SP ANGEL

Non-Independent Research
*SP Angel acts as Corporate Broker

Energy Flash Note

Sound Energy plc*

SOU LN **BUY**

TP 8.2p

3 May 2022

Gas development starts in Morocco

Stock Data

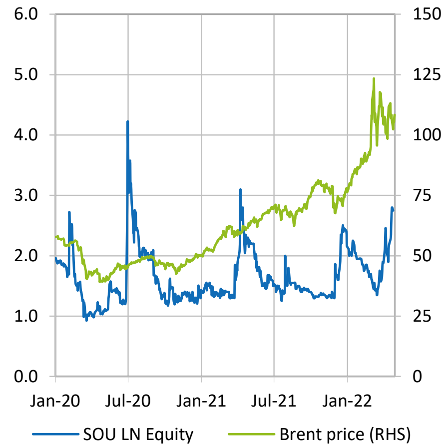
Ticker	SOU LN
Share Price:	2.34
Market Cap:	£41m

Sound Energy is a low-cost gas developer onshore Morocco with strong ESG credentials and a clear route to first gas production and revenues in early 2024. We think Sound's recent share price strength reflects the market only just waking up to its potential as it enters the execution phase of its Tendrara gas development in Morocco.

Sound currently offers investors an attractive entry point to those seeking exposure to a low-carbon energy play in an emerging setting that benefits from strong gas pricing and domestic demand. Key purchase orders have been issued and groundworks begun for the fully funded Phase 1 onshore micro-LNG development. First production is expected in early 2024 providing LNG fuel deliveries to Moroccan industrial customers to replace the existing more expensive higher-carbon LPG imports. The larger Phase 2 pipeline project that will supply to existing gas power stations currently lying idle is making good progress and we expect Sound to secure funding and take FID in 2H22.

We have taken the opportunity to update our forecasts and NAV to reflect recent company updates and reiterate our BUY rating and 8.2p/share price target.

Price Chart



Domestic demand opportunity stems from replacing expensive imports

Morocco is a fast-growing economy reliant almost entirely on foreign energy imports that has been impacted by the recent rise in commodity prices and Algeria's decision to turn off gas exports in 2021. The Moroccan Government is actively encouraging potential indigenous sources to backfill the market demand for domestic gas production stemming from existing gas power stations (over 800MW currently lying idle), industrial customers (served by LPG imports) and as a future substitute for imported coal in base load power (to help meet decarbonisation targets).

Phased development is underway with first gas expected in early 2024

In the initial phase, Sound (Operator, 75% WI) is developing 40bcf of sales gas that will be converted into LNG and sold to Afriquia Gaz, which has responsibility for transportation and delivery to its downstream customers in Morocco. This supplants the existing fuel supply of more expensive and more carbon-intensive LPG imports. An $18m loan note provided by Afriquia fully funds the development to first gas, for which the capital requirements have already been minimised through a shrewd vendor financing agreement with its EPC contractor Italfluid Srl to lease the micro-LNG facility.

Proximity to international GME pipeline provides extra monetisation route

Phase 2 will use the capacity in the existing Maghreb-Europe Gas Pipeline (GME) following Algeria's political decision in 2021 to end the supply of gas to Morocco, and on to Europe via this route. As a result, over 800MW capacity from two existing CCGTs located along the pipeline have been idled and over half of Morocco's electricity is now generated from imported coal. Sound has signed a gas sales agreement with the state-owned power company to supply 120bcf to the gas-to-power market via a new build 120km tie-in pipeline to the GME pipeline. Financing talks are progressing positively, including banks and mezzanine financiers, with an FID decision expected in 4Q22.

Reiterate BUY rating and TP of 8.2p/share

In our view, the pace of the development and activity levels over the last 6M have accelerated significantly. We think management's delivery on a monetisation strategy for the gas resources at Tendrara has successfully transitioned the Company into the execution phase and well on the pathway to revenue generation. We have updated our financial models for news flow and reiterate our BUY rating and TP of 8.2p/share.

