvent liquidation, the Directors now propose to return all of the Company's remaining cash reserves, being approximately £1,100,000 (as described above), equivalent to 1.28 pence per share, to Qualifying Shareholders and simultaneously to implement the Subscription and the adoption of the Investing Policy as the new investing policy of the Company. In order to implement the Investing Policy, the Board proposes to appoint the New Directors on Admission, whereupon Tim Eggar and Kamlesh Parmar will resign from the Board. The Directors believe that these measures will serve the interests of Shareholders better than a liquidation, since they will enable an immediate distribution of the Company's remaining cash reserves (after expenses) without incurring the additional cost and delay of a liquidation process. The Company will thereby retain its AIM admission and Qualifying Shareholders will retain an interest in the future performance of the Company which, based on the Subscription Price, will have an equity value of £200,000 immediately prior to completion of the Subscription.

Shareholder resolutions for (a) the Capital Return, (b) the disapplication of pre-emption rights for the purposes of the Subscription and (c) the adoption of the Investing Policy must all be passed or none of these proposals will proceed. If all three resolutions are not approved, the Company will convene a further extraordinary general meeting with a view to placing itself into a solvent liquidation process.

The Company further proposes, with a view to facilitating the implementation of the Investing Policy, to seek authority to allot and issue additional new Ordinary Shares for cash for an aggregate par value of up to £150,000, as if the pre-emption provisions of article 5.2 of the Company's articles of association did not apply.

Capital Return

Under the Capital Return the Board intends, subject to the satisfaction of the Conditions, to make a Capital Return Payment of approximately 1.28 pence per Ordinary Share to Qualifying Shareholders (subject to possible adjustment, as referred to below). The Capital Return will be achieved through the cancellation and return of part of the share premium paid up on the Ordinary Shares. The Capital Return is conditional upon:

(a) the passing of a special resolution to approve the Capital Return (Resolution 1 in the Notice), to be proposed at the Meeting;

(b) the Board being satisfied, on reasonable grounds, that the Company will, immediately following the Capital Return, satisfy the solvency test set out in section 49 of the 2006 Act (the ''Solvency Test''); and

(c) the approval by Shareholders at the Meeting of the Subscription Authority and the adoption of the Investing Policy (Resolutions 2 and 3 in the Notice), and the subsequent completion of the Subscription.

collectively, the ''Conditions''.

If the resolution to approve the Capital Return is passed at the Meeting, the Board will consider the Company's solvency position immediately following the Meeting and, if necessary, adjust the amount of the Capital Return Payment upwards or downwards, while ensuring that the Company satisfies the Solvency Test. The Subscription Monies will constitute part of the Company's cash reserves for the purposes of the Solvency Test but will be excluded from the Capital Return. The actual amount of the Capital Return Payment will then be announced via RNS, shortly after the Meeting (the ''Capital Return Announcement'').

The cancellation and subsequent return of a portion of the Company's share capital will be by way of return of share premium on a pro rata basis to all Qualifying Shareholders. It will not affect the voting or dividend rights or the rights to any further return of funds of any Shareholder.

When the Capital Return Payment is made, Qualifying Shareholders will be entitled to receive a return of capital per Ordinary Share calculated in accordance with the following formula:

$$\frac{A}{B}$$

Where:

''A'' is the amount of cash proposed to be returned pursuant to the Capital Return at the Return Record Time (subject to adjustment following reconsideration of the Solvency Test). ''B'' is the aggregate number of Ordinary Shares in issue at the Return Record Time (which, for the avoidance of doubt, will exclude any Subscription Shares).

Each Capital Return Payment shall be rounded down to the nearest whole penny. In order to be entitled to receive a Capital Return Payment, a Shareholder must be registered on the register of members of the Company at 6.00 p.m. on 13 February 2015. The Capital Return Payment is intended to be made to Qualifying Shareholders five business days after the Return Record Time, on 20 February 2015.

In respect of the Capital Return Payment to Qualifying Shareholders holding Ordinary Shares in certificated form, payment of any cash due will be made by first class post to Qualifying Shareholders or their nominees. All such cash payments will be made in pounds sterling by cheque drawn on a branch of a United Kingdom clearing bank.

In respect of the Capital Return Payment to Qualifying Shareholders holding Ordinary Shares in uncertificated form, payment of any cash due will be made by means of a CREST payment in favour of the Qualifying Shareholder's payment bank in accordance with CREST payment arrangements. However, the Company shall always have the right at its sole discretion to make Capital Return

Payments to Qualifying Shareholders holding Ordinary Shares in uncertificated form by means of a cheque drawn on a branch of a United Kingdom clearing bank.

