

11 August 2025

LMS CAPITAL PLC

Investment in Dacian

The Board of LMS Capital plc ("LMS" or the "Company") announces that it has agreed to make an additional investment in Dacian, the Romanian onshore oil and gas production company in which it invested in 2020.

At the General Meeting of the Company on 14 May 2025, shareholders voted in favour of recommended proposals for a managed realisation ("Managed Realisation") outlined in a circular (the "Circular") sent to shareholders on 24 April 2025.

In the Circular, the Board noted that approximately £2.5 million to £3.5 million had been identified as potential additional funding by LMS for Dacian. Any additional investment support would only be made on the basis of a solid business case from the new team and a clear path to preserving and/or enhancing prospects for realising value within a reasonable timeframe for LMS shareholders.

The Board has worked closely with the new team at Dacian and determined that it should now make an additional investment.

Background

Dacian has not met its internal production targets over recent months and the oil price environment has softened, negatively impacting its cashflows.

As announced at the time of the General Meeting in May, changes have been implemented at Dacian this year:

- John Burkhart, an experienced industry executive was appointed as a Non-Executive Director of the Dacian board earlier this year;
- The executive team at Dacian has been restructured under new leadership; and
- In addition, since May, Blaine Saathoff, an operational executive in the industry with experience in Eastern Europe has joined the team for 50% of his time. He will support the new leadership team on all aspects of operations and will join the Dacian board shortly.

Dacian's new team has developed a detailed plan for the next 12 months of which the key elements are:

- Investment in inventory of replacement components and implementation of a maintenance plan to reduce the frequency of equipment failures and consequent interruptions to production;
- Carrying out a programme of well workovers and interventions, financially evaluated and risk adjusted in accordance with industry best practice, to enhance production over the next 12 months;
- Taking opportunities to monetise some unutilised land and equipment held by Dacian;
- Implementation of cost efficiency measures;
- Evaluating and presenting to external capital, an identified set of additional development projects within Dacian's existing fields; and
- Continuing to work with partners in the development of other opportunities including in clean energy initiatives.

Additional Investment

The plan requires an estimated US 5.3 million (£3.9 million) of additional investment to fund the capital costs and to provide working capital for inventory and other payments. The LMS Board has resolved to provide this additional capital.

In the Board's view, the expected returns resulting from the additional investment will be attractive and would offer the Company the prospect of a materially better overall financial outcome on realisation than seeking an immediate sale. The Board acknowledges the risks inherent in the oil and gas industry and Dacian's past track record. However, in reaching the decision to invest further, the Board has taken account of the analysis and challenge process which has been gone through over three months with the external consulting team, the transparency and speed of execution of financial and governance matters under the new leadership and the preliminary feedback on market opportunities to realise the value in the oil and gas business which the plans are designed to unlock. In addition, the Board continues to see potential value in the opportunities in clean energy which the company is continuing to progress.

Structure

As previously reported, between July 2024 and May 2025, US 2.25 million was provided by way of loan to Dacian (the "Bridge") from investors, including two of the Company's directors. The Bridge was due to mature on 30 June 2025, but the lenders agreed to extend the term. The Bridge is entitled to a 14% annual return (non-compounding) and the Bridge lenders will receive in aggregate 87,063 shares in Dacian issued at a nominal value and representing 23.7% of the company's enlarged capital. These shares will replace the options to subscribe for shares under the previous July 2024 Bridge loan agreement.

LMS has now agreed (subject to documentation being finalised) to provide US 5.3 million (£3.9 million) to Dacian by way of a new loan (the "New Loan"). The New Loan will be entitled to a total annual return of 14.25% (non-compounding) and LMS will be issued with 204,533 Dacian shares at nominal value and representing 55.8% of the company's enlarged share capital. The New Loan has a maturity date of 11 months from signing (with an option for the lender to extend).

The issue of shares in Dacian to the Bridge lenders and under the New Loan to LMS, will be implemented in Romanian law once regulatory approval for the June 2024 reorganisation is received. This is still awaited but Dacian is advised that the necessary approval should be received, and such delays are not unusual.

The overall effect for LMS, once the approval for the issue of new Dacian shares in the June 2024 reorganisation is received and the New Loan and related issue of new Dacian shares is put in place is that LMS will have its US 5.3 million loan plus 14.25% per annum non compounding return, and own 67.4% of the issued share capital of Dacian.

All investors have the opportunity to participate in the New Loan. No related parties will invest in the New Loan. Based on current discussions with investors, it is anticipated that between US 200,000 and US 300,000 of additional investment might be advanced by non-related party investors.

Net Asset Value

The previously reported underlying net asset value of Dacian at 31 March 2025 of US 11.6 million investment has been reduced by US 2.3 million, reflecting the impact of the additional financing on the prior investment value.

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