

Regulatory Announcement

REG-Microcap Equities PLC: Issue of Equity

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Microcap Equities Plc
("Microcap" or the "Company")

Proposed Subscription, Capital Reorganisation and directorate change
The Company announces that it intends to raise £200,000 before expenses by means of a subscription for 307,693,000 New Ordinary Shares at 0.065p per New Ordinary Share, following the implementation of the Capital Reorganisation, the terms of which are set out below. Defined terms in this announcement are set out below.

A Circular setting out full details of the Proposals will be posted to all Shareholders today. The Proposals are conditional, inter alia, on the Rule 9 Waiver and the passing of certain resolutions to be proposed at a general meeting to be held on 30 December 2009 and on Admission. It is expected that Admission will become effective and dealings in the Enlarged Issued Share Capital will commence on AIM on 31 December 2009.

Introduction Kevin Burke and David Marshall, together the Investors, have conditionally agreed to subscribe for the Subscription Shares. The Investors have significant experience in the oil and gas sector and intend to use the Company to create an investment vehicle to operate in that sector. More information on the Investors is set out below

The Company has all but exhausted its cash resources and therefore failure to pass the Resolutions will result in the Company needing to seek alternative financing agreements, which the Directors believe would be difficult to find in the current economic environment. Failure to secure alternative financing would result in the Company being unable to meet its obligations as they fall due and lead to inevitable liquidation. Therefore, the Directors believe that the Proposals afford the Company its last realistic opportunity to survive and to restart its investing business. Background to the Proposals and intended investing policy The Company was incorporated in November 1999 and its share capital was admitted to trading on AIM in December of that year.

The directors' original strategy was to create a business that would assist early stage companies with their capital requirements and, in particular, to support the development of small and medium sized technology related businesses. The level of failure in early stage technology companies caused the Company to cease its investment strategy and the original board to resign or to retire in 2003. Rakesh Patel and Nicolas Greenstone joined the Board in October 2003. Apart from six investments made since 2003, the Company has had no investment activity and the Directors' attempts to identify and conclude terms for a suitable investment opportunity have been thwarted by the Company's lack of funds.

New investing policy

The core strategy of the New Board will be to take advantage of the prevailing opportunities in the oil and gas sector resulting from the resurgent price for oil and gas, underlying energy commodity fundamentals and the opportunities which currently exist for investment in the North Sea oil and gas industry. The Company intends to invest in oil and gas development projects, assets and companies to exploit these opportunities.

In particular, the Company will seek to invest in oil and gas assets with technical and/or other challenges (often referred to as 'stranded assets'), which make potential development projects less attractive to the major energy companies and where the Company may deploy its expertise to exploit the opportunity but which nevertheless have the potential to generate high returns for shareholders. The focus will be on assets with known hydrocarbon accumulations and whose development in the form of sub sea tie-backs can deliver near term production and shareholder returns within two years. Suitable assets will be acquired either in their entirety or by utilising other partnership, joint venture or farm-in arrangements, in which event the Company will actively operate them. When the Company identifies companies suitable for acquisition, the aim will be to acquire the business in entirety and integrate that with its other businesses and thereafter proactively manage a portfolio of oil and gas development projects and producing assets consistent with its core agenda. of focusing on development and production. As part of its risk management strategy, the Company does not intend to invest in exploration projects. Moreover, the Company intends to focus its investing strategy in the North Sea.

The New Board has already identified and intends, as soon as possible, to appoint a highly experienced team of oil and gas industry executives with proven expertise of oil and gas project delivery in the North Sea to develop the Company's new investing policy and to implement, in the longer term, the Company's objectives of substantial shareholder returns from oil and gas development and production. Investments in oil and gas projects are capital intensive and, therefore, the immediate strategy of the New Board will be to begin the process of raising significant additional capital for the Company. The funds raised through the Subscription will not be sufficient to allow the Company to carry out its investment policy but will be used for working capital purposes until sufficient additional capital is raised to allow the Company to implement that policy fully. The New Board will arrange to raise substantial additional capital in the form of equity or a convertible instrument as soon as practicable, in which Shareholders will be given the opportunity to participate, but has no intention to use traditional external debt in the short term. There will be no limit on the life of the Company, but, if the Company has not substantially implemented its investing policy within 18 months of Admission, it will seek the consent of its shareholders for its investing policy on an annual basis.

The Directors stress that the Company has all but exhausted its cash resources and cannot dispose of its remaining investments. It therefore cannot survive without the Subscription which will provide it with sufficient working capital for at least 12 months. It is for this reason that the Directors urge Shareholders strongly to vote in favour of the Proposals.

