

Corporate

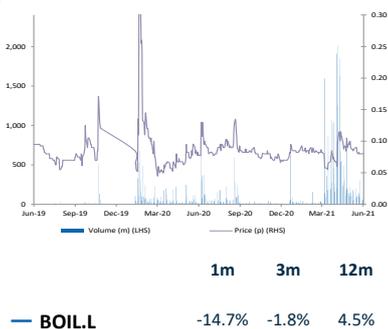
 Current price **0.08p**

 Sector **Oil & Gas**

 Code **BOIL.L**

 AIM **AIM**

Share Performance



Source: Thomson Reuters, Allenby Capital

Share Data

 Market Cap (£m) **8.3**

 Shares in issue (bn) **10.43**

 52 weeks (p) **High** **Low**
0.14 **0.06**

 Financial year end **31 December**

Source: Company Data, Allenby Capital

Key Shareholders

 Hargreaves Lansdown **10.26%**

 JIM Nominees **10.02%**

 Barclays Direct Investors **4.79%**

 Vidacos Nominees **4.40%**

 Premier Miton Group **3.87%**

Source: Argus Vickers, Allenby Capital

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Baron Oil plc (BOIL.L)

Increase in Chuditch interest

In an important strategic move, Baron Oil has announced an increase in its interest in the potentially high-impact Chuditch natural gas project offshore Timor-Leste from 63.75% to 75.0%. The balancing 25% is owned by the Timor-Leste national oil company, Timor Gap. Baron's higher interest will be facilitated by the buyout of the 15% interest in its JV partner SundaGas Timor-Leste (Sahul) Pte Ltd (TLS) it does not already own. This is the parent of the Timor-Leste subsidiary, SundaGas Banda Unipessoal Lda, the operator of the Timor-Leste Chuditch PSC. Baron will now become the defacto operator. Consideration is 1.15bn Baron Oil shares worth c. £0.9m. We are raising our risked valuation for Chuditch to reflect the increase in the resource base following the deal. The new estimate adjusted for a free-carry farm-in is £26.3m or 0.227p/share. This compares with £22.5m or 0.215p/share in our [June 8th](#) note. In a success case, our Chuditch valuation would be £78.7m (£1=\$1.40), equivalent to 0.679p/share.

- The deal has a sound rationale given the prospectivity and potential company maker status of the Chuditch project. The deal boosts Baron's shares in issue by 11% to 11.59 bn while net prospective resources increase by 17.7 % to 2.65 tcf (442mm boe). Singapore-based SundaGas PTE will become a 10% shareholder in Baron Oil.
- Significantly, the existing SundaGas technical team which is under contract to TLS and is responsible for operating the Chuditch PSC will remain in situ. The team has considerable experience of operating in SE Asia with Hess Corporation, Conoco, Serica Energy and Pearl before founding Mitra Energy (renamed Jadestone Energy) and then SundaGas in 2016. It also has a record of achieving successful farmouts. Following consolidation of the SundaGas operator, Baron's G&A will increase significantly. We have added a further £0.3m into G&A for this purpose reflecting greater visibility on the TLS cost base. In the year to March 2021 TLS lost US\$0.62m.
- The Chuditch project is potentially of world class scale with gross prospective resources of 3.53 tcf (588mm boe). Note, this only refers to natural gas. Liquids could offer upside potential. The project includes a discovery made by Shell in 1998. The well, however, was never tested. Significantly we believe a prospective Chuditch development could be connected relatively easily to Santos's 26-inch pipeline from the Baya-Undan field to its Darwin LNG plant around 400 km to the southeast. Santos is Baron's most obvious joint-venture partner for developing Chuditch.
- Presently a major Chuditch \$1.6m reprocessing and evaluation survey based on legacy 3-D seismic is underway. The work is being undertaken by the geoscience specialists TGS. Results should start flowing through in the fourth quarter of 2021. Assuming Baron's current understanding of prospectivity is supported the search for a free-carry farm-in will begin. Given the need for a drill or drop decision by end 2022, Baron will probably need to secure a partner by early 2022. Under the terms of the PSC drilling is required at Chuditch by end 2023. The tentative plan is to drill one appraisal and one exploration well. According to Baron, well costs are relatively low at about \$12m.

Year End: 31 December

(£'000)	2018	2019	2020	2021E	2022E
EBITDA	(549)	(442)	(710)	(1,171)	(1218)
NET CASH/(NET DEBT)*	1,709	347	1,311	1,570	(986)

Allenby Capital acts as Nomad & Broker to Baron Oil plc (BOIL.L). * including restricted cash.

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