

Eco Atlantic Oil and Gas

Q1'20 results: cashed up for 2021 drilling

Eco Atlantic remains in a strong net cash position to fund future exploration

Eco Atlantic reported results for its FY'20 to 31st March 2020. Overall, given the exploration focus of the company, there was nothing materially new in the financial results. The cash position at end Q1'20 was US\$18.8mm, meaning that Eco could fund its share of gross expenditure up to US\$120mm on its block in Guyana. As a result of the COVID-19 impacts, Eco put in place a cost cutting campaign which is expected to yield US\$1mm in savings. Therefore, Eco expects to end 2020 with a cash position of US\$17mm, whilst meeting all of its work commitments in Guyana and Namibia.

Guyana studies taking place ahead of prospect selection for 2021 drilling

In Q1'20, Tullow proposed a further fine-tuning analysis of the Upper Cretaceous reservoirs and announced a plan to incorporate the neighbouring Kanuku Block's Carapa-1 well data into Orinduik's existing geological models and technical analysis. The partners are integrating the discoveries of Jethro-1, Joe-1 and Carapa-1 with the rest of the regional data now available and incorporating this data into a reprocessing of the 3D seismic on Orinduik. The aim is to further define the Cretaceous prospects and select them for drilling this year with the aim of drilling at least two wells in 2021. According to the latest CPR, there are bigger prospects in the Cretaceous with the average gross unrisked size >350mboe with an average chance of success of 31% giving in total 1.2Bnboe of risked resource with >85% oil. The discovery of oil in the Cretaceous section updip to the Orinduik Block mitigates some of the risk and is further enhanced by the recent discovery of light oil on the Kanuku block to the south of Orinduik. Two targets in the Cretaceous horizon (Amaila/Kumaka and Iatuk-D) are identified as having in excess of 725mboe each.

Large amount of option value in Eco Atlantic

With three discoveries on its blocks and plenty of exploration prospectivity, there is a large amount of option value within Eco, which could re-emerge when oil prices recover. The cash on its balance sheet is sufficient to fund several exploration and/or appraisal wells. The Hammerhead discovery on the Stabroek block to the north, extends on to Eco's Orinduik Block and is one of the next in line for FID by Exxon in Guyana. In Namibia, we expect activity to stay on hold with the market watching some potential read across exploration wells. ExxonMobil, Total, Maurel & Prom, and Shell could drill four wells over the next 12 months, helping to de-risk some of Eco's exploration prospects. Eco has a material position in four blocks in Namibia.

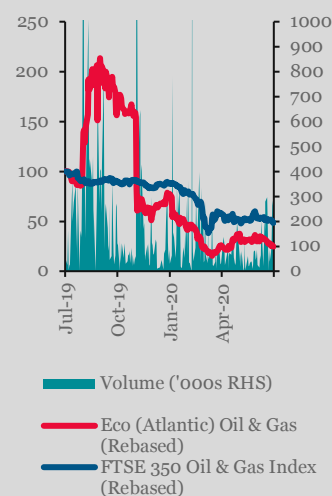
Significant cash on balance sheet and large upside in our risked valuation

We have a 145p/sh risked NAV on Eco, based on US\$35/bbl Brent in 2020 and US\$60/bbl flat from 2021 onwards, which is almost 7x the current share price. Eco Atlantic is in a strong position to weather a period of low oil prices given it expects to have around US\$17mm of cash on its balance sheet at YE'20, which is ~35% of its market capitalisation. Its G&A costs are very low compared to peers given its lean, non-operated business.

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GICS Sector	Materials
Ticker	AIM:ECO
Market cap 10-Jul-20 (US\$m)	45
Share price 10-Jul-20 (GBP)	20.75

Risked NAV	p/sh
Core	8
Guyana discoveries	14
Guyana exploration	118
Namibia exploration	5
Total NAV	145



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Sensitivity of risked NAV to discount rate and 2021+ oil price

		Oil price				
		\$40.00	\$50.00	\$60.00	\$70.00	\$80.00
Discount rate	8%	114p	173p	235p	298p	358p
	10%	87p	135p	184p	236p	285p
	12%	66p	106p	145p	187p	228p
	14%	50p	83p	116p	149p	183p
	16%	38p	66p	94p	121p	148p

Source: H&P estimates

Eco Atlantic NAV

Asset	Country	Interest	Net Mmboe	US\$/boe	Unrisked US\$m	Unrisked p/sh	Geological CoS	Commerical CoS	Risked US\$m	Risked p/sh
2020 G&A					-\$1.4	-0.6p			-\$1.4	-0.6p
Warrants and options					\$2.2	1.0p			\$2.2	1.0p
End '19 cash					\$17.5	7.9p			\$17.5	7.9p
End '19 w/c					-\$0.1	0.0p			-\$0.1	0.0p
Core NAV					\$18.3	8.3p			\$18.3	8p
Hammerhead	Guyana	15%	2	\$2.0	\$4	2p	81%	75%	\$3	1p
Jethroe	Guyana	15%	31	\$2.0	\$62	28p	100%	30%	\$19	8p
Joe	Guyana	15%	16	\$2.0	\$31	14p	100%	30%	\$9	4p
Discovered NAV					\$97.9	44.5p			\$30.8	14p
<u>Exploration</u>										
Amaila/Kumaka	Guyana	15%	116	\$4.0	\$464	210p	32%	50%	\$73	33p
Iatuk-D	Guyana	15%	109	\$4.0	\$434	197p	31%	50%	\$68	31p
KG	Guyana	15%	109	\$4.0	\$433	197p	31%	50%	\$68	31p
Rappu	Guyana	15%	75	\$4.0	\$299	136p	35%	50%	\$52	24p
Osprey	Namibia	58%	164	\$3.2	\$525	238p	18%	20%	\$0	0p
Guy, Sharon, Tamar	Namibia	Varies							\$10	5p
Exploration NAV					\$2,878	1306p			\$271	123p
Total NAV					\$2,994	1359p			\$320	145p

Source: H&P estimates

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