31 March 2021

Corp

Ticker	**PMG:AIM**
Energy	
Shares in issue (m)	109.2
Next results	FY Sept
Price	**34.9p**
Target price	162.0p
Upside	364%
Market cap	**£38.1m**
Net debt/(cash)	-£25.1m
Other EV adjustments	£0.0m
Enterprise value	£13.1m

What's changed?	From	To
Adjusted EPS	-0.3	-1.4
Target price	167.0	162.0

Share price performance

%	1M	3M	12M
Actual	1.7	-9.9	37.1

Company description

Parkmead has four divisions offering a broad set of growth opportunities in oil, gas and renewables.

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Parkmead Group*

Well positioned for the recovery

Robust interim results from Parkmead despite the pandemic, with its low-cost Dutch gas business proving highly resilient. Cost controls and minimal capex have kept Parkmead's strong balance sheet intact, providing an excellent foundation to pursue the significant development opportunities contained within its portfolio as well as any attractive acquisition opportunities. Parkmead is emerging from the pandemic in a position of strength, with a high-quality production base as well as a broad and varied bench of opportunities across its portfolio and the balance sheet to advance them. It is also well positioned for the energy transition with its gas opportunities and nascent renewables portfolio.

- **Robust financial performance.** Parkmead recorded impressive financial performance with its interims in the face of the global pandemic, with the resilience of its onshore Dutch gas business shining through. Low operating costs alongside minimal capex meant the asset still generated positive cash flows despite exceptionally weak gas prices. This has helped maintain Parkmead's strong balance sheet, with net cash only falling marginally from £25.2m to £24.4m. Parkmead's reported net loss of £1.6m for the period was largely unchanged y/y but included a £0.4m non-cash impairment charge relating to a UK licence relinquishment.
- **Dutch gas business proves resilient.** The Netherlands is Parkmead's core production base, with gas produced from four low-cost (<US$10/boe opex) onshore fields. While it remained cash positive, production came under inevitable pressure as a result of delayed investment over the past 12 months. But, with the recovery in European gas prices, production enhancement and development work should resume as confidence in the outlook returns, benefiting FY22 production volumes.
- **Parkmead can drive Platypus forward.** Parkmead has agreed in principal to take over the operatorship of the Platypus gas development in the UK Southern North Sea, while the make-up of the partnership looks set to change. This is good news as PMG's remaining partner, Berkshire Hathaway backed CalEnergy Resources, is more closely aligned and has the financial resources to pursue the project. Currently we value PMG's 15% stake in Platypus at ~4p/sh (8.5p unrisked), but await more news on the resulting licence ownership in the coming weeks.
- **NAV trimmed.** Our Parkmead risked-NAV and price target fall slightly, from 167p to 162p, largely as a result of changed FX assumptions, but also slightly higher G&A and lower near-term Dutch gas production forecasts.

Key estimates Year end:		2018A Jun	2019A Jun	2020A Jun	2021E Jun	2022E Jun
Revenue	£m	7.0	8.3	4.1	5.1	5.8
Adj EBITDA	£m	-4.8	5.4	0.3	0.2	2.3
Adj EBIT	£m	-5.3	5.2	-0.5	-0.5	1.6
Adj PBT	£m	-5.9	4.8	-0.7	-1.2	0.9
Adj EPS	p	-2.2	2.4	0.8	-1.4	-0.4
DPS	p	0.0	0.0	0.0	0.0	0.0
Key valuation metrics						
EV/EBIT (adj)	x	-2.5	2.5	-26.8	-25.7	8.3
P/E (adj)	x	-16.0	14.3	44.6	-24.7	-88.5
Dividend yield	%	0.0%	0.0%	0.0%	0.0%	0.0%
Free cash yield	%	0.6%	-2.2%	-12.4%	-2.2%	-19.5%
Pre-tax ROCE	%	-8.3%	7.6%	-0.7%	-0.7%	2.3%

Parkmead Group

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Well positioned for the recovery