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INVESTMENT SUMMARY

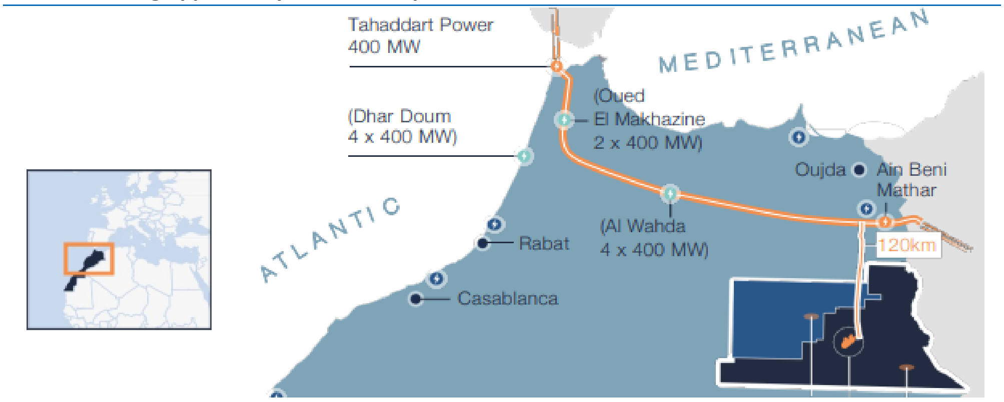
Market may have missed transformation

Now delivering on a monetisation strategy for its 377bcf gas discovery

In our view, the new management team has successfully transitioned the Company's strategy from Explorer to Developer over the last 24M and is now delivering on a gas monetisation strategy for the 377bcf discovered gas resources at the onshore Tendrara field (75% WI and operator). Stated ambitions are being delivered into tangible actions which is notable in the sector. Morocco is a fast-growing emerging economy and demand for domestic gas production stems from existing gas power stations, industrial customers and as a future substitute for imported coal in base load power to meet decarbonisation targets.

Sound Energy has already broken ground at the Tendrara field in 1Q22 and so entered the execution stage of its Phase 1 micro-LNG development in Morocco, targeting first gas and revenues in early 2024. However, the real upside for investors is in the Phase 2 pipeline project, which plans to tie-back the field to a nearby pipeline and supply existing CCGT power plants left to stand idle by Algeria's political decision to halt gas exports last year.

Gas marketing opportunity across multiple markets



Source: Sound Energy

In the initial phase, Sound (Operator, 75% WI) is developing 40bcf of sales gas that will be converted onsite into LNG and sold through a binding ten-year gas sales agreement (GSA) to Afriquia Gaz, which has responsibility for transportation and delivery to its downstream customers in Morocco. Afriquia Gaz, a $1.7bn market cap listed on the Moroccan Stock Exchange that is also one of Sound's largest shareholders (9.8% holding), is fully vested in the project by providing an $18m loan note to fully fund the development to first gas.

Key purchase orders issued for Phase 1 and site preparation commenced

In February, Sound issued a Notice to Proceed to its EPC contractor (Italfluid), which has advanced engineering on the Tendrara Phase 1 micro-LNG development in line with the project schedule, including key purchase orders issued and site preparation commenced. We currently attribute 0.8p/sh of risked value (1p/sh unrisked) to Phase 1, based on an $8/mcf sales gas price and first production in January 2024.

Updated SOTP Valuation Matrix

	US$m	£m	p/sh
Tendrara Phase 1 (NPV10 – 75% WI)	20.2	15.5	0.8
Tendrara Phase 2 (NPV10 – 75% WI)	188.0	144.6	8.4
Cash	5.1	3.9	0.2
G&A	-3.9	-3.0	-0.2
Net financial adjs	-25.0	-19.3	-1.1
Core Value	**184.3**	**141.8**	**8.2**

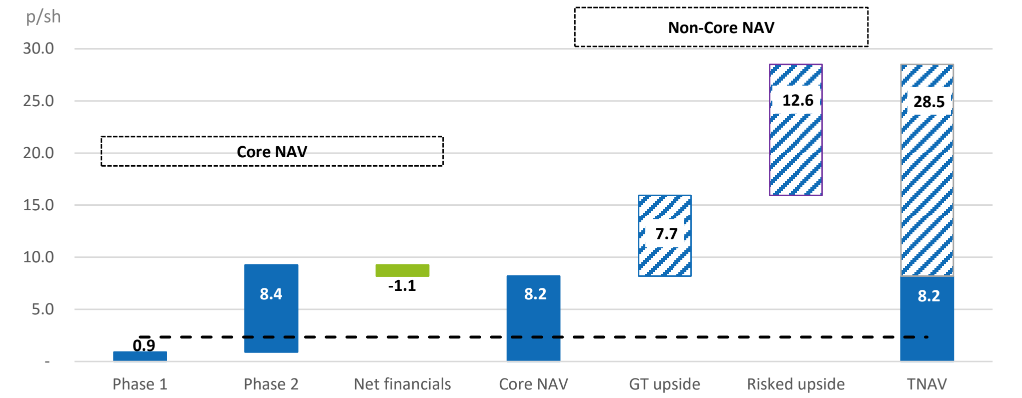
Source: SP Angel estimates

In the larger Phase 2 development, Sound has signed a binding ten-year gas sales agreement with the state-owned power company (ONEE) to supply 120bcf of gas to the international GME pipeline via a 120km tie-in pipeline. We fully expect that the remaining uncontracted gas from the field will also be produced into the same GME pipeline to be utilized either for domestic gas-to-power or exported across the Gibraltar Straits to Spain.

