Reabold Requisitioning Shareholders

Reabold Requisition

October 2022

Our Objective

Our objective is to position Reabold to create sustainable shareholder value in the interests of all shareholders

This is not an opportunistic takeover as the incumbents have publicly stated but significant shareholders deciding that enough is enough;

- The requisitioning shareholders, all having invested significant cash into Reabold, decided that it was time to intervene to stop the destruction of shareholder value and finally put Reabold on the path to success;
- Having received significant further support amongst the shareholder base beyond the original requisitioning voting rights of 6.93%, the requisitioning shareholders are hopeful of securing the required votes (i.e. a simple majority of votes cast) to implement a fresh approach with Reabold and meet our objective.

Intro to the Proposed Directors

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Skin in the game and the right mix of experience to drive shareholder value

Kamran Sattar (36)

Kamran is an influential banker who has facilitated >£3bn in capital market transactions over the last several years, including many successful O&G deals. He played an integral role in funding Reabold's last placing, completed at a premium, and led the investment group which purchased £500k of the Corallian Energy loan notes from Reabold. Kamran was part of the group which facilitated the Daybreak Oil & Gas transaction undertaken by Reabold, such group being referred to by Stephen Williams in Reabold's RNS dated 3 March 2021 as "strategic investors". Kamran and his group successfully underwrote two transactions with Touchstone Energy Inc and were early backers of Afritin Mining, making significant returns in both companies. Kamran has been a shareholder in Reabold Resources plc since 2020.

Cathal Friel (57)

Cathal was part of the team that established Merrion Stockbrokers. Following the successful sale of Merrion in 2007, he founded boutique investment bank Raglan Capital. He has co-founded and successfully managed four IPOs on AIM across a range of sectors from O&G to life sciences, for which he has raised more than £500m in funds. He co-founded Fastnet Oil & Gas, which listed on AIM in 2011, was subsequently restructured as a substantial cash shell and transformed into Amryt Pharma (NASDAQ: AMYT) which has a market cap of >US$400m. Cathal is chairman of Open Orphan (AIM: ORPH) and led the successful spin out of Poolbeg Pharma (AIM: POLB). Cathal has been a shareholder in Reabold Resources plc since January 2021.

Francesca Yardley (43)

Francesca has 18 years' experience as a corporate and commercial lawyer. She initially advised on private equity transactions for Linklaters before being appointed as general counsel of one of the UK's largest food manufacturing business, where she managed their $1.1bn secondary buyout. She subsequently joined an international investment firm where she advised management on fundraising activities, regulatory compliance, portfolio management and exit strategies. Francesca sits on the board of various scale-ups, is an accredited mediator and sits as a magistrate judge.

John McGoldrick (65)

John has over 36 years' upstream experience in a variety of senior management roles, notably at Enterprise Oil where he was responsible for US operations until Shell's takeover in 2002. He has since served as chairman of Caza Oil & Gas (formerly Falcon Bay Energy), a US onshore E&P company, which he took public in Toronto and London in 2007. Between 2008 and 2013, he was non-executive director at Vanguard Natural Resources, a NYSE-listed oil and gas company. In 2012, John joined Dart Energy International as CEO, subsequently becoming MD until its sale to IGas Energy.

Both Francesca and John will classify as independent non-executive directors. The Proposed Board will forgo any cash payment for directors' fees and will instead be remunerated with £25,000 in equity for the first 12 months. The Proposed Board would recommend the promotion of the current CFO of Reabold to the Board which would be augmented through the addition of a new CEO with deep industry experience.