Income statement		2019A	2020A	2021E	2022E
Year end:		**Jun**	**Jun**	**Jun**	**Jun**
Sales	£m	8.3	4.1	5.1	5.8
Gross profit	£m	6.0	2.1	2.3	4.1
EBITDA (adjusted)	£m	5.4	0.3	0.2	2.3
EBIT (adjusted)	**£m**	**5.2**	**-0.5**	**-0.5**	**1.6**
Associates/other	£m	0.0	0.4	-0.0	0.0
Net interest	£m	-0.3	-0.6	-0.6	-0.7
PBT (adjusted)	**£m**	**4.8**	**-0.7**	**-1.2**	**0.9**
Total adjustments	£m	-0.0	-0.1	1.1	-0.1
PBT (stated)	£m	4.8	-0.8	-0.1	0.8
Tax charge	£m	-2.4	0.3	-1.0	-1.3
Minorities/Disc ops	£m	0.0	0.0	0.0	0.0
Reported earnings	£m	2.4	-0.5	-1.1	-0.5
Adjusted earnings	**£m**	**2.5**	**0.9**	**-1.7**	**-0.5**
Shares in issue (year end)	m	98.9	108.6	109.2	109.2
EPS (stated)	p	2.4	-0.5	-1.0	-0.4
EPS (adjusted, fully diluted)	**p**	**2.4**	**0.8**	**-1.4**	**-0.4**
DPS	**p**	**0.0**	**0.0**	**0.0**	**0.0**

Growth analysis		2019A	2020A	2021E	2022E
Year end:		**Jun**	**Jun**	**Jun**	**Jun**
Sales growth	%	17.8%	-50.7%	25.3%	13.9%
EBITDA growth	%	212.5%	-94.9%	-20.5%	931.2%
EBIT growth	%	197.1%	-109.5%	-4.2%	408.3%
PBT growth	%	182.2%	-115.4%	-57.6%	174.2%
EPS growth	%	211.8%	-68.0%	-280.7%	72.1%
DPS growth	%	n/m	n/m	n/m	n/m

Profitability analysis		2019A	2020A	2021E	2022E
Year end:		**Jun**	**Jun**	**Jun**	**Jun**
Gross margin	%	72.4%	51.2%	45.0%	69.9%
EBITDA margin	%	65.1%	6.8%	4.3%	38.9%
EBIT margin	%	62.4%	-12.0%	-10.0%	26.9%
PBT margin	%	58.4%	-18.2%	-22.8%	14.9%
Net margin	%	29.8%	21.3%	-32.8%	-8.0%

Cash flow		2019A	2020A	2021E	2022E
Year end:		**Jun**	**Jun**	**Jun**	**Jun**
EBITDA	£m	5.4	0.3	0.2	2.3
Net change in working capital	£m	-0.5	-0.5	0.9	0.0
Other operating items	£m	-0.2	1.1	0.9	0.1
Cash flow from op. activities	**£m**	**4.7**	**0.9**	**2.1**	**2.3**
Cash interest	£m	0.2	0.1	-0.0	-0.1
Cash tax	£m	-1.8	-1.9	-1.6	-1.9
Capex	£m	-4.0	-3.8	-1.3	-7.8
Other items	£m				
Free cash flow	**£m**	**-0.8**	**-4.7**	**-0.8**	**-7.4**
Acquisitions / disposals	£m				
Dividends	£m				
Shares issued	£m	0.0	0.0	0.0	0.0
Other	£m	1.1	-0.2	-3.9	2.6
Net change in cash flow	**£m**	**6.9**	**-5.0**	**-0.7**	**-4.9**
Opening net cash (debt)	£m	23.8	30.7	25.7	25.0
Closing net cash (debt)	**£m**	**30.7**	**25.7**	**25.0**	**20.1**

Cash flow analysis		2019A	2020A	2021E	2022E
Year end:		**Jun**	**Jun**	**Jun**	**Jun**
Cash conv'n (op cash / EBITDA)	%	88.0%	319.6%	941.2%	103.3%
Cash conv'n (FCF / EBITDA)	%	-15.8%	n/m	-384.7%	-328.1%
U/lying FCF (capex = depn)	£m	2.9	-1.7	-0.3	-0.3
Cash quality (u/l FCF / adj earn)	%	119.0%	-197.8%	16.4%	73.0%
Investment rate (capex / depn)	x	18.4	5.0	1.8	11.2
Interest cash cover	x	n/a	n/a	46.1	19.0
Dividend cash cover	x	n/a	n/a	n/a	n/a

Working capital analysis		2019A	2020A	2021E	2022E
Year end:		**Jun**	**Jun**	**Jun**	**Jun**
Net working capital / sales	%	-47.2%	-70.9%	-67.6%	-53.3%
Net working capital / sales	days	-172	-259	-247	-195
Inventory (days)	days	0	12	9	8
Receivables (days)	days	29	126	44	39
Payables (days)	days	201	397	300	242