We expect FID to be approved for Phase 2 in 4Q22

The Company reported it has received non-binding terms sheets from a number of parties and we anticipate the project will secure financing (a mix of bank, mezzanine and vendor) and return a Final Investment Decision (FID) in 2H22. We currently attribute 8.4p/sh of risked value (11p/sh unrisked) to Phase 2, based on an $8/mcf contracted sales gas price and $9/mcf uncontracted gas sales price, with first production in January 2025.

Waterfall Chart for Sound Energy



Source: SP Angel estimates

Longer term, Sound Energy provides investors with significant upside potential through multi-TCF exploration prospectivity across its acreage in Morocco, where it is the largest permit holder. Management has focussed its attention on investigating the continuity of the proven and prolific Algerian Triassic & Palaeozoic gas plays into Morocco. We model that Sound should be able to fund further exploration activities through the 'promote' farm-down of up to 1/3 of its 75% equity interest in the licences to an industry partner.

As with a number of other E&P players in the space, Sound's management has also recognised that clean solar energy is a stable investment that can utilise existing in-country contacts to provide attractive investment opportunities and returns. The Company has completed a feasibility study and now plans further discussions with several Moroccan industrial scale farmers to evaluate the provision of 4.3MW of solar powered electricity at its Sidi Moktar licence. It is also evaluating several additional renewables projects.

Valuation

We reiterate our BUY rating and TP of 8.2p/share

Our updated Sum-Of-The-Parts (SOTP) valuation estimates a Core Target Price of 8.2p/share (~£142m mkt cap.), demonstrating that the Company currently trades at a deep 70% discount to our risked NAV. Our Core valuation focuses solely on Sound Energy's planned phased development of its flagship Tendrara concession and its financial assets and liabilities. We highlight that our prudent approach to setting our Target Price at this stage does not include recognition of its potentially transformational exploration portfolio at Greater Tendrara, Anoual, and Sidi Mokhtar, instead focusing on the pathway to near-term production and cash flow under development at the Tendrara field.

The capital-intensive nature of large gas projects in the early phase tends to mask in the Risked NAV approach the potential strength and appeal of the long-term free cash flows that they can generate. Following the initial investment period over 2022-2025, we estimate these two gas projects can generate upwards of £60m in annual net EBITDA with relatively light capex requirements. As such, we think that a yield-based valuation may be more appropriate once the project is onstream and its future stable cash flows have been derisked.

Given the high energy prices currently seen in the macro environment, it is also useful to recognise that a +$1/mcf move in uncontracted gas prices results in a £2m boost to our annual EBITDA estimates and an 8% increase in our Core NAV.

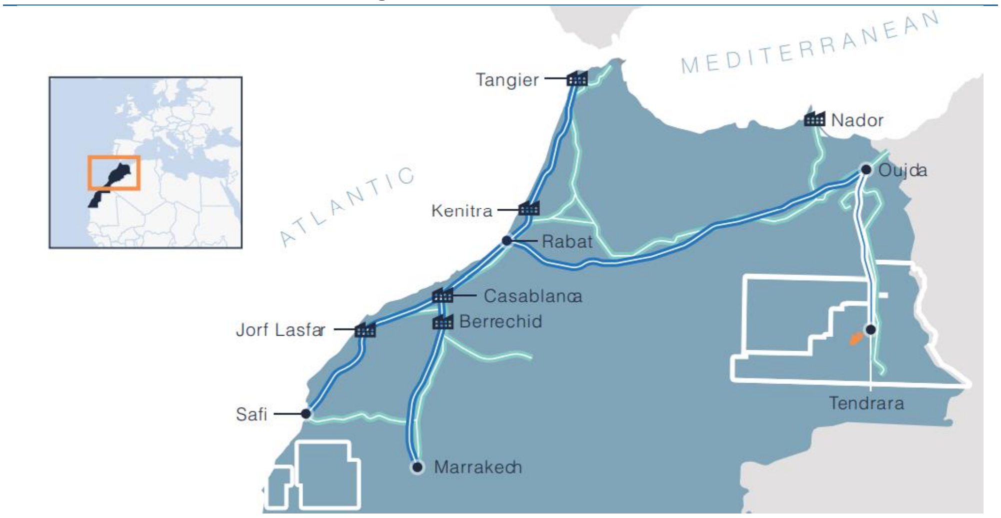
Phase 1 has commenced development

In the first phase, Sound (Operator, 75% WI) is developing 54bcf of raw gas to produce c.40bcf of sales gas in partnership with the state-owned company ONHYM, through which Morocco owns 25% of the working interests in its oil and gas developments. Sound has a binding ten-year gas sales agreement (GSA) in place with Afriquia Gaz to sell an annual contractual quantity of 0.1bcm per annum of sales gas (c.4Bcf/y) with a take or pay agreement priced at $6-$8.346 per mmBtu (SPA est. $8/mcf). The gas will be processed into LNG before a daily quantity of between 475 and 546 cubic metres of LNG is sold to Afriquia Gaz, which has responsibility for transportation and delivery to its downstream customers in Morocco. This supplants the existing fuel supply of more expensive and more carbon-intensive LPG imports and supports Moroccan industry's transition to cleaner and greener gas.