Portillion Capital has been a key strategic driver of the business

Reabold Requisitioning Shareholders

- **Since 2020**, Kamran and Portillion Capital have pushed the Reabold board to capitalise on a number of attractive opportunities to complete favourable deals;
- **July 2020,** Portillion Capital presented the opportunity to buy the additional stake in West Newton to Reabold which helped Reabold secure and increase its holding in West Newton (RNS 29 July 2020);
- **January 2021**, Portillion Capital corner-stoned and underwrote the January 2021 placing of £7.5m. The existing Board had initially proposed that the raise be completed at a significant discount to market but Portillion Capital stepped in to avoid dilution of all shareholders and ensured it was completed at a premium to the then market price of 0.55p (RNS 28 January 2021);
- **February/March/April 2021,** to avoid the binary risk and reliance on West Newton, Kamran encouraged Reabold to acquire £1m of CLNs in Corallian Energy (RNS dated 22 February 2021), and subsequently led a group of strategic investors who acquired a portion of Reabold's CLNs in Corallian Energy for £500k (RNS dated 3 March 2021). Subsequently, Kamran encouraged Reabold to increase their stake in Corallian Energy to 49.99% in April 2021. This provided Corallian Energy with enough cash to complete its CPR and progress the Victory asset to a point of sale/FDP (RNS dated 27 April 2021);
- **Q3 2021,** Reabold's share price was crashing as several fund managers were liquidating their positions. Portillion Capital encouraged the co-CEOs to monetise their existing assets by launching a review of Corallian Energy and extracting value from California. An introduction to Hannam & Partners was made to start the sale process for Victory (RNS 20 October 2021);
- **Portillion Capital** helped fund Daybreak Oil and Gas, Inc.'s transaction in California. Daybreak had significant debt liabilities which Portillion and Reabold agreed to address via an Equity Exchange Agreement. This required Daybreak to raise $2.5m and ensure that all liabilities were settled before the conclusion of the transaction and Portillion's final investment. Kamran had to personally fund a significant proportion of the transaction to ensure it went ahead, This transaction allowed Reabold to be a partner in a larger US listed and US focused oil & gas producing entity, and with Daybreak's management team, they were in a better position to increase production, increase revenue and create value for Reabold's shareholders (RNS 21 October 2021).

Historic Failings of Existing Board

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Disastrous & Inequitable Sale Process of Corallian Energy

- The conditional sale of Corallian Energy was completed at a significantly lower value than expected and guided by the current board of directors. It was previously stated that Corallian Energy's updated 2C economic valuation of Victory, based on a historical average gas price valuation of 50p/therm, had increased from £146m to £193m. However the sale price was just £32m;
- Despite Reabold owning 49.99% of Victory, Reabold stated in the H1-2022 results that it will only receive net proceeds of c.£12.7m. There is a clear lack of visibility here relating to the headline deal value and the net proceeds (c.£3.3m); it is not evident how much of this is related to Reabold’s portion of transaction related fees and how much relates to excessive fees and options payable to the board of directors;
- The Board of Reabold, collectively, only holds 3.11% of Reabold’s shares. One of Reabold’s CEOs is a Director of Corallian Energy. We are concerned that Corallian Energy’s directors were financially incentivised to pursue a sale of Reabold and therefore declined to explore other, potentially more suitable and value accretive, transactions, to the significant detriment of Corallian Energy’s shareholders (specifically Reabolds position). Given this, the Requisitioning Shareholders are further concerned that the Corallian Energy directors may have had a conflict of interest of securing a sale of Corallian at the expense of maximising its full value (principally in the Victory licence) for Reabold shareholders;
- During the Corallian Energy sale process, it was announced Reabold had entered a period of exclusivity on 4 May 2022 when gas prices were at 156.17 p/t. On 31 August 2022, the exclusivity period with Shell ended and gas prices were near record highs of 627.43 p/t, 3x higher over less than a four-month period. It is the Requisitioning Shareholders’ opinion that Corallian should, at this point, have re-opened the process to other bidders to achieve a higher sale price, as the underlying market dynamics had changed and we deem the sale price that was agreed was sub-optimal. The directors of Reabold, as the major shareholder, should have made this clear to the Corallian board during the sale process but were clearly not inclined to do so, much to the detriment of Reabold;

Historic Failings of Existing Board

Reabold Requisitioning Shareholders

Missed Opportunities by existing board to create shareholder value

Missed Opportunities

- The lacklustre results of UK onshore licence PEDL 183 (the West Newton asset). Reabold's previous approach to drilling resulted in the following issues: "*Completion fluids were injected into the formation at a rate constrained by the pumps on site at 5.7 barrels per minute (8,208 barrels per day). However, the Kirkham Abbey reservoir appears to be sensitive to the drilling and completion fluids. We see clear signs of reservoir damage in near wellbore areas*". Reabold went on to conclude that "*The B-1Z well will therefore be suspended*" (RNS 31 Aug 2021)
- The current board displayed poor deal execution skills in their offer for Deltic Energy Plc in 2020.
  - Deltic's largest shareholder stated that Reabold's offer "*lacks any compelling strategic rationale, commercial logic or sufficient operational synergies*".
  - Furthermore, Deltic's board stated that the offer placed "*no value at all on its significant non cash assets, not least its share of two potential high impact exploration wells with their partner Shell*".
- It is our opinion that the current board failed to capitalise on the downtrend in oil prices from 2018 to 2020 where they could have acquired producing assets to secure the future of the business. Portillion suggested that Reabold should unlock more value by bringing in other producing assets but the board been slow to execute

