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Zoltav Resources Inc  
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**Zoltav Resources Inc.**  
("Zoltav" or the "Company")

### **Proposed Acquisition of Producing Gas, Condensate and Oil Fields**

Zoltav (AIM: ZOL), the CIS-focused oil and gas exploration and development company, is pleased to announce that it has signed a Sale and Purchase Agreement with Bandbear Limited ("Bandbear" or the "Vendor"), currently a 32.5 per cent shareholder in Zoltav, to acquire Royal Atlantic Energy (Cyprus) Limited ("Royal Atlantic Energy") which, through a wholly-owned subsidiary, holds the Bortovoy Licence (the "Licence"), a 3,215 square kilometre licence containing a number of gas fields, a processing plant located in the West of the Licence and significant exploration prospectivity in the East of the Licence (the "Proposed Acquisition").

The Licence, located in the Saratov Oblast of the Russian Federation, had proven and probable reserves of 22.4 billion cubic metres (approximately 787 billion cubic feet) of gas and 12.4 million barrels of oil and condensate as of 1 May 2012 (a total of 144 mmboe) and produced 474.7 million cubic metres (approximately 16.8 billion cubic feet) of gas and 348.6 thousand barrels of condensate and oil in 2012 (a total of 3.1 mmboe). Zoltav believes there is considerable upside from a large number of prospects on the Licence and scope for increased production through the construction of additional facilities.

### **Transaction Highlights**

- The Proposed Acquisition is of Royal Atlantic Energy, its wholly-owned licence holding subsidiary, Diall Alliance, together with Diall Alliance's management company, OOO Vostok Energy (together, the "Target") and includes the novation to Zoltav of the Target's intercompany loans.
- The total consideration for the Proposed Acquisition is US\$180 million, to be satisfied through:
  1. the issue of approximately 26,562,500 new Ordinary Shares to the Vendor at an effective price of US\$1.60 (£1) per share;

2. the assumption of the Bank Debt as defined and explained below; and
  3. the payment of US\$77.5 million in cash to the Vendor.
- It is the Vendor's and Zoltav's intention to raise approximately US\$60 million in new third party bank debt (the "Bank Debt") prior to completion of the Proposed Acquisition, which will be used to partially offset the Vendor's initial cost of the acquisition of the Target. As part of the consideration (as detailed in 2. above) Zoltav will assume the Bank Debt on completion of the Proposed Acquisition. In the event that the Vendor is unable to secure all or part of the Bank Debt prior to completion of the Proposed Acquisition, the Vendor has agreed instead to accept the appropriate proportion of that component of the consideration through the issue to it of up to a further 37,500,000 new Ordinary Shares at an effective price of US\$1.60 (£1) per share.
  - The Company has entered into conditional subscription agreements to raise gross funds of US\$77.5 million (the "Conditional Subscriptions"). It is expected that each of the Conditional Subscriptions will become unconditional and be completed on the completion of the Proposed Acquisition. They are as follows:
    1. ARA Capital Limited ("ARA Capital"), currently a 38.6 per cent shareholder in Zoltav, will subscribe for 26,562,500 new Ordinary Shares at a price of US\$1.60 (£1) per share; and
    2. two new investors will subscribe for 21,875,000 new Ordinary Shares in aggregate at a price of US\$1.60 (£1) per share. The Company has granted one of the investors, Sharmel Limited, the right to appoint a board member subject to approval and suitability.
  - Following completion of the Proposed Acquisition, the only third party debt which the Target will have, excluding intercompany loans, will be the Bank Debt assumed by Zoltav as noted above.
  - The Proposed Acquisition constitutes a Reverse Takeover under the AIM Rules and will therefore be conditional upon shareholder approval at a General Meeting ("GM") to be held after the publication of a Shareholder Circular - both ARA Capital and Bandbear have provided the Company with an irrevocable undertaking to vote in favour of the Proposed Acquisition. The Proposed Acquisition and the ARA Capital element of the Conditional Subscriptions will also constitute Related Party Transactions under the AIM Rules.
  - Trading in the Company's shares will remain suspended pending publication of the Shareholder Circular which is expected to be posted to shareholders towards the end of Q1 2014.
  - Bandbear and Zoltav have entered in to an Operational Management Agreement under the terms of which Zoltav employees provide assistance in relation to the day-to-day management of the Target's operations.

### **Bortovoy Licence Highlights**

- As of 1 May 2012, the Licence contained proven and probable reserves of 28.4 billion cubic metres (approximately 787 billion cubic feet) of gas and 12.4 million barrels of oil and condensate.
- Producing gas field in the West Area of the Licence produced 474.7 million cubic metres (approximately 16.8 billion cubic feet) of gas and 348.6 thousand barrels of oil in 2012.
- Zoltav believes there is considerable upside from a number of prospects in the West and East Areas of the Licence and scope for increased production from the construction of additional facilities.
- The Licence has existing infrastructure and is bisected by a Gazprom pipeline.
- An offtake agreement is in place with Mezhregiongaz Saratov, a subsidiary of Gazprom.
- The Bortovoy licence is situated in the Saratov Oblast in European Russia and has one of the highest regulated gas tariffs in the Russian Federation.
- Current gas demand significantly outweighs production in the region (the field's current production is sold entirely into local markets).
- Royal Atlantic Energy's (and its subsidiary's) employees are expected to transfer to Zoltav on completion.

**Symon Drake-Brockman, Executive Chairman of Zoltav, commented:**

"The Bortovoy Licence will become Zoltav's first producing asset. It is a well located, cash generative, producing field with scope for significant upside from the large number of prospects already identified in the east of the Licence.

"Zoltav has again received the support of its two largest shareholders - ARA Capital and Bandbear - who have each committed significant additional capital to support the Proposed Transaction.

"This second asset acquisition transforms Zoltav into a fully operational oil and gas exploration and production company, with full subsurface capabilities. We look forward to welcoming to Zoltav the many talented employees involved in the management and operation of the Bortovoy Licence."

The Shareholder Circular (comprising an AIM Admission Document), expected to be published towards the end of Q1 2014, will contain detailed information on the companies which Zoltav proposes to acquire and their assets (including a volumetric assessment of the hydrocarbons contained within the Licence).

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**About Zoltav**

Zoltav is an oil and gas exploration and development company building a portfolio of assets in the CIS. Zoltav has a 100 per cent. interest in the Koltogor Licence located in the Khantiy-Mansisk Autonomous Okrug of Western Siberia. The Koltogor Licence contains the Koltogor oil discovery with probable reserves of 73,531,000 barrels of oil. Zoltav is engaged in an appraisal programme of the Koltogor oil field with a view to developing the field for commercial oil production.

In parallel with its operations at Koltogor, Zoltav continues to review other oil and gas acquisition opportunities across the CIS, with a particular emphasis on the Russian Federation.

**For further information on Zoltav or to sign up for the news alert service visit: [www.zoltav.com](http://www.zoltav.com)**

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