Key purchase orders issued for Phase 1 and site preparation commenced

Sound has a contract with Italfluid Srl. to design, construct, install, commission, operate, maintain and lease a gas processing and liquefaction plant over a ten-year period. In February, Sound issued a Notice to Proceed to Italfluid, which is now advancing engineering on the Tendrara Phase 1 micro-LNG development in line with the project schedule, including key purchase orders issued and site preparation commenced. Phase 1 will consist of utilising the existing well stock of TE-6 and TE-7 in addition to drilling one new well when required to maintain the ten-year period of production. Italfluid, through the vendor financing and lease to own financial structure with Sound Energy, is aligned in both the timely delivery of the plant and the sustained efficient operation of the facility.

Phase 1: micro-LNG feeds industrial gas market in Morocco



Source: Sound Energy

Afriquia Gaz is a $1.7bn market cap company listed on the Moroccan Stock Exchange that is part of the AKWA Group. Afriquia Gaz is the leading distributor of liquefied petroleum gas, butane and propane in Morocco with roughly 1 million tonnes of LPG distributed annually from a fleet of over 1,300 trucks. Given that Morocco's LPG market demand is equivalent to more than 2bcm per annum, this provides additional scope for Sound Energy to grow into. Afriquia Gaz underpinned its partnership with Sound Energy by acquiring a 9.8% shareholding through a £2 million placing in 2021 and providing an $18 million loan note on appealing commercial terms to Sound, which fully meets the capital funding requirements to bring the Phase 1 project onstream. We also note that under Moroccan hydrocarbon code, state energy partner ONHYM is required to fund its 25% equity share of development costs.

Following a strategic re-set in 2020 when the incoming management set its sights on a development-led commercialisation approach, we think that monetisation through the micro-LNG project is clearly an attractive route to accelerate cash flow from the TE-5 Horst discovery. We expect first gas production in January 2024 to generate over $8m net EBITDA per annum, based on a gas sales price of $8/mcf (SPA estimate). Indeed, given its relationship with Afriquia Gaz, Sound is considering this scale of development for existing and future small-scale gas discoveries to monetise the resources with a minimum capex outlay.

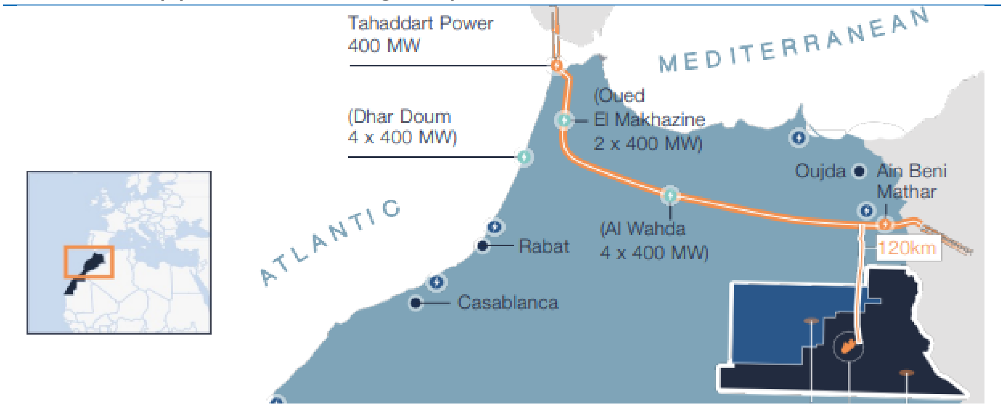
Phase 2 should FID later this year

Prior to 2021, Morocco historically imported 90% of all consumed gas from Algeria through the Maghreb-Europe Gas (GME) pipeline, which fed roughly 100mmcf/d into two existing combined-cycle gas turbine (CCGT) power plants at Tahaddart and Ain Beni Mathar and exported more gas onwards into Spain. However, Algeria announced in 2H21 that it would summarily divert all its Spain-bound gas exports via the Medgaz undersea pipeline that bypasses Morocco. Following the cessation of gas imports from Algeria, the two gas power plants with over 800MW of capacity have lain idle, with imported coal now providing over half of the base load power for the electricity sector. Despite the growth of renewable power's contribution to Morocco's energy mix, the case for enhanced security of supply and indigenous gas production has become even greater to help meet decarbonisation targets.

Phase 2 taps into existing capacity on the GME export pipeline

Phase 2 will use the capacity in the GME export pipeline infrastructure in northern Morocco to provide the joint venture (JV) partners with a preferred route to monetisation. A new build 120km tie-in to connect to the GME pipeline is planned as part of a wider Phase 2 gas development to produce for the gas-to-power market, which is a key element of Morocco's energy strategy. While we think that the domestic gas market can easily absorb the entire discovered resource volumes at Tendrara, we recognise that connecting to the GME export pipeline also opens access to the European market with confirmed capacity by Spain and Portugal, two import-dependent geographies, to absorb additional volumes.

