RNS Number : 2502B
Reabold Resources PLC
30 September 2022

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REABOLD RESOURCES PLC
("Reabold" or the "Company")

Unaudited Interim Results for six months ended 30 June 2022

Reabold Resources plc (AIM: RBD), the AIM quoted investing company with a portfolio of upstream oil and gas projects, announces its unaudited interim results for the six months ended 30 June 2022. The results are included below and are also available at https://reabold.com/investor-relations/reports-and-presentations/.

Highlights

- Offer from an oil and gas major for Corallian and its Victory licence, in which Reabold holds a 49.99% interest:
  - Conditional sale agreed post period end in September 2022[1]; total gross cash consideration for Corallian of £32 million in staged payments; Reabold's share of net proceeds c.£12.7 million
  - Reabold a key facilitator in progressing the Victory gas asset to the point of development and monetisation; valuation achieves significant uplift on Reabold's investment
- Acquisition of remaining Corallian assets for £250,000 with economic effective date of 4 May 2022 - completion announced in September 2022[2]; six North Sea licences acquired with attractive development and monetisation prospects
- Encouraging developments at West Newton in first half and post period end
  - Planning granted for drilling and production at Rathlin's West Newton A site, as well as a time extension to allow for further exploratory drilling at the West Newton B site, paving the way for the next phase of activity at West Newton towards development
  - Rigorous internal and external technical testing throughout 2021 and the first half of 2022 underpins strong economic and strategic value of West Newton; CoreLab analysis demonstrates actual reservoir fluid flow through several reservoir samples
  - First horizontal appraisal well planned for 2023 as part of phased investment programme to considerably de-risk the project
  - Post period end CPR published in September 2022 confirms gross 2C unrisked technically recoverable resources of 197.6 bcf of sales gas, with an estimated 86% geological chance of success
- Converted drilling and production success in subsidiary Reabold California LLC into a 42% stake in Daybreak Oil & Gas Inc ("Daybreak"), an OTC traded, Californian oil and gas operator; the transaction in May 2022 creates liquidity for Reabold and forms a new, cash flow producing business with good growth prospects
- Net cash of £3.6m at 30 June 2022; financial flexibility and funding of development opportunities will be further improved with Corallian sale proceeds
- On 28 September 2022, Reabold announced it has agreed to conditionally acquire the entire issued share capital of Simwell Resources Limited, which includes interests in four Southern North Sea licences[1]

- Appointment of CFO Chris Connolly in May 2022; former Finance Director Anthony Samaha appointed Non-Executive Director

[1] See Note 14 for further information

2 An additional £93,000 was paid on 14 September 2022 to reflect interim period cashflows between the economic effective date of 4 May 2022 and completion

Financial Results

- As at 30 June 2022, the company had no borrowings and cash and cash equivalents of £3.6 million
- Capital expenditure in the first half of the year was £451,000 (H1 2021: £599,000)
- Net cash used in operating activities was £844,000 in H1 2022 (H1 2021: £550,000). The increase was driven largely as a result of higher operating costs in the US and adverse working capital movements
- Upon completion of the equity exchange with Daybreak, Reabold derecognised its interest in Reabold California LLC in exchange for recognising an investment in Daybreak as a financial asset measured at fair value. Within the first half results, the loss on disposal and subsequent gain in fair value led to a net charge of £1.2 million[3]

3See Note 3 for further information

Sachin Oza and Stephen Williams, Co-CEOs of Reabold, commented:
"We made good progress in the first half of 2022 and have confidence in the value creation opportunities that lie ahead for Reabold and its shareholders. The impending monetisation of the Victory asset is a major milestone for us. The sale has demonstrated the cycle of our investment strategy, attracting an oil & gas major to acquire the asset we identified at the early stage of development as low-risk, under-valued and strategically important. The transaction also provides us with greater financial capacity to fund development and subsequent value realisation in our other investments, primarily the excellent prospect of West Newton in the near-term.

Reabold has continued to invest in the development of new UK hydrocarbon resources, acquiring six new North Sea licences from Corallian, and agreeing to acquire interests in another four North Sea Licences via the transaction to buy Simwell Resources post period end. We recognise the important role we can take in contributing to the security and affordability of the UK's energy supplies.

Reabold can look forward to an exciting future. We will continue with our disciplined strategy to allocate capital to undervalued oil & gas assets where their development benefits from being close to existing infrastructure."

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Forward looking statements

This disclosure contains certain forward-looking statements with respect to the business of Reabold and certain of the plans and objectives of Reabold that involve substantial known and unknown risks and uncertainties. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will or may occur in the future and are outside the control of Reabold. Actual results or outcomes, may differ materially from those expressed in such statements, depending on a variety of factors, including: the impact of general economic conditions where Reabold operates, industry conditions, changes in consumer preferences and societal expectations, the pace of development and adoption of alternative energy solutions, changes in laws and regulations including the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced, increased competition, the timing of bringing new fields onstream, fluctuations in foreign exchange or interest rates, stock market volatility, the success or otherwise of partnering, Reabold's access to future credit resources, and other risk factors discussed in Reabold's 2021 Annual Report. Accordingly, no assurances can be given that any of the events anticipated by the forward looking statements will transpire or occur, or if any of them do so, what benefits, including the amount of proceeds, that Reabold will derive therefrom.