Balance sheet		2019A	2020A	2021E	2022E
Year end:		**Jun**	**Jun**	**Jun**	**Jun**
Tangible fixed assets	£m	11.8	21.4	16.8	23.4
Goodwill & other intangibles	£m	36.2	38.3	38.9	39.4
Other non current assets	£m	0.0	2.9	2.9	0.0
Net working capital	£m	-3.9	-2.9	-3.5	-3.1
Other assets	£m	2.9	0.0	0.0	0.0
Other liabilities	£m	-9.5	-10.4	-10.4	-10.4
Gross cash & cash equivs	£m	30.7	25.7	25.0	20.1
Capital employed	**£m**	**68.3**	**74.9**	**69.7**	**69.3**
Gross debt	£m	0.0	3.6	0.5	0.5
Net pension liability	£m	0.0	0.0	0.0	0.0
Shareholders equity	£m	68.3	71.3	69.2	68.8
Minorities	£m	0.0	0.0	0.0	0.0
Capital employed	**£m**	**68.3**	**74.9**	**69.7**	**69.3**

Leverage analysis		2019A	2020A	2021E	2022E
Year end:		**Jun**	**Jun**	**Jun**	**Jun**
Net debt / equity	%	no debt	net cash	net cash	net cash
Net debt / EBITDA	x	no debt	net cash	net cash	net cash
Liabilities / capital employed	%	0.0%	4.8%	0.7%	0.7%

Capital efficiency & intrinsic value		2019A	2020A	2021E	2022E
Year end:		**Jun**	**Jun**	**Jun**	**Jun**
Adjusted return on equity	%	3.6%	1.2%	-2.4%	-0.7%
RoCE (EBIT basis, pre-tax)	%	7.6%	-0.7%	-0.7%	2.3%
RoCE (u/lying FCF basis)	%	4.3%	-2.3%	-0.4%	-0.5%
NAV per share	p	69.0	65.7	63.4	63.0
NTA per share	p	32.4	30.5	27.7	27.0

Interim results

Robust results from Parkmead despite the pandemic, with its low-cost Dutch gas business proving highly resilient. Cost controls and minimal capex has kept Parkmead's strong balance sheet intact, providing a strong foundation from which to pursue the significant development opportunities contained within its portfolio as well as any attractive acquisition opportunities.

Parkmead has agreed in principal to take over the operatorship of one of these projects, the Platypus gas development, while the make-up of the partnership looks set to change. This is good news as the remaining partners are more aligned and have the financial resources to pursue the project.

Parkmead is emerging from the pandemic in a position of strength, with a high-quality production base as well as a broad and varied bench of opportunities across its portfolio and the balance sheet to advance them. It is also well positioned for the energy transition with its gas opportunities and nascent renewables portfolio.

Financials

Parkmead recorded impressive financial performance in the face of the global pandemic, with the resilience of its Dutch gas business shining through and the company demonstrating tight controls on costs and expenditure. This has kept its strong balance sheet intact, with net cash only falling marginally from £25.2m to £24.4m. It maintains a solid foundation from which to grow organically and/or via acquisitions as the sector recovers from COVID-19.

Figure 1: Parkmead interim results summary

Interim results to end-December		H1 2021	H1 2020	% Chg
Revenue	**£'000**	**1,548**	**2,111**	***-27%***
Cost of sales	£'000	(772)	(1,308)	*-41%*
Gross Profit	**£'000**	**776**	**803**	***-3%***
Exploration expense	£'000	(605)	(1,475)	*-59%*
Admin expense	£'000	(1,192)	(836)	*43%*
Other	£'000	(35)	362	-
EBIT	**£'000**	**(1,056)**	**(1,146)**	***-8%***
Adj. EBITDA	£'000	(693)	(1,268)	*-45%*
Net finance expense	£'000	(331)	(267)	*24%*
PBT	**£'000**	**(1,387)**	**(1,413)**	***-2%***
Tax	£'000	(165)	(303)	*-46%*
After-tax profit	**£'000**	**(1,552)**	**(1,716)**	***-10%***
Net cash flow from operations	£'000	(294)	(1,671)	*-82%*
Capex	£'000	(437)	(2,586)	*-83%*
Period-end cash	£'000	24,533	25,880	*-5%*
Period-end net cash/(debt)	**£'000**	**24,360**	**25,217**	***-3%***

Source: Company reports

H1 revenue fell 27% y/y to £1.5m with TTF Dutch gas prices falling 14% on average to €11.6/MWh. Prices have recovered strongly since, averaging ~€18.4/MWh in Q1 2021.

Cost of sales fell an impressive 41%, aided by the relinquishment of non-core acreage – licence P2362 containing the Lowlander/Midlander fields – considerably reducing licence costs. This helped keep gross profit almost flat at £0.8m and increased the gross profit margin to 50%.