The Capital Reorganisation

The Company presently has 114,941,002 Existing Ordinary Shares in issue which are held by more than 1,100 shareholders. This substantial body of shareholders adds a significant cost to the overheads of the Company because of the need to produce a large number of annual accounts and also increases registrars' costs. Over 64.9 per cent. of Shareholders have holdings with a value, at the current share price, of £5 or less. Accordingly, it is proposed to consolidate the Company's share capital on the terms set out below, prior to carrying out the Subscription. The Subscription Price (which is the equivalent of 0.013p per share prior to the Capital Reorganisation) is, however, below the present nominal value of the Existing Ordinary Shares and the Company is prohibited by law from issuing fully paid shares at a discount to the nominal, or par, value of its shares. Therefore, in order to carry out the Subscription, it is

necessary to reduce the nominal value of the Company's authorised and issued Existing Ordinary Shares to an appropriate level which is less than the Subscription Price. Accordingly, the Directors have decided that a share reorganisation should be effected on the following basis:

- a) every 500 Existing Ordinary Shares will be consolidated into one new ordinary share of 500p;
- b) each of the resulting issued ordinary shares of 500p will then be subdivided by a factor of 100 into ordinary shares of 5p each;
- c) each of the issued ordinary shares of 5p resulting from the consolidation will then be subdivided into and redesignated as one New Ordinary Share and one New Deferred Share. The New Ordinary Shares will then have a nominal value of 0.01p each; and
- d) each of the unissued ordinary shares of 1p will be subdivided into 100 New Ordinary Shares. Any fractions of issued New Ordinary Shares arising from the Capital Reorganisation will be aggregated, issued and sold for the benefit of the Company.

The rights attaching to the New Ordinary Shares will, apart for the change in nominal value, be identical in all respects to those of the Existing Ordinary Shares.

The New Deferred Shares will rank equally with the Deferred Shares and as such will have no voting rights and will not carry any entitlement to attend general meetings of the Company. They will carry only the right to participate in any return of capital to the extent of 4.99p per New Deferred Share but only after each New Ordinary Share has received in aggregate capital repayments totalling £10,000 per New Ordinary Share. Accordingly, the New Deferred Shares will, for all practical purposes, be valueless and it is the Board's intention, at an appropriate time, to make an application to the court for the New Deferred Shares and Deferred Shares to be cancelled.

Existing share certificates will cease to be valid following the Capital Reorganisation and new share certificates in respect of the New Ordinary Shares will be issued by 7 January 2010; no certificates will be issued in respect of New Deferred Shares.

The Subscription

Under the terms of the Subscription Agreement, the Investors have conditionally agreed to subscribe for 307,693,000 New Ordinary Shares at the Subscription Price, raising approximately £200,000 before expenses for the benefit of the Company. The Investors have already provided a loan of £36,000, as announced on 23 November 2009, which they propose to capitalise by subscribing for Ordinary Shares. For the avoidance of doubt, the total subscription will be for £200,000 which includes the £36,000 already provided as a loan. The Subscription is conditional, inter alia, upon Admission of the Subscription Shares to trading on AIM.

The Subscription Shares, when issued and fully paid, will rank equally in all respects with the issued New Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after the relevant Admission. It is expected that Admission will become effective and dealings in the Subscription Shares and the issued New Ordinary Shares will commence on 31 December 2009. The Subscription is also conditional upon the passing of all the Resolutions, including the passing of an ordinary resolution to approve a Rule 9 Waiver. Accordingly, the Company has convened the General Meeting, notice of which is set out in the Circular. Following the Capital Reorganisation and the Subscription, the Company will have 330,681,200 New Ordinary Shares in issue and admitted to trading on AIM.

The New Board

Conditional on Admission, Kevin Burke will be appointed as Executive Chairman of the Company in my place and David Marshall will be appointed as Chief Executive Officer. Rakesh Patel and Nicolas Greenstone will remain on the Board as non-executive directors. Further information on Kevin Burke and David Marshall is set out below.

Kevin Burke, FCA (proposed executive chairman), aged 64, has 30 years' experience in the structuring and financing of transactions and the broader strategic development of companies in the natural resources and oil and gas sectors. He was a co-founder and executive chairman of two publicly listed companies, Dana Petroleum (Russia) Limited and Vanguard Petroleum. The latter was one of the first Western companies engaged in oil production in the West Siberian oil province of the former Soviet Union and was subsequently sold to Sibir Energy. Mr Burke was until September 2009 a non-executive director of Oilexco Incorporated which was listed on both the Toronto Stock Exchange and the Main Market of the London Stock Exchange. Prior to that, he worked in corporate finance, mergers and acquisitions and venture capital. He is a qualified chartered accountant and holds a Sloan Fellowship from the London Business School.

