

Corporate

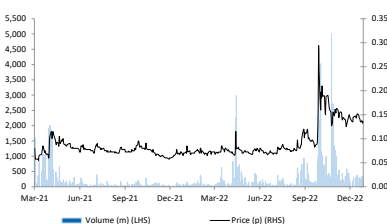
 Current price **0.133p**

 Sector **Oil & Gas**

 Code **BOIL.L**

 AIM **AIM**

Share Performance



% Change	1m	3m	12m
BOIL.L	+7.9%	+21.5	+107.5

Source: Thomson Reuters, Allenby Capital

Share Data

 Market Cap (£m) **25.1**

 Shares in issue (bn) **18.92**

52 weeks (p)	High	Low
	0.29	0.07

 Financial year end **31 December**

Source: Company Data, Allenby Capital

Key Shareholders

Hargreaves Lansdown	24.11%
Interactive Investor Services	14.42%
HSDL Nominees Ltd	11.12
Vidacos Nominees	5.69%
HSBC Client Holdings Nominee (UK) Ltd	4.77%

Source: Company, Allenby Capital

Peter J Dupont

0203 002 2078

p.dupont@allenbycapital.com

www.allenbycapital.com

Baron Oil plc (BOIL.L)

Influential news flow pending

Baron Oil has provided an operational update for its Chuditch gas/liquids offshore Timor-Leste and the Dunrobin Inner Moray Firth oil projects. The pending news flow in the coming weeks will potentially be influential for the future of the company. The key items of news flow relate to the Chuditch CPR and the re-evaluation of the Dunrobin Prospective Resources estimate. Both follow 3-D seismic reprocessing exercises which have enabled high-fidelity images of the sub-surface to be obtained. Significantly, the Chuditch CPR is likely to show a categorization upgrade of a sizeable part of the existing SPE PRMS prospective resource base to contingent resources. The Chuditch CPR and the Dunrobin resource estimate could have a significant direct bearing on valuation and are also likely to play a key part in the farm-out process and project development.

- Chuditch project:** Chuditch, 75% owned by Baron, lies in the Timor Sea 185 km south-east of the Timor-Leste coast and 400 km north-west of Darwin. It is a potentially world class gas project which is at an advanced stage of appraisal. The pending CPR undertaken by the reservoir engineering consultancy ERCE will contain a new resource estimate including for the first time a sizeable element of contingent resources relating to the Chuditch-1 discovery. This was made by Shell in 1998 in the Jurassic Plover sandstones, a regionally prolific reservoir formation. The discovery, however, was never flow tested. Baron's Deterministic best case estimate of gross recoverable resources for the Chuditch licence is 3.63 tcf of which 1.35 tcf relate to Chuditch-1.
- Chuditch timeline:** Based on the PSC, Baron will need to make a drill or drop commitment by June 18, 2023. In the third and final year of the current phase of the PSC post June 18 Baron will be required to drill an appraisal well to test the Chuditch-1 discovery structure. Baron has suggested that the well will be drilled to a depth of about 3,000m and cost around \$24m. Water depth is relatively shallow at around 70m.
- P2478 Inner Moray Firth:** Baron has a 32% interest in licence P2478 in the Inner Moray Firth which contains the Dunrobin and Golspie prospects. Reabold Resources (RBDR: AIM) is the operator with a 36% interest. Upland Resources (UPL: AIM) has the remaining 32%. Baron has been leading the technical evaluation work on the P2478 project and along with Reabold is in the final stage of evaluating the scale of resources and the commerciality of any future discovery. Baron believes that Dunrobin could contain c.100 mm barrels while Reabold has suggested 22mm barrels for Golspie. This would point to a medium-sized resource. A drill or drop decision is required by July 2023. Drilling costs are likely to be modest according to Baron, at about £8m. This reflects shallow water depth (75m), moderate drilling depth (800m) and proximity to the shoreline. In the case of the southern Inner Moray Firth shore, the Dunrobin prospect lies about 25 km to the north.

Year End: 31 December

(£'000)	2019	2020	2021	2022E	2023E
EBITDA	(442)	(710)	(1,321)	(1,367)	(1,500)
NET CASH / (NET DEBT)*	347	1,190	1,650	5,299	2,379

Source: Allenby Capital. Allenby Capital acts as Nomad & Broker to Baron Oil plc (BOIL.L). *Excludes project Bank Guarantees.

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UK 33RD OFFSHORE LICENSING ROUND APPLICATION

Baron has announced that as a joint-venture non-operating partner it has submitted an application in the 33rd Licensing Round conducted by the UK North Sea Transition Authority (NSTA). Importantly, Baron has stated that, in line with its strategy, participating in the 33rd round provides the opportunity of obtaining a significant equity interest in potentially high-impact hydrocarbons plays at low entry cost. The NSTA anticipates that licence awards will be made in the second half of 2023.

FINANCIALS

We believe Baron is comfortably financed through at least end 2023, excluding major project-related expenditure. Baron's cash position was considerably bolstered in October 2022 by a £5.3m raise at 0.12p/share. At end December 2022, we estimate a cash position in excess of £5m excluding project Bank Guarantees of \$1m.

In our view, a Chuditch appraisal well will necessitate a joint-venture partner, given the hefty financial commitment. In a success case subsequent development will also require a heavy input of financial, technical and commercial resources.

Financing a Dunrobin exploration well by the P2478 consortium is more plausible, given the much lower financial commitment but we think unlikely. We believe the search for farm-in partners for both projects is underway in earnest.

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Allenby Capital, 5 St Helen's Place London EC3A 6AB, +44 (0)20 3328 5656, www.allenbycapital.com