Admin expense rose 43% y/y to £1.2m, although this figure is heavily influenced by non-cash items. It includes the non-cash revaluation of share appreciation rights (SARs), with the share price move through H1 2021 resulting in an expense of £0.6m versus a £0.3m credit in the prior year period.

Also included is a non-cash share based payment credit for options of £1.1m (£10k H1 2020) and foreign exchange expense of £0.4m (£0.6m H1 2020). Adjusting for these items, underlying admin costs were £1.7m versus £1.2m in the prior year period.

There was a reported net loss of £1.6m for the period, down slightly on the £1.7m loss reported in H1 2020. This included a £0.4m non-cash impairment charge relating to the above mentioned licence relinquishment.

Cash used by operations was minor at £0.3m, which alongside minimal capex spend during the period (£0.4m) and the first £0.7m instalment of the £4m non-core land sales kept cash burn to a minimum. Period-end cash stood at £24.5m, down just £1.2m from end-FY20. Moreover, this was boosted by the additional £3.3m of receipts from land sales received post period-end.

Estimate changes

Our new estimates are summarised below. The main moving parts are lower production expectations alongside, higher admin costs and the exploration impairment.

Figure 2: Parkmead estimate changes

		2021E			2022E		
		New	Old	% Chg	New	Old	% Chg
Brent oil price	US$/bbl	52.5	52 5	0%	55 0	55.0	0%
Dutch TTF gas price	€/MWh	15.0	15 0	0%	16 5	16.5	0%
UK NBP gas price	p/th	38.0	38 0	0%	40 0	40.0	0%
Group production	**boepd**	**489**	**538**	***-9%***	**522**	**563**	***-7%***
Revenue	**£m**	**5.1**	**5.6**	***-9%***	**5.8**	**6.4**	***-9%***
Cost of Sales	£m	-2.5	-2.6	-6%	-2 5	-2.7	-9%
Admin expenses	£m	-1.6	-1 5	7%	-1.7	-1.5	14%
Exploration expenses	£m	-0.5	-0 2	180%	-0.1	-0.1	0%
Finance expense	£m	-0.6	-0.6	13%	-0.7	-0.6	12%
Pre-tax profit	**£m**	**-0.1**	**0.8**	***-115%***	**0.8**	**1.4**	***-43%***
Tax	£m	-1.0	-1 2	-14%	-1 3	-1.4	-10%
Net profit	**£m**	**-1.1**	**-0.4**	***n.m***	**-0.5**	**0.0**	***n.m.***
Net cash flow from ops	**£m**	**0.5**	**0.5**	***-8%***	**0.5**	**0.9**	***-45%***
Capex	£m	-1.3	-1 3	0%	-7 8	-7.8	0%
Net cash/(debt)	**£m**	**27.4**	**28.0**	***-2%***	**19.6**	**20.8**	***-6%***

Source: finnCap

Parkmead assuming operatorship of Platypus gas development

Parkmead has agreed in principal to take over as operator from Dana, with CalEnergy as its sole partner. Currently, Parkmead owns 15% and CalEnergy 26% of the project. This suggests Dana Petroleum has relinquished its interest in the licence.

The licence is due to expire at the end of July, so an application for a licence extension is likely to be submitted by the end of April, suggesting we should hear something regarding any change in licence ownership in the next couple of months.

This development follows Reuter's reports in late January suggesting KNOC, which owns Dana, had launched the sale of stakes in several oil and gas fields in the UK, Netherlands and Denmark. It would also not be a surprise given Dana has always been focused on oil, rather than gas.

If anything it should result in better alignment of the remaining partners and a greater desire to push ahead with the project. Since notionally assuming operatorship, Parkmead has already entered into advanced commercial discussions with the Platypus supply chain.

It is also good news in that Berkshire Hathaway backed CalEnergy is financially very strong and more likely to commit development funding than KNOC - CalEnergy are currently developing the Thames Pipeline Catchment Area with first gas expected this year. The Parkmead and CalEnergy teams will also be familiar with each other from their Skerryvore area partnership.

Platypus is located in UK Southern North Sea Blocks 47/5b and 48/1a. It was discovered in 2010 with the 48/1a-5 well and successfully appraised in 2012, flow testing at a rate of 27 mmcfd (4,500 boepd). Platypus is estimated to contain mid case recoverable reserves of 103 bcf and is capable of delivering peak gas production of over 60 mmcfd.

The Platypus draft Field Development Plan (FDP) and Environmental Statement were submitted to the OGA in October 2019. The selected development concept calls for a two-well subsea tie-back to the Cleeton platform, minimising initial capital expenditure and field operating costs.