Phase 2: GME pipeline tie-in to feed gas-to-power market in Morocco



Source: Sound Energy

Sound has signed a ten-year gas sales agreement with the state-owned power company ONEE to supply 0.3bcm per annum (120bcf in aggregate) to the gas-to-power market via a tie-in to the GME pipeline. We fully expect that the remaining uncontracted gas from the field will also be produced into the same pipeline to be utilised either for domestic gas-to-power or exported through the GME pipeline across the Gibraltar Straits to Spain. Sound reported in April that it had received non-binding terms sheets from a number of parties, including banks and mezzanine financiers, relating to the funding requirements for the proposed Tendrara Phase 2 development. In parallel, discussions were also progressing with several EPC contractors for services and vendor financing of the proposed central processing facility (CPF) and gas export pipeline associated with the Tendrara Phase 2 development.

We note that management also referenced the strong interest from Moroccan banks, which underscores the potential and strategic significance of this nationally important Moroccan gas development project. Sound Energy's largest shareholder is the Oil & Gas Investment Fund SAS (16.8% holding), which is made up of seven of Morocco's leading financial institutions that have a vested interest in Morocco's domestic growth and industrial activity. We anticipate the project will secure financing (a mix of bank, mezzanine and vendor) and the JV partners will announce a Final Investment Decision (FID) in 4Q22. First revenues, combining gas production from contracted gas sales at $8/mcf and uncontracted gas sales at $9/mcf (SPA estimates), are anticipated within 24 months from FID (SPA est. January 2025).

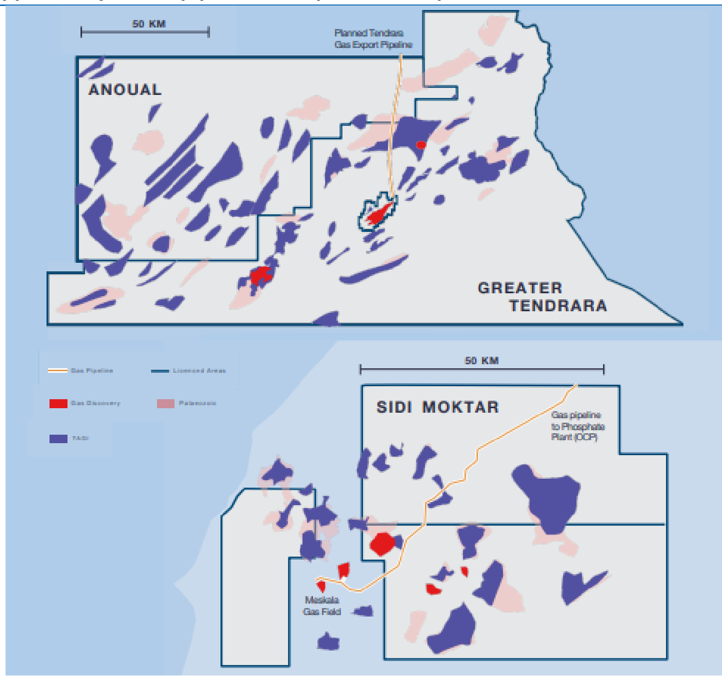
Future growth potential

Whilst management has strategically prioritised its gas monetisation strategy through the phased development of the TE-5 Horst (Tendrara Production Concession), the Company has also re-evaluated the extensive exploration portfolio within the Greater Tendrara and Anoual exploration permits surrounding the Tendrara Production Concession. By integrating the acquired data and learnings from previous drilling campaigns with acquired and reprocessed seismic datasets, Sound has high graded several potential near term subsalt drilling opportunities within the Trias Argilo-Gréseux Inférieur (TAGI) gas reservoir, the proven reservoir of the TE-5 Horst gas accumulation.

Further upside from a range of gas exploration opportunities and diversification into energy transition / renewable projects

These targets include the exploration prospect 'M5' located on the Anoual permit, together with newly assessed potential from the structures previously drilled on the Greater Tendrara permits, SBK-1 and TE-4. Both SBK-1 and TE-4, drilled in 2000 and 2006 respectively, encountered gas shows in the TAGI reservoir. SBK-1 flowed gas to surface during testing in 2000 at a peak rate of 4.4mmcf/d post acidification, but was not tested with mechanical stimulation. Mechanical stimulation has proven to be a key technology to commercially unlock the potential of the TAGI gas reservoir in the TE-5 Horst gas accumulation and accordingly management believes this offers potential to unlock commerciality elsewhere in the basin.