Review of Operations

UK Onshore

Rathlin Energy (UK) Limited and West Newton - PEDL183

West Newton is an onshore hydrocarbon discovery located north of Hull, England. To date, three wells have been drilled at West Newton (A-1, A-2 and B-1Z) confirming a major discovery - potentially one of the largest hydrocarbon fields discovered onshore UK. Rathlin Energy (UK) Limited (Rathlin) is the operator of the licence and holds a 66.67% interest. Reabold has a 59.5% shareholding in Rathlin and a direct 16.67% in the licence giving the company an aggregate c. 56% economic interest in West Newton.

In March 2022, the Company announced that planning applications for drilling and production at Rathlin's West Newton A site were approved. A time extension to allow for further exploratory drilling at the West Newton B site was also granted. These approvals pave the way for the next phase of activity at West Newton and the partnership continues to move the project forward towards development.

In the first half of the year, the conceptual development plan for West Newton progressed well, following extensive third-party technical analysis and confirmation of the resource potential. The development plan consists of an initial five well development drilling campaign with first gas anticipated mid-2026. The Joint Operation consisting of Reabold, Rathlin and Union Jack Oil plc, intends to drill the low-cost wells in a manner which phases the development cost, significantly de-risking the financial profile of the project. The first development well, planned for 2023, will materially de-risk the project at modest cost.

In addition, Rathlin commissioned a CPR effective 30 June 2022 to evaluate the oil and gas resources contained within PEDL 183. The report was finalised and announced on 29 September 2022. The CPR identified the following:

- Estimated geological chance of success at West Newton of 86%
- Gross 2C unrisked technically recoverable resource of 197.6 bcf of sales gas
- Prospective resource potential from adjacent sites at Spring Hill, Withernsea and Ellerby of a combined gross 2U unrisked recoverable resource of 363.7 bcf of sales gas
- Estimated geological chance of success at Spring Hill, Withernsea and Ellerby of 43%
- NPV10 of US$396 million on a 100% basis for West Newton equating to US$222 million net for Reabold's economic interest.

The full CPR can be found on our website: www.Reabold.com.

UK Offshore

Corallian Energy Limited - P2596 (Victory), P2605, P2493, P2464, P2504, P2396 (all 100%) and P2478 (36%)

Reabold holds a 49.99% interest in Corallian. As at 30 June 2022, Corallian had interests in seven licences in the North Sea, including the Victory gas discovery in the West of Shetland. A draft Field Development Plan for the Victory gas field was submitted by Corallian at the end of 2021.

On 4 May 2022, Reabold announced that Corallian had received a non-binding, conditional offer from a credible party for the acquisition of its entire issued share capital (the "Potential Sale"). Corallian's board considered the Potential Sale to be sufficiently attractive to seek to conclude a sale process and has been progressing negotiations with the oil and gas major. The terms of the conditional Potential Sale were announced on 14 September 2022. The Potential Sale is due to complete in Q4 2022 and will be a major milestone for the Company in demonstrating the execution of its strategy by way of monetising its investment. See Note 14 for further information.

As part of the Potential Sale process, Reabold entered into a conditional Sale and Purchase Agreement ("SPA") to acquire Corallian's working interest in all the non-Victory licences within the Corallian portfolio. The initial cash consideration of £250,000 was paid on 4 May 2022 being the economic effective date for the transaction. The acquisition completed on 15 September 2022 with an additional payment made of £93,000 to reflect interim period cashflows between the economic effective date and completion. The newly acquired licences are close to infrastructure and hold promising prospects with development potential.

USA

Daybreak Oil and Gas Inc

On 26 May 2022, Reabold announced the completion of the equity exchange agreement with Daybreak.

Reabold California LLC, which holds, *inter alia*, licence interests in California, became a wholly owned subsidiary of Daybreak, which, in exchange, issued 160,964,489 new Daybreak shares to Reabold equating to 42% of Daybreak's currently issued share capital. The transaction has created a self-funded, OTC traded, Californian oil and gas operator with significant growth potential. Daybreak will utilise its existing in-state management team and expertise to grow the portfolio through development of existing licences as well as considering strategic acquisition opportunities. The value of Reabold's investment in Daybreak had increased by £1.3 million between initial investment and 30 June 2022. For more information see Note 3 and Note 13.

Production from the Californian licences West Brentwood and Monroe Swell, in which Reabold had a 50% working interest, for the period from 1 January 2021 to 25 May 2022 (the day prior to the completion of the equity exchange agreement) was 7,628boe net to Reabold, generating revenues of US$736,000 (or £560,000 using the average rate between 1 January 2022 and 25 May 2022).

Romania

Danube Petroleum Limited - Parta licence

Reabold has a 50.8% equity position in Danube Petroleum Limited ("Danube"), with ASX listed ADX Energy Ltd ("ADX") holding the remaining 49.2%. Danube has a 100% interest in the Parta licence in Romania, which includes the IMIC-1 discovery and the IMIC-2 prospect.

Activity in Romania, conducted via our investment alongside ADX in Danube, was deferred in the first half of 2022 which enabled Reabold to direct its near-term strategic priorities on activities in the UK such as adding to our acreage position in the North Sea, technical analysis at West Newton and closing out the sale of Corallian.

Financial Review

Group Income Statement

The Group's loss for the first half of 2022 was £2.7 million (1H 2021 - loss of £1.4 million).

Net sales volumes for the half year comprised 7,628boe (1H 2021: 12,606boe). The reduced volumes were primarily due to well workovers and also reflected the fact that Reabold held a direct 50% working interest in the Californian licences for the first five months only in 2022 as a result of the completion of the equity exchange agreement in May 2022. The sales volumes generated total 1H 2022 revenues of US$736,000/£560,000 (1H 2021: US$777,000/£560,000). This represented an average realised sales price of US$96/boe (1H 2021: US$61/boe).