A potential satellite field, Platypus East, could add a further 50 bcf of recoverable resource. The geological chance of success for Platypus East is high at 73%, but it is intended that early reservoir monitoring will be conducted at Platypus to gather additional data prior to drilling. In the event of a discovery, the two fields could be developed via a single hub with two wells at Platypus and one at Platypus East. We currently value Platypus and Platypus East at 4.2p/sh and 0.9p/sh, respectively.

Platypus also has the potential to open up further development upside in this prolific gas area in which Parkmead has additional exploration interests. This includes the 190 bcf gas-in-place Blackadder prospect (PMG 75%) on licence P2435, a potential low-cost tie-back candidate to Platypus if successful, although no timeframe has been put on drilling.

Robust Dutch gas business

Parkmead's Netherlands onshore gas business continues to impress, proving highly robust to the extreme gas price weakness caused by COVID-19 while operating without interruption throughout the Dutch lockdown. Despite this, the business still delivered positive cash flow through the period.

The Netherlands is Parkmead's core production base with gas produced from four low-cost (<US$10/boe opex) onshore fields – Brakel, Grolloo, Geesbrug and Diever. Parkmead has a 7.5% working interest in Diever and 15% of the other fields, which are all operated by Canadian listed Vermilion Energy.

Production came under inevitable pressure as a result of delayed investment through the pandemic, with gross production down 14% on FY 2020 at 32.8 mmcfd (5,648 boepd).

Still, multiple exploration opportunities exist around the producing Diever field on the Drenthe VI concession (PMG 7.5%), such as the Boergrup and De Bree prospects, both of which contain stacked targets with similar characteristics to Diever. Concept selection planning at the Papekop oil and gas discovery is also continuing, a proven field with 24.2 mmbbls of oil-in-place and 39.4 bcf of gas-in-place.

With the recovery in European gas prices, production enhancement and development work should resume as confidence in the outlook returns, which is likely to benefit production volumes in FY22.

UK renewables portfolio high-graded

Parkmead recently divested two separate areas of non-core land from its UK renewable energy portfolio for a combined £4.0m, with the second £3.3m sale made post period end, in March.

Parkmead's renewable energy land portfolio was acquired with Pitreadie Farm Ltd in August 2019 for £8.5m, comprising £4.9m paid in shares alongside the adoption of £3.6m of debt. This disposal not only high-grades the portfolio and minimises the entry cost, but also allows early retirement of the Pitreadie debt, which has now been reduced to just £0.7m.

Prior to the sale, Pitreadie owned 2,320 acres of farmland in Scotland. The non-core land sold is largely arable, leaving areas offering significant renewable energy potential, notably in wind, but also biomass with legacy woodland planting undertaken on part of the land. Parkmead has identified substantial wind energy potential at one location which spans ~1,200 acres and lies adjacent to Fred. Olsen Renewables' 75.9 MW Mid Hill wind farm, 15 miles west of Aberdeen. It benefits from excellent average wind speeds of between 7-10 m/s (25-36 km/h) and technical studies are underway on this site.

The economics of renewable assets are unique to the specific aspects of each project, which makes analysis of a to-be-defined wind farm challenging. Applying industry norms, we estimate the site highlighted by PMG can accommodate a ~20 MW wind farm.

Adopting industry average development and operating costs, we estimate a wind farm of this scale has an NPV of ~£9m (8.4p/sh). Applying a 30% commercial chance of success, we include the wind farm in our risked-NAV at 2.5p/sh. We also include the Pitreadie Farm acquisition at cost, 5.7p/sh

No transportation issues for the GPA development project

The completion of an infrastructure study for the Greater Perth Area (GPA) development has confirmed there are no technical hurdles to transporting and processing Perth fluids, which have high H_2S and CO_2 content, all the way to shore.

Commercial solutions for the GPA development continue to be optimised and a draft commercial offer from the Scott field partnership for the potential tie-back of the GPA project is being assessed. This is just one options being considered to unlock the GPA's 75-130 mmboe (fCap est. 80 mmboe) of resource and Parkmead is also in discussions with other operators in the area.

The GPA development constitutes a major component of valuation, representing 103p of our 162p risked-NAV assuming US$55/bbl Brent. This is even after applying a heavy commercial risking of 25%. Progress on this development therefore offers major upside potential, with the recovery in oil prices and North Sea transactions certainly providing a more favourable back drop. Parkmead estimates that every $10/bbl increase in the oil price adds ~£130m to the P50 post-tax NPV of the Perth field development alone.