Phase 3: Opportunity to use pipeline to export to Europe



Source: Sound Energy

Driven by international energy prices and increasing Moroccan energy requirements, gas demand is increasing, and the government is encouraging new indigenous gas projects. We think that Sound's asset base in Morocco could be an attractive addition to the portfolio of a larger company, as long as the discovered resource base can be scaled-up to provide materiality through a successful exploration drilling campaign. We assume in our risked upside models that Sound funds further exploration activities through the 'promote' farm-down of up to 1/3 of its 75% equity interest in the licences to an industry partner.

Morocco is the Arab world's poster child for renewables, for which both solar and wind have already reached record levels in 1Q22. As with several other E&P players in the space, Sound's management has recognised that clean solar energy is a stable investment that can utilise existing in-country contacts to provide attractive investment opportunities and returns. Sound announced in April that it has completed a feasibility study and now plans further discussions with several Moroccan industrial scale farmers to evaluate the provision of 4.3MW of solar powered electricity at its Sidi Moktar licence. Sound is also evaluating a number of additional renewables projects to augment its existing asset portfolio and broaden its value proposition.

VALUATION

Valuation Methodology

We have incorporated the following assumptions into our financial model:

Metric	Assumption
Potential shares in issue (diluted millions)	1,729.2
LT exchange $/£	1.30
LT exchange £/€	1.20
LT Brent oil price	US$80/bbl
bcf/mboe	5.8
LT uncontracted Moroccan Gas Price	US$9/mcf
Eastern Morocco Working Interest	75%
NPV/boe Discount Rate	10%
Funding factor assigned to exploration licences	66.67%
Royalties - Gas	5%
Royalties - Liquids	10%

Source: SP Angel estimates

We mark-to-market our assumptions and now use an $80/b long-term flat Brent oil price from 2024 onwards, and a current $1.30:£1.00 FX rate, discounted to 1 January 2022. We model an $8/mcf price for contracted gas and a slightly higher $9/mcf price for uncontracted gas, reflecting the increasing slope of recently signed long term LNG deals indexed to Brent prices. Our 10% WACC for Sound Energy's assets remains unchanged.

We base our Valuation solely on Sound's Core NAV

We value Sound Energy in the same way as we value all our E&P companies, with Risked NAV as the primary valuation metric. We do this by modelling a Discounted Cash Flow (DCF) of the key assets in detail, taking the Company's net effective interest and applying a risk factor. For Sound, we principally value the Company using a combination of a DCF model for both Phase 1 and Phase 2 of the Tendrara field development and an appraisal of the Company's assets and liabilities to calculate Sound's Core Valuation.

Summary Valuation

Asset	Region	Resource (bcf)	Stage	Net WI	Net resource (mboe)	NPV ($/b)	Unrisked value (pps)	Risk factor	Net risked resources (mboe)	Net risked value ($m)	Net risked value (£m)	Net risked value (pps)
Tendrara Phase 1	Morocco	53.7	D	75.0%	6.9	3.2	1.0	85%	5.9	18.6	14.3	0.8
Phase 2a (contracted)	Morocco	128.0	pre-FID	75.0%	16.6	6.3	4.6	80%	13.2	82.9	63.8	3.7
Phase 2b (uncontracted)	Morocco	195.3	pre-FID	75.0%	25.3	5.8	6.5	75%	18.9	109.7	84.4	4.9
Core assets		**377.0**			**48.8**	4.3	**12.1**		**38.1**	**211.3**	**162.5**	**9.4**
Cash @ YE21							0.2			5.1	3.9	0.2
G&A (2Yr)							-0.2			-3.9	-3.0	-0.2
2022 adj (Eurobond, warrants)							-1.2			-27.6	-21.3	-1.2
Core NAV		**377.0**			**48.8**		**10.9**		**38.1**	**184.8**	**142.2**	**8.2**
Greater Tendrara Upside	Morocco	2,685	E*	75.0%	347.1	3.6	55.0	14%	48.8	173.9	133.8	7.7
Anoual Upside	Morocco	4,184	E*	75.0%	541.0	1.6	37.5	11%	57.5	89.6	68.9	4.0
Sidi Mokhtar Upside	Morocco	4,453	E*	75.0%	575.8	2.1	54.7	16%	90.4	192.9	148.4	8.6
Exploration NAV		**11,321**			**1,464**		**147.2**		**196.7**	**456.4**	**351.1**	**20.3**
Total Risked NAV		**11,698**					**158.1**		**234.7**	**641.2**	**493.3**	**28.5**

Source: SP Angel estimates

*Note: *additional 66.67% 'promote' funding factor assigned to geological CoS riskings (i.e. assumes 25% farm-down to 50% WI)*

We think that it is useful for investors to think of Sound's asset base in terms of what can already be considered commercial (e.g. contracted gas under development) and what still has to be derisked by further approvals or drilling (Greater Tendrara prospectivity). This gives us greater flexibility to 'upgrade' the risk factor, also known as the chance of success (CoS), on positive news flow and commercial milestones, better reflecting the market's view on the asset base.