The gross loss for 1H 2022 of £274,000 (1H 2021: gross loss of £7,000) was after overall cost of sales of £834,000 (1H 2021: £567,000). This comprised £404,000 of production costs (1H 2021: £338,000), royalties of £112,000 (1H 2021: £112,000) and £318,000 of non-cash depreciation charges on oil and gas assets (1H 2021: £117,000). The increase in depreciation charges largely reflected revisions in reserves estimates.

As a result of the completion of the equity exchange agreement with Daybreak on 26 May 2022, Reabold no longer consolidates Reabold California LLC from that date. On the date of completion Reabold recognised the fair value of its investment in Daybreak, treating it prospectively as a financial asset at fair value. The resulting loss attributable to the equity exchange agreement was £2.3 million. This charge was offset by a gain of £1.2 million in the period, representing the increase in fair value of Reabold's investment in Daybreak since completion.

Reabold's share of loss of associates was £1.2 million (1H2021: £0.4 million). The increase was largely due to non-cash impairment charges in Corallian. See Note 11 for more information

The Group's administrative expenses for the period were £722,000 (1H 2021: £868,000), whilst currency gains of £695,000 (1H 2021: losses of £79,000) arose on US dollar denominated loan receivables and financial assets.

Group Balance Sheet

During the first half of 2022, net assets decreased by £2.7 million. At completion of the equity exchange agreement, Reabold no longer had "control" over Reabold California as set out under IFRS. As a result, net assets of £7.7 million including exploration and evaluation assets of £3.3 million and oil and gas assets of £4.5 million were derecognised from the balance sheet and the fair value of the investment in Daybreak was recognised at completion at £5.3 million. At the end of the period, the value of Reabold's investment in Daybreak had increased to £6.6 million.

Exploration and evaluation assets of £6.3 million showed a decrease from £9.1 million at the end of 2021 reflecting the divestment of Reabold California.

Property, plant and equipment decreased from £4.3 million at year end of 2021 to £nil as a result of the divestment of Reabold California.

Other balance sheet items that showed significant reductions since December 2021 as a result of the equity exchange with Daybreak were goodwill (decrease of £329,00), restricted cash (decrease of £186,000), trade and other payables (decrease of £183,000) and deferred tax liabilities (decrease of £329,000).

Trade and other receivables increased by £144,000 in the period as a result of the £250,000 advance payment to acquire six North Sea Licences from Corallian. This amount was reclassified to E&E assets at completion on 15 September. The 1H2022 increase in trade and other receivables was offset by the derecognition of trade and other receivables in the USA segment as a result of the disposal of Reabold California LLC.

Cash balances and Future commitments

The cash balance at 30 June 2022 was £3.6m, a decrease of £1.3m since 31 December 2021. Net cash used in operating activities was £844,000 compared with £550,000 for the same period last year. Capital expenditure for the period was £451,000 which included £125,000 at West Newton and £250,000 for the acquisition of six exploration licences from Corallian. The Group has no debt. As at 30 June 2022, Reabold's share of authorised capital expenditure for West Newton for the remainder of 2022 was c.£0.2 million. In August 2022, Reabold authorised a further £0.2 million of capital expenditure for its share of preliminary work on the development well at West Newton expected to be drilled in 2023.

Second Half Outlook

For the second half of the year, Reabold will continue with preliminary work on the West Newton development well. The sale of Corallian positions us well to take advantage of the opportunities to develop our portfolio and we continue to work on a number of opportunities to grow the Company.

Approved on behalf of the Board
Sachin Oza and Stephen Williams
Co-Chief Executive Officers

29 September 2022

Reabold Resources plc
Group Income Statement
For the period ended 30 June 2022

	Notes	**Six months ended 30 June 2022 £000 (Unaudited)**	Six months ended 30 June 2021 £000 (Unaudited)	Year ended 31 Dec 2021 £000 (Audited)
Revenue		**560**	560	1,160
Cost of sales	6	**(834)**	(567)	(1,312)
Gross profit		**(274)**	(7)	(152)
Net gain in financial assets measured at fair value through profit or loss	3	**1,165**	30	55
Other income		**26**	27	51
Other expenses		**(89)**	-	-
Loss on sale of business	3	**(2,345)**	-	-
Administration expenses		**(722)**	(868)	(1,710)
Share based payments expense	12	**(17)**	(70)	(152)
Foreign exchange gain/(loss)		**695**	(79)	47
Loss on ordinary activities		**(1,561)**	(967)	(1,861)
Share of losses of associates	11	**(1,185)**	(411)	(801)
Finance costs - unwinding of discount on decommissioning provisions		**(9)**	(7)	(14)
Finance income		**39**	1	1
Loss before tax for the period		**(2,716)**	(1,384)	(2,675)
Taxation		**-**	-	-
Loss for the period		**(2,716)**	(1,384)	(2,675)
Attributable to:				
Reabold shareholders		**(2,716)**	(1,384)	(2,675)
		(2,716)	(1,384)	(2,675)
Earnings per share				
Basic and fully diluted loss per share (pence)		**(0.03)**	(0.02)	(0.03)

Reabold Resources plc
Group statement of comprehensive income
For the period ended 30 June 2022