New licences boost position surrounding GPA

Parkmead recently accepted the award of Licence P2516 (PMG 50%, operator) in the Central North Sea as part of the UK 32nd licensing round. The blocks on this licence are adjacent to Parkmead's Greater Perth Area (GPA) project and contain two undeveloped oil discoveries, Fynn Beauly and Fynn Andrew, as well as an oil prospect in the Piper Formation.

Fynn Beauly is a very large heavy oil discovery which extends across a number of blocks. A section of this discovery with estimated oil-in-place of 77–202 mmbbls sits within Parkmead's licence. Fynn Andrew is wholly contained on the licence and has estimated oil-in-place of 50 mmbbls.

These licences strengthen Parkmead's acreage position around its GPA development hub in the Outer Moray Firth. Combined, these blocks added 34.4 mmbbls of 2C resources, which we heavily risk (10% CoS) giving a risked-NPV of ~6p/sh.

Skerryvore

Parkmead was awarded the Skerryvore area in the UK 30th Licensing Round, highly sought after blocks containing seven prospects, the main three of which are stacked and hold an estimated 157 mmboe.

Seismic reprocessing work covering the Skerryvore prospect and surrounding area is nearing completion, with rock physics and inversion studies to commence after a tendering process.

Valuation

Our risked-NAV and price target fall slightly, from 167p to 162p, largely as a result of changed FX assumptions and slightly higher G&A.

Figure 3: Parkmead net asset value

Net Asset Valuation	Net resource	NPV/bbl	Unrisked NPV		Geological	Commercial	Dry hole	Risked NPV	
	mmboe	US$/boe	US$m	p/sh	CoS	CoS	cost US$m	US$m	p/sh
G&A (3 years)			-6.9	-4.6				-6.9	-4.6
Net cash / (debt)			33.8	22.7				33.8	22.7
SAR/DSP liabilities			-2.2	-1.5				-2.2	-1.5
Options			0.5	0.3				0.5	0.3
Athena decommissioning			-9.3	-6.3				-9.3	-6.3
Aupec (6x 2021e EBIT)			1.6	1.1				1.6	1.1
Pitreadie Farm Ltd land (@ cost)			8.5	5.7				8.5	5.7
			26.0	**17.5**				**26.0**	**17.5**
Producing assets									
Netherlands producing	3.7	5.71	21.3	14.3	100%	100%		21.3	14.3
Core value:			**38.7**	**31.8**				**38.7**	**31.8**
Contingent resource:									
Pitreadie 20 MW Wind Farm			12.5	8.4		30%		3.8	2.5
Netherlands - Ottoland	0.7	3.71	2.6	1.7	100%	50%		1.3	0.9
Netherlands - Papekop	0.9	3.71	3.3	2.2	100%	50%		1.7	1.1
UK - Greater Perth Area	79.7	7.05	613.0	411.9	100%	25%		153.2	103.0
UK - Platypus	2.6	4.91	12.6	8.5	100%	50%		6.3	4.2
UK - Fynn Beauly	25.1	2.50	62.8	42.2	100%	10%		6.3	4.2
UK - Fynn Andrew	9.3	2.50	23.1	15.5	100%	10%		2.3	1.6
Contingent value:			**730.0**	**490.5**				**174.9**	**117.5**
Prospective resource:									
UK - Skerryvore (Mey+Ekofisk+Tor)	46.6	5.18	241.4	162.2	24%	30%	5.8	11.5	7.8
UK - Ruvaal	9.3	3.53	32.9	22.1	17%	0%	6.2	0.0	0.0
UK - Platypus East	1.3	4.06	5.2	3.5	73%	50%	0.5	1.4	0.9
UK - Blackadder	14.1	3.69	52.1	35.0	41%	50%	5.3	5.4	3.6
UK - Sanda South	86.0	3.17	273.0	183.5	12%	0%	30.8	0.0	0.0
UK - Sanda North	194.0	3.17	615.9	413.9	15%	0%	29.8	0.0	0.0
UK - Davaar	204.0	2.82	575.7	386.9	18%	0%	28.7	0.0	0.0
Netherlands - Drenthe IIIb exploration	0.5	2.97	1.6	1.1	43%	50%	1.3	0.0	0.0
Prospective value:			**1,797.8**	**1,208.1**				**18.3**	**12.3**
Total - Core + Contingent + Prospective:			**2,566.5**	**1,730.5**				**231.9**	**161.6**

Source: finnCap
Discounted at 10% to
Assumes long-term Brent oil price of US$55/bbl, UK NBP gas of 45p/th, Dutch TTF gas €16.5/MWh