Reiterate BUY rating, setting an 8.2p/share TP

Reiterate our BUY stance setting an 8.2p/share TP

Our updated Sum-Of-The-Parts (SOTP) valuation of Sound Energy estimates a Core Target Price of 8.2p/share (~£142m mkt cap.), demonstrating that the Company currently trades at a deep 70% discount to our risked NAV. Our Core valuation focuses solely on Sound Energy's planned phased development of its flagship Tendrara concession and its financial assets and liabilities. We highlight that our prudent approach to setting our Target Price at this stage does not include recognition of its potentially transformational exploration portfolio at Greater Tendrara, Anoual, and Sidi Mokhtar, instead focusing on the near-term cash flow potential under development at Tendrara.

Risk-Reward profile

As reflected in our valuation approach, Sound will undertake the commercialisation of its prolific gas development at Tendrara through a phased approach. In this development, the Company is ably assisted by strong local industry partners in Afriquia Gaz, ONEE and ONHYM, as well as its largest shareholder OGIF, which allows the Company to partially mitigate above ground risks. With an urgent need to substitute domestic gas resources for higher carbon-intensive imported LPG and coal, we think that Sound Energy investors and its Moroccan stakeholders are uniquely aligned and see further upside from a range of gas exploration opportunities and diversification into energy transition / renewable projects.

In relation to its Moroccan tax dispute, Sound has continued to constructively engage with the Moroccan Tax Administration in relation to a number of tax notifications. The Company remains clear that the assessments by the Moroccan Tax Administration, as previously announced, arise from a fundamental misunderstanding of the historical licensing changes (relinquishing old licences and entering new licences covering revised acreage with revised terms – with no continuation or transfer of the original licence) and inter-group ownership outside of Morocco. SP Angel currently carries no value for this unlikely tax claim, but would expect any court decision to be appealed by the losing party leading to any effective resolution being at least 12 to 24 months away.

The capital-intensive nature of large gas projects in the early phase tends to mask in the Risked NAV approach the potential strength and appeal of the long-term free cash flows that they can generate. Following the initial investment period over 2022-2025, we estimate these two gas projects can generate upwards of £60m in aggregate annual net EBITDA with relatively light capex requirements. As such, we think that a yield-based valuation may be more appropriate once the project is onstream and its future stable cash flows have been derisked.

Accordingly, in our financial forecasts we estimate that Sound Energy will be in a position to distribute 0.6p/sh in cash dividends per annum from 2025e, equivalent to nearly £10 million per annum and an implied yield of c.25% based on today's share price. We also forecast peak debt in the middle of 2025 followed by debt reduction of £20 million per annum, leading to an EV/DACF of 3.1x by 2027 in our financial estimates.

Although the contracted price for Phase 2 volumes has not been disclosed publicly, from previous revenue announcements, we assume a price of $8/mcf, which, when combined with the attractive fiscal terms in the Moroccan hydrocarbon sector, reflects favourably in our valuation. Given the high energy prices currently seen in the macro environment, it is also useful to recognise that a $1/mcf move in uncontracted gas prices (SPA estimates $9/mcf) results in a £2m boost to our annual EBITDA estimates and an 8% increase in our Core NAV.

Sound Energy NAV Sensitivity Matrix

LT uncontracted gas price	Core NAV, p/sh	EBITDA (2025e), $m	EV/DACF (2027e)
$8/mcf	7.5p/sh	$83.8m	3.3x
$9/mcf	**8.2p/sh**	**$86.4m**	**3.1x**
$10/mcf	8.9p/sh	$89.0m	2.8x
$11/mcf	9.6p/sh	$91.5m	2.6x