	Six months	Six months	Year ended

	Notes	**ended 30 June 2022 £000 (Unaudited)**	ended 30 June 2021 £000 (Unaudited)	31 Dec 2021 £000 (Audited)
Loss for the period		**(2,716)**	(1,384)	(2,675)
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Currency translation differences		**71**	1	48
Exchange (gains) on translation of foreign operations reclassified to loss on sale of business	3	**(80)**	-	-
Other comprehensive income/(loss)		**(9)**	1	48
Total comprehensive loss		**(2,725)**	(1,383)	(2,627)
Attributable to				
Reabold Shareholders		**(2,725)**	(1,383)	(2,627)

Reabold Resources plc
Group balance sheet
As at 30 June 2022

	Notes	**30 June 2022 £000 (Unaudited)**	30 June 2021 £000 (Unaudited)	31 Dec 2021 £000 (Audited)
ASSETS				
Non-current assets				
Exploration & evaluation assets	8	**6,300**	8,131	9,123
Property, plant & equipment		**-**	4,411	4,303
Investments in associates	11	**22,663**	28,106	27,716
Goodwill on acquisition		**-**	329	329
Other investments	13	**6,633**	545	570
		35,596	41,522	42,041
Current assets				
Loans	3	**217**	-	-
Inventory		**-**	21	20
Prepayments		**96**	-	79
Trade and other receivables		**316**	201	172
Other investments	13	**603**	-	-
Restricted cash		**25**	206	211
Cash and cash equivalents		**3,554**	6,398	4,883
		4,811	6,826	5,365
Assets classified as held for sale	5	**3,868**	-	-
		8,679	6,826	5,365
Total assets		**44,275**	48,348	47,406
EQUITY				
Capital and reserves				
Share capital	10	**9,044**	9,044	9,044
Share premium account		**29,033**	29,033	29,033
Capital redemption reserve		**200**	200	200
Share based payment reserve	12	**1,915**	1,816	1,898
Foreign currency translation reserve		**-**	(38)	9
Retained earnings		**3,592**	7,599	6,308
Total shareholders' funds		**43,784**	47,654	46,492

LIABILITIES			
Current liabilities			
Trade and other payables	**131**	186	314
Accruals	**-**	-	83
	131	186	397
Non-current liabilities			
Deferred tax liability	**-**	329	329
Provision for decommissioning	**360**	179	188
	360	508	517
Total equity and liabilities	**44,275**	48,348	47,406

Reabold Resources plc
Group statement of changes in equity
For the period ended 30 June 2022

	Share capital £'000	Share premium account £'000	Capital Redemp-tion reserve £'000	Share based payments reserve £'000	Foreign currency translat-ion reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2021	7,211	20,819	200	1,746	(39)	8,983	38,920
Loss for the year	-	-	-	-	-	(1,384)	(1,384)
Other comprehensive income	-	-	-	-	1	-	1
Total comprehensive loss for the period	-	-	-	-	1	(1,384)	(1,383)
Issue of share capital, net of direct issue costs	1,833	8,214	-	-	-	-	10,047
Share based payment	-	-	-	70	-	-	70
At 30 June 2021	9,044	29,033	200	1,816	(38)	7,599	47,654
Loss for the period	-	-	-	-	-	(1,291)	(1,291)
Other comprehensive income	-	-	-	-	47	-	47
Total comprehensive loss for the period	-	-	-	-	47	(1,291)	(1,244)
Share based payment	-	-	-	82	-	-	82
At 31 December 2021 (audited)	**9,044**	**29,033**	**200**	**1,898**	**9**	**6,308**	**46,492**
Loss for the period	**-**	**-**	**-**	**-**	**-**	**(2,716)**	**(2,716)**
Other comprehensive loss	**-**	**-**	**-**	**-**	**(9)**	**-**	**(9)**
Total comprehensive loss for the period	**-**	**-**	**-**	**-**	**(9)**	**(2,716)**	**(2,725)**
Share based payment	**-**	**-**	**-**	**17**	**-**	**-**	**17**
Balance 30 June 2022	**9,044**	**29,033**	**200**	**1,915**	**-**	**3,592**	**43,784**

Reabold Resources plc
Group cash flow statement
For the period ended 30 June 2022

	Note	**Six months ended 30 June 2022 £000 (Unaudited)**	Six months ended 30 June 2021 £000 (Unaudited)	Year ended 31 Dec 2021 £000 (Audited)
Operating activities				
Loss for the period		**(2,716)**	(1,384)	(2,675)
Adjustments to reconcile loss for the period to net cash used in operating activities				
Depreciation	6	**318**	117	358
Net (gain) loss on financial assts at fair value through profit or loss		**(1,165)**	30	(55)
Net loss on sale of business	3	**2,345**	-	-
Share of losses from associates	11	**1,185**	411	801
Net finance (income) costs		**(30)**	6	13
Share-based payments	12	**17**	70	152
Other non-cash movements		**89**	-	-
Unrealised currency translation (gains)		**(695)**	-	-
(Increase) decrease in receivables		**(220)**	263	214
(Increase) decrease in inventories		**(22)**	13	14
Increase (decrease) in payables		**50**	(76)	140
Net cash used in operating activities		**(844)**	(550)	(1,038)
Investing activities				
Expenditure on oil and gas assets		**(8)**	(16)	(40)
Expenditure on exploration & evaluation assets		**(193)**	(583)	(1,497)
Acquisition of North Sea Licences		**(250)**	-	-
Investments in associates		**-**	-	(16)
Total cash capital expenditure		**(451)**	(599)	(1,553)
Interest received		**1**	1	1
Acquisition of convertible loan notes		**-**	(1,000)	(1,000)
Sale of convertible loan notes		**-**	500	500
Movements in restricted cash		**(19)**	-	-
Net cash disposed from sale of business		**(16)**	-	-
Net cash used in investment activities		**(485)**	(1,098)	(2,052)
Financing activities				
Share placement net proceeds		**-**	6,881	6,881
Net cash provided by financing activities			6,881	6,881
Currency translation differences relating to cash and cash equivalents		**-**	26	(47)
(Decrease) increase in cash and cash equivalents		**(1,329)**	5,259	3,744
Cash and cash equivalents at the beginning of the period		**4,883**	1,139	1,139
Cash and cash equivalents at the end of the period		**3,554**	6,398	4,883