Historic Failings of Existing Board

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Excessive Executive Compensation

- In 2021, the co-CEOs were remunerated to a combined value of £716k. This equated to £358k per CEO, comprising their base salary of £231k each, a bonus of £50k each, share based payments worth £66k each in addition to pension contributions of £11k each. We believe the combined cost of £716k for the CEO function is staggering given the share price dropped significantly from 0.64p to 0.17p (a decline of over 70%) in the calendar year of 2021;
- Reabold's annual report for the year ended 31 December 2021 stated: *"During the reporting period, the Board undertook a performance evaluation of the Executive Directors. The salaries were benchmarked to market and the committee considered the delivery of our strategic goals"*. With the rapidly declining share price and loss for the year of £2.675m, it is anyone's guess as to how the committee made this assessment;
- Based on a 2021 KPMG Exec Remuneration Report analysing the pay of CEOs of AIM listed companies, the median basic salary for a CEO of an AIM listed company with a sub £50m market cap was £213,068. When Reabold's performance is considered in conjunction with their Board's attempt to justify having two CEOs, the Requisitioning Shareholders believe the existing remuneration packages are excessive;
- Both co-CEOs have minimal skin in the game with their combined holdings equating to less than 1% of total shares. This has created a clear lack of alignment in the incentivisation of the current directors and shareholders;

Key actions needed urgently

Positioning Reabold to create sustainable shareholder value

1. Significantly reduce the Company's general & administration expenses;
   - Revised board & management structure;
2. Align the Company's senior management with shareholders by appointing directors with meaningful stakes in the Company together with truly independent directors;
   - Implement robust corporate governance policies which the incumbent Board do not seem inclined to follow;
3. Engage with other shareholders to maximise potential returns;
   - Realise maximum value from existing projects;
4. Pursue funding initiatives to accelerate and maximise monetisation of the Company's assets;

Key Action 1

Reabold Requisitioning Shareholders

Revised Board & Management Structure

- We are concerned that the existing co-CEO structure is not working
  - The current structure doubles the CEO cost base; co-CEOs remunerated in the amount of £716k in 2021
  - Lack of clear leadership / accountability impedes value creation
  - Absence of industry expertise to invest into projects directly, i.e. through farm-ins etc, rather than indirectly through corporate investments that come with the associated additional layer of costs
- We urgently require a single CEO with technical and commercial expertise. We have identified:
  - Two highly qualified individuals and have initiated discussions with them, with a view that one of them would take the CEO role if we are successful
  - Both parties have extensive industry expertise and, in our view, the correct blend of both technical and commercial experience
- We believe the conservation of capital is critical and urge shareholders to appoint a newly constituted board to execute a strategy which is in the best interests of all shareholders comprising of:
  - The appointment of a new CEO
  - Retain existing CFO and propose his promotion to the board
  - The appointment of John McGoldrick as independent non-executive Chairman and Francesca Yardley as an independent non-executive
  - The appointment of Kamran Sattar and Cathal Friel as non-executive directors
- The proposed non-executive directors will forgo any cash payment for the first 12 months and will be paid £25,000 in equity for the period

Key Action 2

Reabold Requisitioning Shareholders

Implement robust corporate governance policies which the incumbent Board do not seem inclined to follow