Details of the Subscription

The Company has received conditional binding subscription commitments from the Subscribers to subscribe for 345,025,861 new Ordinary Shares in the Company at a price of 0.232 pence per Subscription Share. The Subscription is conditional upon, inter alia, Resolutions 1, 2 and 3 being duly passed at the Extraordinary General Meeting, the appointment of the New Directors to the Board and Admission becoming effective on or before 8.00 a.m. on 16 February 2015 (or such later time and date as is agreed to by the Company, but in any event no later than 8.00 a.m. on 23 February 2015).

The resolution to approve the Subscription Authority (see Resolution 2 in the Notice) to be proposed at the Meeting will, if passed, authorise the Directors to allot and issue the Subscription Shares as if the pre-emption rights of the Shareholders, contained in article 5.2 of the Company's articles of association, did not apply to such allotment. The resolution to approve the Subscription Authority is proposed as a special resolution of the Company.

Application will be made for admission of the Subscription Shares to trading on AIM. It is expected that, subject to the approval of Resolutions 1, 2, and 3, Admission will become effective and dealings in the Subscription Shares will commence at 8.00 a.m. on 16 February 2015, but in any event by no later than 23 February 2015, unless otherwise agreed between the Company and the Subscribers. On Admission, the Subscription Shares will rank equally in all respects with the existing Ordinary Shares save that the Subscription Shares will carry no right to a Capital Return Payment.

Immediately following the Subscription and Admission, the Company will have 431,152,590 Ordinary Shares in issue and admitted to trading on AIM. The Subscription Shares will, on issue, represent 80.02 per cent. of the enlarged issued share capital of the Company. The proceeds of the subscription are expected to be £800,460 gross, approximately £765,060 net. The Subscription is not underwritten by any party.

The Subscribers have each confirmed in their subscription commitments that they will not, on becoming Shareholders, interfere with the making of the Capital Return Payment.

New Investing Policy

The adoption of the Company's proposed new Investing Policy is subject to approval of Shareholders at the Meeting (see Resolution 3 in the Notice). The Company's proposed new Investing Policy is as set out below.

The Company would need either to implement, to the satisfaction of the London Stock Exchange, the Investing Policy or to make an acquisition or acquisitions which constitute a reverse takeover under Rule 14 of the AIM Rules, in either case, within 12 months of the Company becoming an investing company on 3 November 2014, in order to avoid suspension of its Ordinary Shares from trading on AIM.

References in this section of the announcement to the ''Board'' or the ''Directors'', are intended to refer to the Board as re-constituted, following the changes to the Board's composition referred to below. The Board proposes to invest in and/or acquire companies within the technology sector or within the resources sector, particularly where a resource can be brought into production through the application of modern technologies. Initially the geographical focus will be North America, Asia and Europe but investments may also be considered in other regions to the extent that the Board considers that valuable opportunities exist and positive returns can be achieved.

In selecting investment opportunities, the Board will focus on businesses, assets and/or projects that are available at attractive valuations and hold opportunities to unlock embedded value. Where appropriate, the Board may seek to invest in businesses where it may influence the business at a board level, add their expertise to the management of the business, and utilise their industry relationships and access to finance; as such investments are likely to be actively managed.

The Company's interests in a proposed investment and/or acquisition may range from a minority position to full ownership and may comprise one investment or multiple investments. The proposed investments may be in either quoted or unquoted companies; be made by direct acquisitions or farm-ins; and may be in companies, partnerships, earn-in joint ventures, debt or other loan structures, joint ventures or direct or indirect interests in assets or projects. The Board may focus on investments where intrinsic value can be achieved from the restructuring of investments or merger of complementary businesses.

The Board expects that investments will typically be held for the medium to long term, although short term disposal of assets cannot be ruled out if there is an opportunity to generate an attractive return for Shareholders. The Board will place no minimum or maximum limit on the length of time that any investment may be held.

There is no limit on the number of projects into which the Company may invest, and the Company's financial resources may be invested in a number of propositions or in just one investment, which may be deemed to be a reverse takeover under the AIM Rules. The Directors intend to mitigate risk by appropriate due diligence and transaction analysis. Any transaction constituting a reverse takeover under the AIM Rules will also require Shareholder approval. The Board considers that as investments are made, and new promising investment opportunities arise, further funding of the Company may also be required.

Where the Company builds a portfolio of related assets it is possible that there may be cross holdings between such assets. The Company does not currently intend to fund any investments with debt or other borrowings but may do so if appropriate. Investments are expected to be mainly in the form of equity, with debt potentially being raised later to fund the development of such assets. Investments in later stage assets are more likely to include an element of debt to equity gearing. The Board may also offer new Ordinary Shares by way of consideration as well as cash, thereby helping to preserve the Company's cash for working capital and as a reserve against unforeseen contingencies including, for example, delays in collecting accounts receivable, unexpected changes in the economic environment and operational problems.