Income statement		2018A	2019A	2020A	2021E	2022E
Year end:		Jun	Jun	Jun	Jun	Jun
Sales	**£m**	**7.0**	**8.3**	**4.1**	**5.1**	**5.8**
Cost of sales	£m	-2.4	-2.3	-2.0	-2.8	-1.7
Gross profit	**£m**	**4.6**	**6.0**	**2.1**	**2.3**	**4.1**
Operating expenses	£m	-9.4	-0.6	-1.8	-2.1	-1.8
EBITDA (adjusted)	**£m**	**-4.8**	**5.4**	**0.3**	**0.2**	**2.3**
Depreciation	£m	-0.5	-0.2	-0.8	-0.7	-0.7
Amortisation	£m	0.0	0.0	0.0	0.0	0.0
EBIT (adjusted)	**£m**	**-5.3**	**5.2**	**-0.5**	**-0.5**	**1.6**
Associates/other	£m	0.0	0.0	0.4	-0.0	0.0
Net interest	£m	-0.6	-0.3	-0.6	-0.6	-0.7
PBT (adjusted)	**£m**	**-5.9**	**4.8**	**-0.7**	**-1.2**	**0.9**
restructuring costs	*£m*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
share based payments	*£m*	*-0.0*	*-0.0*	*-0.1*	*1.1*	*-0.1*
other adjustments	*£m*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Total adjustments	£m	-0.0	-0.0	-0.1	1.1	-0.1
PBT (stated)	**£m**	**-5.9**	**4.8**	**-0.8**	**-0.1**	**0.8**
Tax charge	£m	-1.3	-2.4	0.3	-1.0	-1.3
tax rate	*%*	*n/a*	*49.7*	*n/a*	*n/a*	*157.3*
Minorities/Disc ops	£m	0.0	0.0	0.0	0.0	0.0
Reported earnings	**£m**	**-7.1**	**2.4**	**-0.5**	**-1.1**	**-0.5**
Tax effect of adjustments / other	£m	5.0	0.0	1.3	-0.6	0.0
Adjusted earnings	**£m**	**-2.2**	**2.5**	**0.9**	**-1.7**	**-0.5**
shares in issue (year end)	*m*	*98.9*	*98.9*	*108.6*	*109.2*	*109.2*
shares in issue (weighted average)	*m*	*98.9*	*98.9*	*106.3*	*109.2*	*109.2*
shares in issue (fully diluted)	*m*	*98.9*	*100.7*	*110.8*	*118.5*	*118.5*
EPS (adjusted, fully diluted)	**p**	**-2.2**	**2.4**	**0.8**	**-1.4**	**-0.4**
EPS (stated)	p	-7.2	2.4	-0.5	-1.0	-0.4
DPS	**p**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Growth analysis (adjusted basis where applicable)						
Sales growth	%	69.7%	17.8%	-50.7%	25.3%	13.9%
EBITDA growth	%	-53.0%	212.5%	-94.9%	-20.5%	931.2%
EBIT growth	%	-40.2%	197.1%	-109.5%	-4.2%	408.3%
PBT growth	%	-37.8%	182.2%	-115.4%	-57.6%	174.2%
EPS growth	%	11.5%	211.8%	-68.0%	-280.7%	72.1%
DPS growth	%	n/m	n/m	n/m	n/m	n/m

Profitability analysis (adjusted basis where applicable)						
Gross margin	%	65.7%	72.4%	51.2%	45.0%	69.9%
EBITDA margin	%	-68.1%	65.1%	6.8%	4.3%	38.9%
EBIT margin	%	-75.7%	62.4%	-12.0%	-10.0%	26.9%
PBT margin	%	-83.6%	58.4%	-18.2%	-22.8%	14.9%
Net margin	%	-30.8%	29.8%	21.3%	-32.8%	-8.0%

