

## Advance Energy PLC\*

21 April 2021

### Stock Data

Share Price:	2.20p
Market cap.:	£22.6m
Shares in issue:	1,027.6m

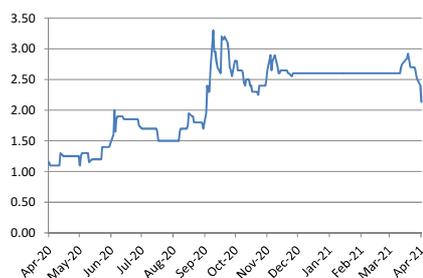
### Company Profile

Sector:	Oil & Gas
Exchange:	AIM
Ticker:	ADV

### Activities

Advance's strategy is to leverage its management's extensive experience to identify discovered oil and gas assets and unlock hidden value within them through a technical and commercial approach.

### Share price performance



Source: LSE

### Directors

Mark Rollins:	Non-Exec. Chairman
Leslie Peterkin:	Chief Executive Officer
Stephen West:	Chief Financial Officer
Ross Warner:	Non-Exec. Director
Stephen Whyte:	Non-Exec. Director
Larry Bottomley:	Non-Exec. Director

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\*Optiva Securities acts as joint broker to Advance Energy PLC

## Company update

**Advance Energy (ADV) has completed the acquisition of a 50% equity interest in Carnarvon Petroleum Timor Unipessoal Lda, a subsidiary of ASX-listed Carnarvon Petroleum which holds a 100% working interest in the Buffalo PSC offshore Timor-Leste. Since the completion of a successful placing to raise £21.8m (c.US\$30.0m) of new capital, ADV has also transferred the consideration of US\$20m payable to Carnarvon under the terms of the Buffalo Subscription Agreement. These funds will now be used to fund an appraisal well on the Buffalo field in order to convert existing contingent oil resources into reserves and instigate a full field development programme.**

In December 2020, ADV's shares were suspended from trading pending the conditional acquisition of an indirect interest of up to 50% in the TL-SO-T 19-14 Production Sharing Contract (the Buffalo PSC) located offshore Timor-Leste. Under the terms of the deal, ADV agreed to subscribe for up to 50% of the equity in a JV with Carnarvon Petroleum Timor Unipessoal Lda for a consideration of up to US\$20m.

On 31 March 2021, ADV announced that it had conditionally raised £21,842,600 before expenses (c.US\$30.03m) through the issue of 840.1 million new shares at 2.6p per share. With net proceeds estimated at £20.0m (US\$27.5m), Advance Energy TL Limited (AETL), a wholly owned subsidiary of ADV, has now transferred the US\$20m payable to Carnarvon under the Buffalo Subscription Agreement.

This subscription will fully fund the B-10 appraisal well on the field, expected to be drilled in H2 2021 and intended to convert 2C contingent resources of 34.3 mmbbls into 2P reserves following re-certification and instigate a full field development thereafter. Depending on the success of B-10, the Buffalo PSC has the potential to deliver gross production volumes of up to 40,000 bopd within three years.

In conjunction with the placing, in which the Company's CEO and Chairman both participated, ADV undertook a 10:1 capital consolidation and as such, the Company now has 1,027.6 million shares in issue as at 19 April 2021.

Such was the success of the recent fund raising, ADV now has material financial headroom, equivalent to approximately US\$7.5m. We understand that c.US\$2.5m of this represents a provision for the Company's share of potential additional costs associated with the B-10 well. However, ADV also has an additional US\$5.0m of working capital with which to fund its ongoing strategy of pursuing further value adding acquisitions.

**In January 2021, we calculated that ADV's 50% net interest in Buffalo could be worth up to US\$165m, based on a successful appraisal well and subsequent development project. With the inclusion of free cash available to the Company, this generates an indicative valuation of 12.1p per share. We note that the successful placing and the completion of the acquisition have now de-risked this valuation substantially, mitigating a range of commercial risk factors by a significant degree. Although several incumbent technical risks remain which could justify a more aggressively risked outcome such as only the 1C resources being certified as reserves, we believe that an outcome even half the level of our preliminary assessment would deliver a highly attractive return equivalent to almost four times ADV's initial investment which we calculate as a conservative valuation of 6p per share, a substantial uplift on the current share price.**

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