- Reabold's website states that *"The Directors of the Company have formally applied the Quoted Companies Alliance Corporate Governance Code (the "QCA Code")"*. Despite this, there are some corporate governance issues that are clearly not in the best interests of Shareholders that requires immediate attention to resolve. These have been highlighted as follows:
- ISS Proxy Report June 2022
  - In relation to the extension of the existing share option held by Sachin Oza, Stephen Williams and Anthony Samaha, ISS stated that *"the extension of expiry dates allows the Directors to benefit on the exercise of options that would have otherwise remain at potential risk of being underwater. This is not deemed in line with best practice"*
  - Additionally long-term incentive awards granted to FD Anthony Samaha are not subject to performance conditions and feature a vesting period of less than three years.
  - An abstention on the re-election of Jeremy Edelman is warranted as "*potential independence issues has been identified and he currently sits on the Audit and Remuneration Committees, and the composition of these Committees does not adhere to UK best practice recommendations for a company of this size*";
  - Other items flagged as not best governance practice include; the senior non-executive director is not considered to be independent, the Audit Committee is not considered fully independent, the Remuneration Committee is not considered fully independent and the Board has not yet created a Nominations Committee. The Requisitioning Shareholders are concerned by the clear absence of good governance practices and the benefits it brings
- Glass Lewis Proxy Report June 2022
  - Recommended against the re-election of Chairman Jeremy Edelman
  - Furthermore it was noted that *"shareholders should be mindful of the lack of gender diversity on the board".* We are seeking to address this with our Proposed Board
- The requestioning shareholders are concerned that these issues are material and require the immediate attention to be resolved and restore credibility in Reabold's governance practices

Key Action 3

Reabold Requisitioning Shareholders

Realising value from existing projects in the next 6 to 12 months

West Newton

- As outlined on slide 6, the existing Board's previous drilling attempt at West Newton was disastrous, resulting in the damaging of the well. It is our understanding that the current Board rushed into this drilling attempt without the required preparation and diligence, to distract from their failed approach for Deltic Energy Plc and there has been no accountability from the Board regarding this failure;
- It is the Proposed Board's plan to position the West Newton assets for a farm out after a successful drill result. Our desire is not to change track for West Newton but to de-risk the incumbent directors' plan and ensure the Company takes into account all the technical expertise already available with the project partners. Removing the incumbent directors will not delay West Newton but will further enhance the chance of success by reducing the co-CEOs' excessive costs and replacing them by a single more technically advanced and adept CEO with the experience and knowledge to make a far more informed decision. We are keen to forge a close working relationship with the Company's partners. As such, we would rapidly look to bring in an experienced farm out partner who would significantly de-risk the asset and help Reabold realise significant value for the asset.

Corallian Assets (North Sea Licenses)

- Our plan is to commence the farm out of the recently acquired Corallian assets, completing similar deals to the Daybreak deal, where revenue and shareholder value can be rapidly realised;
- We see significant potential with these licenses however we do not have sufficient confidence that the Board can realise this value given there recent track record of executing sub-optimal deals for Reabold's shareholders.

Danube

- Reabold has been indecisive in their approach in Romania and there is no clear visibility or plan to achieve a return on the £5m invested in Danube Petroleum to date;
- The Proposed Board would immediately start a process to sell or farm out the Danube asset to ensure Reabold's shareholders receive some return from this investment.

Key Action 4

Reabold Requisitioning Shareholders

Pursue non-dilutive funding initiatives to accelerate and maximise monetisation of Reabold's assets

- The requisitioning shareholders have the ability to bring in new capital to fund a range of exciting asset purchases by leveraging our significant investor network;
  - We have identified a range of attractive, production assets;
  - All proposed deals will be structured to ensure they are non-dilutive to existing shareholders;
  - We plan to farm out these assets and we have successfully supported similar transactions such as Portillion’s transaction with Daybreak Oil & Gas and Cornerstone Resources Group’s farm out of Abbey Development and Baker licenses.
- Our objective is to ring fence these target assets into newly established subsidiaries. We will ensure the debt is non-recourse, secured exclusively on the assets;
- This structure will protect the existing shareholders and avoid the dilution that additional equity raises would create:
  - This is a mistake the incumbent directors have previously made as they acquired companies not assets;
- This approach will help us complete deals quicker and more effectively, ultimately delivering improved returns to Reabold’s shareholders

Key Action 5

Return cash to shareholders

- Complete a share buyback whereby we intend to complete a tender offer to buyback Reabold's shares;
- It is our intention to undertake a share buyback using part of the proceeds from the sale of Corallian Energy as and when they are received;
- This should increase liquidity in the stock and help to move the price upwards.

Summary

Reabold Requisitioning Shareholders

Positioning Reabold to create sustainable shareholder value

1. Revised board & management structure with increased alignment of the board and shareholders' interest;
2. Robust Corporate Governance policies and improved communication and transparency with shareholders;
3. Realise maximum value from existing projects within the next 6 – 12 months, specifically the West Newton asset by avoiding costly mistakes of the past;
4. Pursue funding initiatives to accelerate and maximise monetisation of the Company's assets;
5. Return cash to shareholders.