Cash flow		**2018A**	**2019A**	**2020A**	**2021E**	**2022E**
Year end:		**Jun**	**Jun**	**Jun**	**Jun**	**Jun**
EBITDA	£m	-4.8	5.4	0.3	0.2	2.3
Net change in working capital	£m	2.9	-0.5	-0.5	0.9	0.0
Share based payments	£m	-0.0	-0.0	-0.1	1.1	-0.1
Profit/(loss) on sale of assets	£m	0.0	0.0	0.0	0.0	0.0
Net pensions charge	£m	0.0	0.0	0.0	0.0	0.0
Change in provision	£m	0.0	0.0	0.0	0.0	0.0
Other items	£m	4.9	-0.2	1.2	-0.2	0.1
Cash flow from operating activities	**£m**	**3.0**	**4.7**	**0.9**	**2.1**	**2.3**
Cash interest	£m	0.0	0.2	0.1	-0.0	-0.1
Tax paid	£m	-0.8	-1.8	-1.9	-1.6	-1.9
Capex	£m	-2.0	-4.0	-3.8	-1.3	-7.8
Other items	£m					
Free cash flow	**£m**	**0.2**	**-0.8**	**-4.7**	**-0.8**	**-7.4**
Disposals	£m					
Acquisitions	£m	0.0	6.6	0.0	4.0	0.0
Dividends on ord shares	£m					
Other cashflow items	£m	-2.8	1.1	-0.2	-3.9	2.6
Issue of share capital	£m	0.0	0.0	0.0	0.0	0.0
Net change in cash flow	**£m**	**-2.6**	**6.9**	**-5.0**	**-0.7**	**-4.9**
Opening net cash (debt)	£m	26.4	23.8	30.7	25.7	25.0
Closing net cash (debt)	**£m**	**23.8**	**30.7**	**25.7**	**25.0**	**20.1**

Cash flow analysis						
Cash conversion (op cash flow / EBITDA)	%	n/m	88.0%	319.6%	941.2%	103.3%
Cash conversion (free cash flow / EBITDA)	%	-4.9%	-15.8%	n/m	-384.7%	-328.1%
Underlying free cash flow (capex = depreciation)	£m	1.7	2.9	-1.7	-0.3	-0.3
Cash quality (underlying FCF / adjusted earnings)	%	-78.0%	119.0%	-197.8%	16.4%	73.0%
Investment rate (capex / depn)	x	3.7	18.4	5.0	1.8	11.2
Interest cash cover	x	n/a	n/a	n/a	46.1	19.0
Dividend cash cover	x	n/a	n/a	n/a	n/a	n/a

Balance sheet		2018A	2019A	2020A	2021E	2022E
Year end:		Jun	Jun	Jun	Jun	Jun
Tangible fixed assets	£m	12.3	11.8	21.4	16.8	23.4
Goodwill	£m	2.2	2.2	2.2	2.2	2.2
Other intangibles	£m	30.3	34.1	36.1	36.8	37.2
Other non current assets	£m	8.6	0.0	2.9	2.9	0.0
inventories	*£m*	*0.0*	*0.0*	*0.1*	*0.1*	*0.1*
trade receivables	*£m*	*1.3*	*0.7*	*1.4*	*0.6*	*0.6*
trade payables	*£m*	*-5.4*	*-4.6*	*-4.4*	*-4.2*	*-3.9*
Net working capital	£m	-4.1	-3.9	-2.9	-3.5	-3.1
Other assets	£m	0.3	2.9	0.0	0.0	0.0
Other liabilities	£m	-9.3	-9.5	-10.4	-10.4	-10.4
Gross cash & cash equivalents	£m	23.8	30.7	25.7	25.0	20.1
Capital employed	**£m**	**64.2**	**68.3**	**74.9**	**69.7**	**69.3**
Gross debt	£m	0.0	0.0	3.6	0.5	0.5
Net pension liability	£m	0.0	0.0	0.0	0.0	0.0
Shareholders equity	£m	64.2	68.3	71.3	69.2	68.8
Minorities	£m	0.0	0.0	0.0	0.0	0.0
Capital employed	**£m**	**64.2**	**68.3**	**74.9**	**69.7**	**69.3**

Leverage analysis						
Net debt / equity	%	no debt	no debt	net cash	net cash	net cash
Net debt / EBITDA	x	n/a	no debt	net cash	net cash	net cash
Liabilities / capital employed	%	0.0%	0.0%	4.8%	0.7%	0.7%

Working capital analysis						
Net working capital / sales	%	-58.6%	-47.2%	-70.9%	-67.6%	-53.3%
Net working capital / sales	days	-214	-172	-259	-247	-195
Inventory (days)	days	0	0	12	9	8
Receivables (days)	days	67	29	126	44	39
Payables (days)	days	281	201	397	300	242

Capital efficiency & intrinsic value						
Adjusted return on equity	%	-3.4%	3.6%	1.2%	-2.4%	-0.7%
RoCE (EBIT basis, pre-tax)	%	-8.3%	7.6%	-0.7%	-0.7%	2.3%
RoCE (underlying free cash flow basis)	%	2.6%	4.3%	-2.3%	-0.4%	-0.5%
NAV per share	p	64.9	69.0	65.7	63.4	63.0
NTA per share	p	32.1	32.4	30.5	27.7	27.0

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