

*Reabold Resources*

**Statement re Possible Offer for Deltic Energy plc**

RNS Number : 2799T  
Reabold Resources PLC  
17 July 2020

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**THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION FOR THE PURPOSES OF THE MARKET ABUSE REGULATION (EU) NO. 596/2014. UPON THE PUBLICATION OF THIS ANNOUNCEMENT, THIS INSIDE INFORMATION IS NOW CONSIDERED TO BE IN THE PUBLIC DOMAIN .**

17 July 2020

**Reabold Resources plc**  
("Reabold" or the "Company")

**Statement re Possible Offer for Deltic Energy plc**

Reabold (AIM: RBD), the AIM investing company which focuses on investments in upstream oil and gas projects, provides some further background to Reabold's Possible Offer and a response to Deltic's announcement of 16 July 2020.

**Further Background to the Possible Offer and Deltic's Response**

Whilst Reabold is optimistic regarding the ultimate prospects of Deltic's high impact exploration wells in the North Sea in the medium term, Reabold believes that it is unlikely that there will be any significant activity or news flow until Shell U.K. Limited ("Shell") commences drilling of Pensacola, which is estimated to be in H2 2021.

The Possible Offer provides Deltic shareholders with near term news flow from Reabold's exposure to two fully funded wells at West Newton, planned for H2 2020 which, being appraisal wells rather than exploration wells, Reabold believes exhibit a lower risk profile. In-line with previous guidance, drilling at the West Newton B-1 well is expected to commence in Q3 2020. The combined group would have a diverse and highly active portfolio of assets, including producing assets in California and near-term potential production from Reabold's assets in Romania.

Reabold is disappointed in Deltic's initial views of the West Newton project and notes that, given the lack of engagement with Reabold, the Deltic Board's "*detailed understanding*" appears to stem from datasets dating back to 2017, which was prior to the drilling of the West Newton A-2 well. Reabold is surprised that the Deltic Board has noted "*serious concerns in relation to the technical viability, materiality and limited potential upside*" in relation to West Newton, particularly given the fact that Deltic uses West Newton as an example of a potential analogue of Pensacola in its recent presentation materials and references the significant discovery at West Newton in its own regulatory announcements when referring to Pensacola.

Reabold currently has a 39.7 per cent. economic interest in the West Newton project, via its 59.5 per cent. interest in Rathlin Energy (UK) Limited ("Rathlin") (the operator of West Newton), which will increase to a 56 per cent. economic interest on completion of the acquisition of Humber Oil & Gas Ltd's 16.665 per cent. direct interest. West Newton is potentially the largest onshore hydrocarbon discovery in the UK since 1973 and, since the Deltic Board's review of the project in 2017, Rathlin has been engaged in significant value accretive work which has advanced the technical understanding of the asset and brought it to the current

stage of development, with an exciting period of drilling over the next six months with the two planned and fully funded appraisal wells.

Reabold completed its initial investment into Rathlin in 2018 and, in 2019, Reabold invested, in aggregate, a further £17m into Rathlin. 2019 was a transformational year for the West Newton project with the West Newton A2 discovery being announced on 17 June 2019. The appraisal well encountered a net 65-metre hydrocarbon saturated interval within the Kirkham Abbey formation indicating a substantial hydrocarbon accumulation, including a significant liquids component. In November 2019, Reabold announced an update in respect the estimated in-place oil and gas volumes, indicating a significant upgrade in volumes of estimated hydrocarbons in place in the Kirkham Abbey formation, consisting of a significant volume of oil below a gas cap also of potentially significant size:

#### **Base Case**

- Liquids: 146.4 million barrels ("mmbbl") of oil initially in-place ("OIIP")
- Gas: 211.5 bcf of gas initially in-place ("GIIP")

#### **Upside Case**

- Liquids: 283 mmbbl OIIP
- Gas: 265.9 bcf GIIP

Notwithstanding the Deltic Board's initial views of Reabold's assets, as indicated in its offer letter of 14 July 2020, Reabold would be pleased to provide access to detailed and up to date information and spend time with the Deltic Board and its advisers to explain the significant upside available from its exciting portfolio of assets, most notably the forthcoming West Newton appraisal wells, which are fully funded and could be transformational for the combined group and will also have a potential read across to Deltic's potentially high impact but early stage exploration assets. Reabold would also be pleased to discuss the potential synergies, including potentially utilising the technical data from West Newton, to optimise the drill programme at Pensacola.

As noted in its announcement of 15 July 2020, Reabold believes that the complementary nature of the existing Reabold and Deltic portfolios, particularly in the emerging Zechstein oil and gas play underpinned by Reabold's recent West Newton discovery, should facilitate optimal capital deployment both within the proposed enlarged group's expanded portfolio and for potential new project investments, whereby the funds set aside for drilling Selene could be utilised for new, nearer term projects. The Reabold management team has a proven track record for new project investment and/or acquisition and Reabold believes that, rather than being inactive during a period of general market uncertainty, the current market conditions provide exciting opportunities, which the combined group can pursue in-line with Reabold's existing investment policy.