1. Corporate information

The interim condensed consolidated financial statements of Reabold Resources plc and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2022 were authorised for issue in accordance with a resolution of the directors on 29 September 2022. Reabold Resources plc (the "Company") is a public limited company, incorporated and domiciled in England & Wales, whose shares are traded on AIM in London. The registered office is located at 20 Primrose Street, London, EC2A 2EW. The Group is principally engaged in the investment in pre-cash flow upstream oil and gas projects.

2. Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2022 have been prepared in accordance with IAS 34 Interim Financial Reporting. The Group has prepared the financial statements on the basis that it will continue to operate as a going concern. The Directors consider that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting
period.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2021.

There are no new or amended standards or interpretations adopted from 1 January 2022 onwards that have a significant impact on the financial information.

The financial information presented herein has been prepared in accordance with the accounting policies expected to be used in preparing Reabold's annual consolidated financial statements for the year ended 31 December 2022 which are the same as those used in preparing Reabold's annual consolidated financial statements for the year ended 31 December 2021, except for the following new accounting policy.

Non-current assets held for sale
Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Significant non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset of disposal group is available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification as held for sale, and actions required to complete the sale should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Property, plant and equipment and intangible assets are not depreciated or amortised, and equity accounting of associates and joint ventures is ceased once classified as held for sale.

Significant accounting judgements and estimates
Reabold's significant accounting judgements and estimates were disclosed in Reabold's Annual Report 2021. These have been subsequently considered at the end of the period to determine if any changes were required to those judgements and estimates.

Investment in Daybreak
Following Reabold's announcement on 26 May 2022 regarding the completion of the equity exchange agreement with Daybreak, Reabold assessed whether it has significant influence over Daybreak. Judgement is required in assessing the level of control or influence over another entity in which the Group holds an interest. For Reabold, the judgement that the Group does not have significant influence over Daybreak even though it holds 42% of the voting rights is significant. As a consequence of this

judgement, Reabold accounts for its interest in Daybreak as a financial asset measured at fair value within 'Other investments'.

Significant influence is defined in IFRS as the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. Significant influence is presumed when an entity owns 20% or more of the voting power of the investee. Significant influence is presumed not to be present when an entity owns less than 20% of the voting power of the investee.

Reabold owns 42% of the voting shares in Daybreak. IFRS identifies several indicators that may provide evidence of significant influence, including representation on the board of directors of the investee and participation in policy-making processes. Reabold does not have any directors on the Board of Daybreak and does not actively participate in the financial and operating policy decisions of Daybreak. Reabold does not exchange technical information with Daybreak nor is there any interchange of managerial personnel. Reabold is a passive investor and does not have the ability to exercise significant influence over the operating and financial policies of Daybreak. Reabold's management considers, therefore, that the group does not have significant influence over Daybreak, as defined by IFRS. See Note 3 for further information.

3. Investment in Daybreak

On 26 May 2022, Reabold announced the completion of the equity exchange agreement with Daybreak. At completion of the equity exchange agreement, Reabold no longer had "control" over Reabold California as set out under IFRS. As a result, net assets of £7.7 million were derecognised from the balance sheet of the Group and the fair value of the investment in Daybreak was recognised at completion at £5.3 million. In addition, accumulated exchange gains of £80,000 which were previously charged to equity were reclassified to the income statement resulting in a loss on sale of business of £2.3 million. This charge was offset by a gain of £1.3 million in the period representing a £1.2 million increase in fair value of Reabold's investment in Daybreak since completion and favourable foreign exchange movements of £0.1 million. At the end of 1H 2022, the value of Reabold's investment in Daybreak was £6.6 million, and there was a loan outstanding from Reabold plc to Reabold California of £217,000/$264,000. The loan is due to be repaid at the end of Q3 2022. The results of the USA segment for the period are shown in Note 4.

4. Segmental information

The Directors consider the Group to have two segments, being Business Stream 1 (which encompasses the UK/European based investments in Corallian, Danube, Rathlin and PEDL183) and Business Stream 2 (which encompasses the USA). Corporate costs relate to the administration and financing costs of the Company and are not directly attributable to the individual investments and projects. The following tables present revenue and profit/(loss) information for the Group's operating segments for the six months ended 30 June 2022 and 2021 and year ended 31 December 2021, respectively.