David Marshall (proposed Chief Executive Officer), aged 51, has 30 years' experience in the oil and gas sector. He was until August 2009, Senior Vice President Operations and General Manager of Oilexco N.S. Exploration Limited and has previously held various managerial positions in both onshore and offshore oil and gas drilling and production operations in the UK, the Caspian region, Africa, the Middle East and Western Europe. David has worked for Hess Corporation, Monument, Lasmo and Eni. He holds a Masters Degree in Petroleum Engineering from Heriot Watt University and a Bachelor of Science Honours Degree in Civil Engineering from Glasgow University

Change of name

Conditional on Admission, the Company will change its name to Deo Petroleum plc.

Circular and General Meeting

The Circular to Shareholders and notice of General Meeting will be posted to Shareholders and will be available from the Company's website, www.microcapequities.plc.uk, later today. The General Meeting of the Company has been convened for 11.05 a.m. (or such later time as the AGM convened for 11.00 a.m. has concluded or been adjourned) on 30 December 2009 at the offices of Merchant John East Securities Limited, 10 Finsbury Square, London EC2A 1AD.

For enquiries:

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Definitions

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

"Admission"	the admission of the New Ordinary Shares in issue immediately following the Capital Reorganisation and the Subscription Shares to trading on AIM becoming effective in accordance with the AIM Rules
"AGM" or "Annual General Meeting"	the annual general meeting of the Company convened at 11.00 a.m. on 30 December 2009, notice of which is set out in the Circular
"AIM"	the AIM Market of the London Stock Exchange
"AIM Rules"	the rules published by the London Stock Exchange relating to AIM, as amended from time to time
"Capital Reorganisation"	the proposed consolidation and sub-division of Every 50 Existing Ordinary Shares into one New Ordinary Share and one New Deferred Share
"Circular"	the circular to Shareholders date 8 December 2009
"Code"	The City Code on Takeovers and Mergers
"Concert Party" or "Investors"	Kevin Burke and David Marshall
"Deferred Shares"	the 2,667,229 deferred shares of 24p each in the capital of the Company in issue at the date of this announcement
"Directors" or "Board"	the directors of the Company as set out in the Circular
"Enlarged Issued Ordinary Share Capital"	330,681,200 New Ordinary Shares in issue at Admission
"Existing Ordinary Shares"	the 114,941,002 ordinary shares of 1p each in the capital of the Company in issue at the date of this announcement
"GM" or "General Meeting"	the general meeting of the Company convened for 11.05 a.m. (or such later time as the Annual General Meeting convened for 11.00 a.m. has concluded or been adjourned) on 30 December 2009, notice of which is set out in the Circular
"London Stock Exchange"	London Stock Exchange plc
"MJES"	Merchant John East Securities Limited
"New Articles"	the new articles of association of the Company proposed to be adopted at the GM, a draft of which is available for inspection as referred to in the Circular

"New Board"	the Directors and the Investors
"New Deferred Shares"	the new deferred shares of 4.99p each arising from The Capital Reorganisation
"New Ordinary Shares"	the new ordinary shares of 0.01p each in the Capital of the Company arising from the Capital Reorganisation
"Panel"	the Panel on Takeovers and Mergers
"Proposals"	the Capital Reorganisation, the proposed Subscription, the Rule 9 Waiver, the adoption of the New Articles, the change of name, change of investing policy and Admission
"Resolutions"	the resolutions set out in the notice of the General Meeting
"Rule 9 Waiver"	the agreement by the Panel to waive the obligation on the Investors to make a general offer to all Shareholders pursuant to Rule 9 of the Code subject to approval, by way of a poll vote, of the Shareholders
"Shareholders"	holders of Existing Ordinary Shares
"Subscription"	the subscription for the Subscription Shares pursuant to the Subscription Agreement
"Subscription Agreement"	the conditional agreement dated 8 December 2009 between (1) the Company and (2) the Investors relating to the Subscription, further details of which are set out in the Circular
"Subscription Price"	0.065p per New Ordinary Share
"Subscription Shares"	the 307,693,000 New Ordinary Shares to be issued pursuant to the Subscription

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