The Board will conduct initial due diligence appraisals of potential businesses or projects and, where they believe further investigation is warranted, intend to appoint appropriately qualified persons to assist. The Board believes it has a broad range of contacts through which it is likely to identify various opportunities which may prove suitable. The Board believes its expertise will enable it to determine quickly which opportunities could be viable and so progress quickly to formal due diligence. The Company will not have a separate investment manager. The Board proposes to carry out a comprehensive and thorough project review process in which all material aspects of a potential project or business will be subject to rigorous due diligence, as appropriate. Due to the nature of the sector in which the Company is focused it is unlikely that cash returns will be made in the short to medium term; rather the Company expects a focus on capital returns over the medium to long term.

Board changes

Subject to the approval of Resolutions 1, 2 and 3 and the release of the Capital Return Announcement, the Company will implement the following Board changes, conditional upon Admission:

* Tim Eggar and Kamlesh Parmar will resign as Directors and, respectively, as Chairman and Chief Executive Officer of the Company; and

* Richard Armstrong and Colin Weinberg will be appointed as Directors.

Alexander Fraser will remain as Chief Financial Officer of the Company for a transitional period following Admission.

Richard Armstrong and Colin Weinberg have consented to join the Board, conditional upon Admission occurring, and have confirmed that, on becoming Directors, they will not interfere with the making of the Capital Return Payments. In addition, from Admission Peter Redmond will act for the Company as a consultant to help implement the Investing Policy. Brief career details of Richard Armstrong and Colin Weinberg are set out below.

The New Directors' remuneration will be substantially dependent on completing a significant transaction, as will that of Mr. Redmond. The New Directors' salaries will be initially set at £5,000 per annum each, which will accrue until a significant transaction is completed.

Richard Armstrong
Richard Armstrong is a former equity analyst and corporate broker. He has extensive experience in reconstructing and raising capital for turnaround situations especially in the quoted microcap sector, such as Weatherly International plc, K P Renewables plc (now IGas Energy plc), Future Internet Technologies plc (now Artilium plc) and Mobilefuture plc. In most cases, he has joined the board of these companies and has played a major role in helping them to acquire or establish operating businesses.

Colin Weinberg
Colin Weinberg is a former stockbroker with some 40 years' experience with a range of firms including most recently Durlacher plc and Walker Crips Weddle Beck plc. He is a former director of Peckham Building Society and is currently a director of Associated British Engineering plc, a listed company and of AIM-quoted Kennedy Ventures plc.

Further Authority

The Company is also seeking, conditional on the approval by Shareholders of Resolutions 1, 2 and 3, Shareholder approval (under Resolution 4) to grant the Directors authority to allot for cash further Ordinary Shares in the capital of the Company for an aggregate par value of up to £150,000 (i.e. in addition to those allotments made pursuant to the Subscription), representing 58.19 per cent. of the enlarged issued share capital following the utilisation of the Further Authority, as if the pre-emption rights of the Shareholders contained in article 5.2 of the Company's articles of association did not apply to such allotment(s), such authority to expire (unless and to the extent previously revoked, varied or renewed by the Company in a general meeting) at the conclusion of the next annual general meeting of the Company. This Further Authority is in substitution for all other previous authorities (other than the Subscription Authority) conferred on the Directors. The resolution to approve the Further Authority is proposed as a special resolution.

The purpose of this resolution is to give the Directors the flexibility to take advantage of specific investment opportunities as they arise, without the need to revert to Shareholders for a further approval.

Resolutions 1, 2 and 3 are not conditional on the approval of the Further Authority.

Whilst there is no current intention to utilise the Further Authority to issue further new Ordinary Shares for cash, the Company does intend to enter into an agreement with Northland Capital Partners Limited (''Northland''), the Company's nominated adviser and broker, to issue to Northland an option, valid for three years, to acquire at the Subscription Price up to 1 per cent. of the enlarged share capital of the Company, as enlarged by the issue of the Subscription Shares, as part of the fee arrangement with Northland. It is anticipated that these arrangements will be put in place immediately following, but subject to, Admission. The New Directors will also consider the establishment of a share option scheme to incentivise the implementation of the Investing Policy.

Recommendation

The Directors consider that the Capital Return, the approval of the Subscription Authority and the adoption of the Investing Policy are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors unanimously recommend all Shareholders to vote in favour of Resolutions 1, 2 and 3, as the Directors intend to do in respect of their entire beneficial holdings in 6,374,327 Ordinary Shares. Shareholders should consider their own positions in relation to voting on Resolution 4.

Shareholders should note that the Capital Return will not be made to Qualifying Shareholders unless both the grant of the Subscription Authority and the adoption of the Investing Policy are approved and the Subscription is completed. The Capital Return requires, therefore, the approval by Shareholders of Resolutions 1, 2 and 3. If the Capital Return and the Subscription do not take place, the Board intends to revert to Shareholders to seek authority to place the Company into a members' voluntary liquidation. The Board is of the opinion that a liquidation process would be more costly and time-consuming to the Company and would ultimately result in Shareholders receiving less by way of return of funds, and at a later date, than would be achieved by the proposals outlined above.