Period ended 30 June 2022	Business Stream1 UK/Europe £000	Business Stream 2 USA £000	Corporate £000	Consolidation adjustments and eliminations £000	Total £000
Revenue		560	-		560
Segment loss	(1,192)	(1,382)	(141)	(1)	(2,716)

Period ended 30 June 2021	Business Stream1 UK/Europe £000	Business Stream 2 USA £000	Corporate £000	Consolidation adjustments and eliminations £000	Total £000
Revenue		560	-		560
Segment loss	(416)	(59)	(909)	-	(1,384)

Year ended 31	Business	Business	Corporate	Consolidation	Total

December 2021	Stream1 UK/Europe £000	Stream 2 USA £000	£000	adjustments and eliminations £000	£000
Revenue	-	1,160	-	-	1,160
Segment loss	(815)	(244)	(1,616)	-	(2,675)

The following table presents assets and liabilities information for the Group's operating segments as at 30 June 2022, 30 June 2021 and 31 December 2021, respectively:

	Business Stream1 UK/Europe £000	Business Stream 2 USA £000	Corporate £000	Consolidation adjustments and eliminations £000	Total £000
Assets					
30 June 2022	33,724	6,618	3,933	-	44,275
30 June 2021	33,756	7,872	12,960	(6,240)	48,348
31 December 2021	34,279	8,044	9,873	(4,790)	47,406

	Business Stream1 UK/Europe £000	Business Stream 2 USA £000	Corporate £000	Consolidation adjustments and eliminations £000	Total £000
Liabilities					
30 June 2022	360	-	131	-	491
30 June 2021	141	6,420	373	(6,240)	694
31 December 2021	146	5,129	429	(4,790)	914

5. Non-current assets held for sale

As announced in May 2022, Corallian, an associate of Reabold, received a non-binding, conditional offer from a credible party for the acquisition of its entire issued share capital. Subject to regulatory and other approvals, the transaction is expected to complete during the fourth quarter of 2022. Reabold currently holds a 49.99% interest in Corallian. Assets of £3.9 million are classified as held for sale in the Group balance sheet at 30 June 2022. See Note 14 for further information.

6. Cost of Sales

	Six months ended 30 June 2022 £000	Six months ended 30 June 2021 £000	Year ended 31 Dec 2021 £000
Production costs	**404**	338	722
Royalties	**112**	112	232
Depreciation of oil & gas assets (note 9)	**318**	117	358
	834	567	1,312

7. Loss per share

Basic loss per ordinary share is calculated by dividing the loss for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. As the Group is reporting a loss in each period, in accordance with IAS 33, outstanding share options are not considered to be dilutive because the exercise of the share options would have the effect of reducing the loss per share.

	Six months ended 30 June 2022	Six months ended 30 June 2021	Year ended 31 Dec 2021
Results for the period (£000)			
Loss for the period attributable to Reabold shareholders	(2,716)	(1,384)	(2,675)
Number of shares (thousand)			
Basic weighted average number of shares outstanding	8,929,613	8,292,101	8,599,375
Basic loss per share (pence)	(0.03)	(0.02)	(0.03)
Diluted loss per share (pence)	(0.03)	(0.02)	(0.03)

8. Exploration and Evaluation Assets

	Total £000
Cost:	
At 1 January 2021	7,586
Exchange adjustments	40
Additions	1,497
At 31 December 2021	9,123
Exchange adjustments	240
Additions	400
Disposals	(3,463)
At 30 June 2022	6,300

The disposal of £3.5 million in 1H 2022 represents the derecognition of E&E assets in California as a result of the equity exchange agreement with Daybreak.

9. Property, Plant and Equipment

	Oil and gas properties £000
Cost	
At 1 January 2021	5,502
Exchange adjustments	71
Additions	40
At 31 December 2021	5,613
Exchange adjustments	429
Additions	179
Disposals	(6,221)
At 30 June 2022	-
Depreciation	
At 1 January 2021	933
Exchange adjustments	19
Charge for the period (note 6)	358
At 31 December 2021	1,310

Exchange adjustments	114
Charge for the period (note 6)	318
Disposals	(1,742)
At 30 June 2022	-
Net book amount	
At 30 June 2022	-
At 31 December 2021	4,303
At 1 January 2021	4,569

The entire disposal amount in 1H 2022 represents the derecognition of oil and gas properties in California as a result of the equity exchange agreement with Daybreak.

10. Called-up Share Capital

As at 30 June 2022, the share capital of the Company comprised 8,929,612,550 ordinary shares of 0.1p each and 6,915,896 "A" Deferred shares of 1.65p. The "A" deferred shares do not carry voting rights.

Allotted, issued and fully paid:		Share Capital
	Number	£000
Ordinary shares of 0.1p each		
At 1 January 2021	7,096,982,101	7,097
Shares issued	1,832,630,449	1,833
At 31 December 2021	8,929,612,550	8,930
At 30 June 2022	8,929,612,550	8,930
"A" Deferred shares	6,915,896	114
		9,044

11. Investments in associates

The table below represents the Company's associates, in which it has significant influence:

Associate	**As at June 2022 %**	As at June 2021 %	As at 31 Dec 2021 %
Corallian Energy Limited	**49.99%**	49.99%	49.99%
Danube Petroleum Limited	**50.8%**	50.8%	50.8%
Rathlin Energy (UK) Limited	**59.5%**	59.5%	59.5%

All of the Company's associates are unlisted. A breakdown of investments in associates as at 30 June 2022 and comparative periods along with the respective changes during the period then ended are summarised as follows:

	30 June 2022 £000	30 June 2021 £000	31 Dec 2021 £000
Balance at the beginning of the period	**27,716**	25,335	25,335
Additions	**-**	3,182	3,182
Share of loss of associates	**(1,185)**	(411)	(801)
Reclassified as assets held for sale (note 5)	**(3,868)**		
	22,663	28,106	27,716

Reabold's share of loss of associates for the six months ended 30 June 2022 was £1.2 million (2021: £0.4 million). The increase in losses was mainly attributable to non-cash charges in the Corallian business as

a result of writing down the 'non-Victory' assets to their recoverable amount in light of the disposal proceeds received from Reabold for the acquisition of the licences as detailed on pages 4 and 5 - UK offshore.
At 30 June 2022, Reabold's investment in Corallian was reclassified as an asset held for sale. See note 5.