Source: SP Angel estimates

Financial Statements

In US$ (unless stated)		2020A	2021A	2022E	2023E	2024E	2025E	2026E	2027E
Avshare price (p)		**1.4**	**2.2**	**2.3**	**2.3**	**2.3**	**2.3**	**2.3**	**2.3**
Basic YE NOSH (m)		**1326**	**1629**	**1629**	**1629**	**1629**	**1629**	**1629**	**1629**
YE $/£		**1.30**	**1.34**	**1.30**	**1.35**	**1.35**	**1.35**	**1.35**	**1.35**
Market cap (£m)		**19**	**35**	**38**	**38**	**38**	**38**	**38**	**38**
Market cap ($m)		**25**	**47**	**50**	**52**	**52**	**52**	**52**	**52**
EV ($m)		**51**	**70**	**83**	**193**	**316**	**299**	**258**	**216**
Income Statement		**2020A**	**2021A**	**2022E**	**2023E**	**2024E**	**2025E**	**2026E**	**2027E**
Brent	$/bbl	43.0	71.0	100.0	90.0	80.0	80.0	80.0	80.0
Natural gas	$/mcf	17.0	17.0	18.0	9.0	9.0	9.0	9.0	9.0
Revenue	$m	0.0	0.3	0.0	0.0	22.7	126.3	126.3	126.3
Opex	$m	0.0	0.0	0.0	0.0	-12.6	-25.9	-25.9	-25.9
EBITDAX	$m	-7.5	1.0	-2.0	-2.7	5.3	86.4	86.1	84.7
EBITDA	$m	-16.5	3.4	-2.0	-2.7	5.3	86.4	86.1	84.7
DDA	$m	0.0	0.0	0.0	0.0	-5.6	-25.0	-25.0	-25.0
EBIT	$m	-16.5	3.4	-2.0	-2.7	-0.4	61.4	61.1	59.7
Exceptionals	$m	-12.7	5.4	0.0	0.0	0.0	0.0	0.0	0.0
Net finance income	$m	-4.2	-3.1	-1.6	-4.0	-11.3	-16.3	-15.4	-13.7
EBT	$m	-24.5	3.3	-3.5	-6.7	-11.7	45.0	45.6	46.0
Tax	$m	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Other	$m	-5.2	1.6	0.0	0.0	0.0	0.0	0.0	0.0
Net income	$m	**-29.7**	**4.8**	**-3.5**	**-6.7**	**-11.7**	**45.0**	**45.6**	**46.0**
EPS (basic)	Cents	-2.0	0.2	-0.2	-0.4	-0.7	2.8	2.8	2.8
Balance Sheet		**2020A**	**2021A**	**2022E**	**2023E**	**2024E**	**2025E**	**2026E**	**2027E**
Cash	$m	5.8	3.9	0.5	20.8	6.4	18.2	32.3	46.8
Debt	$m	32.1	26.9	33.6	162.2	271.3	265.6	238.6	211.6
Net debt/(cash) BV	$m	26.3	22.9	33.1	141.4	264.9	247.4	206.3	164.8
Cash Flow		**2020A**	**2021A**	**2022E**	**2023E**	**2024E**	**2025E**	**2026E**	**2027E**
Cash flow from Operations	$m	-2.4	-2.1	-2.0	-2.7	4.6	76.6	86.1	84.7
Cash used in Investing	$m	-1.7	-1.6	-7.3	-100.3	-116.8	-36.2	-16.2	-16.2
Cash used in Financing	$m	4.1	1.5	5.9	123.2	97.8	-28.7	-55.7	-54.1
Change in cash	$m	0.1	-2.2	-3.3	20.3	-14.4	11.8	14.1	14.5
FCF	$m	-4.0	-4.0	-9.4	-103.1	-112.2	40.4	69.8	68.4
DACF	$m	-4.0	-3.3	-3.6	-6.8	-6.7	60.3	70.6	70.8
Production (WI)									
Oil production	kbopd	0.00	0.00	0.00	0.00	0.00	0.11	0.11	0.11
Gas production	mmscfd	0.0	0.0	0.0	0.0	11.0	48.5	48.5	48.5
Total production	kboepd	0.00	0.00	0.00	0.00	1.90	8.47	8.47	8.47
Production growth	%	0%	0%	0%	0%	0%	346%	0%	0%
2P reserves	mboe	0.0	0.0	0.0					
2C resources	mboe	48.8	48.8	48.8					
Valuation									
Share price	(p)	1.4	2.2	2.3	2.3	2.3	2.3	2.3	2.3
Market cap	$m	24.7	46.9	49.6	51.6	51.6	51.6	51.6	51.6
EV	$m	51.0	69.9	82.7	193.0	316.5	299.0	257.8	216.4
P/E	(x)	-0.9	13.4	-14.0	-7.7	-4.4	1.1	1.1	1.1
EV/DACF	(x)	-12.7	-21.5	-23.3	-28.6	-46.9	5.0	3.7	3.1
EV/2P	($/boe)	nm	nm	nm	nm	nm	nm	nm	nm
EV/2P+2C	($/boe)	1.0	1.4	1.7	nm	nm	nm	nm	nm
EV/bopd	$/bopd	nm	nm	nm	nm	166.5	35.3	30.4	25.5
Div yield	(%)	0%	0%	0%	0%	0%	26%	26%	26%
FCF yield	(%)	-16%	-8%	-19%	-200%	-218%	78%	135%	133%
Net debt/EBITDA	(x)	-1.6	6.7	-17.0	-52.4	50.5	2.9	2.4	1.9
Net debt/Equity	(%)	14%	11%	17%	71%	141%	110%	80%	57%
Net debt/EBITDAX	(x)	-3.5	23.2	-17.0	-52.4	50.5	2.9	2.4	1.9
EBITDAX/interest	(x)	-1.8	0.3	-1.2	-0.7	0.5	5.3	5.6	6.2
Interest cover	(x)	-3.9	1.1	-1.2	-0.7	0.0	3.8	4.0	4.3
ROACE	(%)	-8%	2%	-1%	-1%	0%	13%	12%	12%
EV/EBITDAX	(x)	-6.8	70.7	-42.4	-71.5	60.3	3.5	3.0	2.6

Source: SP Angel estimates

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