In addition, the combined group would benefit from a further strengthened and diversified institutional shareholder base, which Reabold believes will ultimately lead to increased liquidity for shareholders.

**Accordingly, Reabold strongly believes in the merits of the Possible Offer and will seek to engage with certain Deltic shareholders, including those with which it has already had initial conversations regarding the strategic merits of the Possible Offer. Reabold hopes that, should Deltic shareholders be supportive of the Possible Offer, they are not denied the opportunity to decide on its merits .**

#### **Implied valuation of the Possible Offer**

In arriving at its valuation, Reabold has taken into consideration, *inter alia*, the following:

- Whilst Reabold is a larger company with a more diverse asset base, the Possible Offer is more akin to a merger of equals, with clear synergies on both sides, therefore Reabold does not believe that a significant premium for control is appropriate, with Deltic shareholders remaining as investors in the combined group.
- In its announcement on 16 July 2020, Deltic refers to the Possible Offer not reflecting Deltic's existing cash balance, which was reported to be £13.2m as at 31 March 2020. However, Deltic has been and will continue to burn through cash due to its corporate G&A costs (which Reabold believes could be consolidated and reduced as part of a combined group) through to completion of the Possible Offer, if made and successfully completed.

In addition, Reabold is mindful that, if Deltic's two planned exploration wells are drilled, assuming Deltic's FY2019 annual corporate cash costs are at a similar level going forward, Deltic shareholders would be left with a diminished cash base at the end of 2022. Reabold believes that this, combined with the uncertainty and delayed nature of the Shell drilling campaign is clearly reflected in the prevailing market price of Deltic's shares prior to Reabold's Possible Offer announcement and that, given the corporate expenditure for an

investing company with limited short term activities, which is burning through the cash on Deltic's balance sheet, a valuation of lower than the reported 31 March 2020 cash position is justified.

**However, Reabold would note that, as set out in its announcement of 15 July 2020, it has not been offered the opportunity to undertake market standard confirmatory due diligence and would encourage the Deltic Board to engage with Reabold in this regard .**

This announcement does not amount to a firm intention by Reabold to make an offer under Rule 2.7 of the Code and, even if the pre-conditions noted in Reabold's announcement of 15 July 2020 are satisfied, there can be no certainty that an offer for Deltic will ultimately be made, nor as to the terms on which any such offer would be made.

*Unless defined in this announcement, defined terms used in this announcement have the same meaning as set out in the announcement made pursuant to Rule 2.4 of the Code, issued by the Company on 15 July 2020.*

A further announcement will be made in due course as and when appropriate.

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**Disclosure requirements of the Code**

Under Rule 8.3(a) of the Code, any person who is interested in 1% or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 pm (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 pm (London time) on the 10th business day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree

company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Code, any person who is, or becomes, interested in 1% or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s), save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 pm (London time) on the business day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Takeover Panel's website at [www.thetakeoverpanel.org.uk](http://www.thetakeoverpanel.org.uk), including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.

### **Publication on website**

In accordance with Rule 26.1 of the Code, a copy of this announcement will be made available (subject to certain restrictions relating to persons resident in restricted jurisdictions) on Reabold's website at [www.reabold.com](http://www.reabold.com) by no later than 12 noon (London time) on 20 July 2020.

For the avoidance of doubt, the content of the website referred to above is not incorporated into and does not form part of this announcement.

### **Forward looking statements**

This announcement (including information incorporated by reference in this announcement), oral statements made regarding the Possible Offer and other information published by Reabold contain statements which are, or may be deemed to be, "forward looking statements" concerning Reabold and Deltic. Generally, the words "will", "may", "should", "continue", "believes", "expects", "intends", "anticipates" or similar expressions identify forward-looking statements. Forward-looking statements are prospective in nature and are not based on historical facts, but rather on current expectations and projections of the management of Reabold about future events and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. The forward-looking statements contained in this announcement include statements relating to the expected effects of the Possible Offer on Reabold and Deltic and other statements other than historical facts.

Although Reabold believes that the expectations reflected in such forward-looking statements are reasonable, Reabold can give no assurance that such expectations will prove to be correct. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. Reabold, its associates, directors, officers and advisers provide no representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this announcement will actually occur. You are cautioned not to place undue reliance on these forward-looking statements. Other than in accordance with its legal or regulatory obligations, Reabold is under no obligation, and Reabold expressly disclaims any intention or obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

### **No profit forecasts**

No statement in this announcement is intended as a profit forecast or profit estimate and no statement in this announcement.

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