12. Share-Based payments

On 17 February 2022, the Company announced amendments to the terms of certain existing options currently held by the Executive Directors. In common with many businesses, the COVID-19 pandemic significantly constrained the Company's activities, delaying management's ability to continue the successful implementation of its medium-term strategy. Therefore, to further incentivise the executive management of the Company and further align their interests with shareholders, Reabold's Remuneration Committee amended the following existing options such that their expiry dates are extended by 12 months, to 19 March 2023, and additional extended vesting terms are applicable, as outlined below. The exercise prices of the existing options remain unchanged. The incremental fair value granted as a result of the modifications was £10,833.

Executive	Position	Existing Options Held	Exercise Price	Current Expiry	Amended Expiry	Current Vesting Status	Amended Vesting Dates
Sachin Oza	Co-CEO	20,000,000	0.60p	19-Mar-22	19-Mar-23	Vested	30-Sep-22
		20,000,000	0.90p	19-Mar-22	19-Mar-23	Vested	31-Dec-22
		20,000,000	1.20p	19-Mar-22	19-Mar-23	Vested	31-Dec-22
Stephen Williams	Co-CEO	20,000,000	0.60p	19-Mar-22	19-Mar-23	Vested	30-Sep-22
		20,000,000	0.90p	19-Mar-22	19-Mar-23	Vested	31-Dec-22
		20,000,000	1.20p	19-Mar-22	19-Mar-23	Vested	31-Dec-22
Anthony Samaha	Finance Director*	5,000,000	0.60p	19-Mar-22	19-Mar-23	Vested	30-Sep-22

*Anthony Samaha assumed the role of Non-Executive Director on 1 July 2022

No options were granted in 1H 2022.
At 30 June 2022 there were 325,000,000 share options outstanding, as summarised in the table below.

Option Holder	At 1 January 2022 and 30 June 2022 No.	Exercise Price Pence	Vesting Date	Expiry Date
Sachin Oza	30,000,000	0.50p	30/09/2021	19/10/2022
Sachin Oza	30,000,000	0.75p	31/12/2021	19/10/2022
Sachin Oza	30,000,000	1.00p	31/03/2022	19/10/2022
Sachin Oza	20,000,000	0.60p	30/09/2022(1)	19/03/2023(1)
Sachin Oza	20,000,000	0.90p	31/12/2022(1)	19/03/2023(1)
Sachin Oza	20,000,000	1.20p	31/12/2022(1)	19/03/2023(1)
Stephen Williams	30,000,000	0.50p	30/09/2021	19/10/2022
Stephen Williams	30,000,000	0.75p	31/12/2021	19/10/2022
Stephen Williams	30,000,000	1.00p	31/03/2022	19/10/2022
Stephen Williams	20,000,000	0.60p	30/09/2022(1)	19/03/2023(1)
Stephen Williams	20,000,000	0.90p	31/12/2022(1)	19/03/2023(1)
Stephen Williams	20,000,000	1.20p	31/12/2022(1)	19/03/2023(1)
Anthony Samaha	10,000,000	0.50p	30/09/2021	19/10/2022
Anthony Samaha	5,000,000	0.60p	30/09/2022(1)	19/03/2023(1)
Anthony Samaha	10,000,000	1.00p	31/12/2021	19/10/2022
	325,000,000			

(1) The Company amended the expiry date and vesting conditions of 125,000,000 existing options on 17 February 2022, such that their expiry dates are extended by 12 months to 19 March 2023.

The following table illustrates the number and weighted average exercise prices of share options:

	Weighted average exercise price	Number of options
Outstanding at 31 December 2021 and 30 June 2022	0.78p	325,000,000
Exercisable at 30 June 2022	0.71p	200,000,000

The options outstanding at 30 June 2022 have a weighted average contractual life of 0.5 years.

The Company calculates the value of share-based compensation using a Black-Scholes option pricing model to estimate the fair value of share options at the date of grant. There are no cash settlement alternatives. The estimated fair value of options is amortised to expense over the options' vesting period.

For the six months ended 30 June 2022, the Group has recognised £17,000 of share-based payment expense in the income statement (30 June 2021: £70,000).

13. Other investments

	Six months ended 30 June 2022 £000		Six months ended 30 June 2021 £000	Year ended 31 Dec 2021 £000
	Current	Non-Current	Non-Current	Non-Current
Investment in Connaught Oil & Gas Ltd	-	15	15	15
Convertible loan notes	603	-	530	555
Investment in Daybreak (note 3)	-	6,618	-	-
	603	6,633	545	570

The convertible loan notes issued by Corallian are financial assets measured at fair value through profit or loss and are considered a level 3 valuation under the fair value hierarchy. The loan notes have been reclassified to current assets in 1H2022 as the notes are expected to convert within one year from the date of these financial statements. The movement in the period represents accrued interest of £38,000 and a fair value gain of £10,000.

The investment in Daybreak completed on 26 May 2022. On the date of completion Reabold recognised the fair value of its investment in Daybreak, treating it prospectively as a financial asset at fair value. The increase in fair value of the investment in Daybreak between completion and 30 June 2022 was £1.2 million.

14. Events after the reporting period

As announced on 4 May 2022 Reabold entered into a conditional sale and purchase agreement to acquire six North Sea licences from Corallian for a cash consideration of £250,000. On 15 September 2022, Reabold announced the completion of the acquisition of the licences being P2396, P2464, P2493, P2504 and P2605 (all at 100% working interest) and P2478 (36% working interest)

During the period, Rathlin commissioned a CPR effective 30 June 2022 to evaluate the oil and gas resources contained within PEDL 183. The report was finalised and announced on 29 September and estimated the geological chance of success at West Newton to be 86% and a gross 2C unrisked technically recoverable resource of 197.6 bcf of sales gas. The full CPR can be found on our website: www.Reabold.com.

As announced on 4 May 2022, Reabold's investee company, Corallian received a non-binding, conditional offer from a credible party for the acquisition of its entire issued share capital. The terms of the conditional sale with the oil and gas major were announced on 14 September 2022. The Board of Directors of Corallian have agreed to sell the entire issued share capital of Corallian for a gross consideration of £32 million, with Reabold's share of net proceeds being c. £12.7 million.

The payment of the consideration from the oil and gas major will be staged, related to progress of the Victory gas field development. On completion of the transaction, the oil and gas major will pay an initial consideration of £10 million. This will be followed by a further single payment of £22 million, assuming the development and production consent for the Victory gas field is secured from the North Sea Transition Authority, on or before 1 December 2023. If consent has not been granted by this date, then the oil and gas major will have the option to either: i) pay £12 million, with the remaining £10 million being paid at a later consent date; or ii) offer to transfer-back the Victory licence to the current Corallian shareholders for £1 consideration.

The transfer-back offer protection has been added for Corallian shareholders' benefit, to mitigate against the unlikely event of the Victory project not being progressed sufficiently. For the licence to be returned to shareholders, a new entity will be created to receive the licence prior to the completion of

the sale of Corallian to the oil and gas major, which will mirror the shareholdings in Corallian. At the point of the return of the licence, the Victory licence will still have a year to run, and the Corallian Board is confident that this will provide sufficient time for an alternative development or transaction to be secured.

On 28 September, Reabold announced it has agreed to acquire Simwell Resources Limited, which includes interests in four Southern North Sea licences - P2332 (Reabold 30%, Shell U.K Ltd 70%, operator) and P2329, P2427 and P2486 (Reabold 10%, Horizon Energy Partners Ltd 77.5%, operator and Ardent Oil Ltd 12.5%). The transaction substantially increases Reabold's footprint in the emerging Zechstein trend, complementing its onshore position in PEDL183, including the West Newton project. The licences have a number of prospects covered with high quality 3D seismic data and licence P2332 has prospects to be derisked by success at the Pensacola well.

The SPA between the shareholders of Simwell ("Sellers") and Reabold provides for the conditional sale of the entire issued share capital of Simwell to Reabold. Concurrently, Reabold will settle the outstanding creditors/liabilities of Simwell. Reabold has agreed to pay the following amounts for the acquisition:

- An initial consideration of £361,840.93 to the Sellers to be satisfied by the issue of 134,105,159 new ordinary shares in the capital of the Company at a price of 0.27 pence per share, being the closing price on the last practicable trading day prior to signing of the SPA (the "Issue Price").
- The sum of £305,157.71 payable to certain Simwell creditors which shall be satisfied by the issue of 113,021,374 new ordinary shares at the Issue Price.
- The sum of £333,001.36 payable to certain Simwell creditors to be satisfied in cash from the Company's existing cash resources.
- A contingent deferred consideration of £150,000 ("Deferred Consideration Amount") payable to the Sellers to be satisfied by the issue of new Ordinary Shares ("Deferred Consideration Shares"):
    - The contingent deferred consideration will be payable to the Sellers if, *inter alia*, the operator of licence P2332 undertakes to the NSTA that the licensees will commit to drill a well pursuant to a defined work programme and within the applicable timescales.
    - The number of Deferred Consideration Shares to be issued to the Sellers will be calculated by dividing the Deferred Consideration Amount by the prevailing share price based on the ten-day volume weighted average price of an ordinary share, as reported by Bloomberg, immediately preceding the date on which all of the applicable conditions are satisfied.

The transaction is conditional on, *inter alia*, customary conditions for a transaction of this nature, including approval by the NSTA. If the conditions are not satisfied or waived (as applicable) within 12 months of the date of the SPA, the SPA shall terminate.

15. Non-Statutory accounts

The financial information shown in this publication, which was approved by the Board of Directors on 29 September 2022, is unaudited and does not constitute statutory financial statements. Audited financial information will be published in Reabold's 2022 Annual Report. Reabold's 2021 Annual Report has been filed with the Registrar of Companies in England and Wales.

GLOSSARY

2C resources, 2C
Best estimate contingent resource, being quantities of hydrocarbons which are estimated, on a given date, to be potentially recoverable from known accumulations but which are not currently considered to be commercially recoverable.

2U resources, 2U
Unrisked best estimate prospective resource, being quantities of hydrocarbons which are estimated on a given date, to be potentially recovered from undiscovered accumulations.

bcf
Billion standard cubic feet.

boe
Barrels of oil equivalent.

Capital expenditure
Total cash capital expenditure as stated in the group cash flow statement.

CPR
Competent Persons Report.

IFRS
International Financial Reporting Standards.

Joint arrangement
An arrangement in which two or more parties have joint control.

Joint control
Contractually agreed sharing of control over an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Joint operation
A joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

NPV10
Net Present Value using a 10% discount factor.

NSTA
North Sea Transition Authority

OTC
Over-the-counter

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[1] See Note 14 for further information

2 An additional £93,000 was paid on 14 September 2022 to reflect interim period cashflows between the economic effective date of 4 May 2022 and completion

3 See Note 3 for further information

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