

## Andalas Energy\*

27 February 2019

### BUY

#### Stock Data

Share Price:	0.50p
Market cap.:	£3.0m
Shares in issue:	604.0m*
Fully diluted equity:	712.6m*

\*Pro forma until 19 March 2019

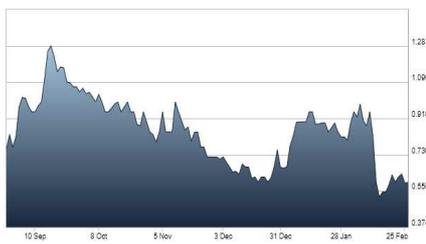
#### Company Profile

Sector:	Oil & Gas
Exchange:	AIM
Ticker:	ADL

#### Activities

Andalas is an AIM-quoted oil and gas E&P company with a portfolio of exploration and appraisal interests located in the UKCS and Indonesia.

#### Performance data



#### Directors

Robert Arnott:	Chairman
Simon Gorringe:	CEO
Dan Jorgensen:	Finance. Director
Ross Warner:	Legal & Commercial

#### Important Notice

OSL's investment research products are paid for by corporate clients as part of their retainer fee. As such, this document falls under Article 12 3 (b) of the European Commission's Delegated Directive of 7 April 2016 and it qualifies as an 'acceptable minor non-monetary benefit' and does not qualify as 'chargeable research'. OSL are therefore able to send this document to investors without the requirement for any compensation to be paid to OSL from the recipients – it is 'freely available'.

\*Optiva Securities acts as joint broker to Andalas Energy and Power plc.

## Andalas raises £1.0m to fund Colter side-track

Andalas has raised conditional proceeds of £1.0m through the placing of 222.2 million new shares at 0.45p per share. The net proceeds of the placing will be used predominantly to fully fund the company's participation in the Colter side-track appraisal well which is currently underway. In the event that a commercial discovery is confirmed on Colter, we estimate that the unrisks value of Andalas' 8% interest in the licence could be worth up to 2.3p per share on a fully diluted basis.

The recent placing to raise £1.0m before expenses is split between an unconditional issue of 173.3 million shares at 0.45p per share to raise £780,000 and a conditional placing of 48.9 million new shares to raise £220,000 at the same issue price. Admission to AIM of the unconditional tranche of new shares is expected on 5 March 2019 whereas the conditional portion of the placing is subject to shareholder approval at an EGM to be held on 15 March 2019. Assuming that shareholder approval is secured, Andalas expects the second tranche of shares to commence trading on AIM on 19 March 2019.

On 25 February 2019, the operator of licence P1918, Corallian Energy, announced that the Colter appraisal well (98/11a-6) reached a total depth of 1,870 metres in the Sherwood Sandstone reservoir. Although the well unexpectedly remained on the southern side of the prospect bounding fault, it nonetheless encountered oil and gas shows over a 9.4 metre interval, representing a separate discovery to the original target.

The 98/11a-6 well is believed to share a common oil-water contact with the original 98/11-1 discovery well drilled by British Gas in 1983, both having intersected the down-dip region of the southern portion of the Colter prospect which had pre-drill estimated recoverable resources of 15 mmbbls.

A side-track is currently being directionally drilled from the 98/11a-6 wellbore to target the Sherwood Sandstone north of the prospect bounding fault and is expected to take approximately two weeks to drill. Given that we do not expect the gross cost of the side-track to exceed £2.0m, Andalas is now fully funded to contribute to the cost of the side-track consistent with its 8% working interest.

With regards to Andalas' wider portfolio, it was announced by the vendor of the Bunga Mas PSC in Indonesia on 18 February 2019 that the government of Indonesia (GOI) had terminated the PSC. Consequently, Andalas terminated the sale and purchase agreement for an initial 25% interest in the licence. Although this was disappointing for the company, the GOI had asked the contractors to deposit a performance bond of US\$5.8m in an escrow account, representing an amount considered excessive by Andalas and the vendor.

In the UKCS, Andalas retains its interest in Eagle Gas Limited and on 27 February 2019 issued a further 15.998 million new shares to Eagle Gas. This is in regard to the £0.1m contingent consideration that Andalas agreed to pay the vendor when the P2112 licence was extended beyond 31 December 2018.

On the basis that Andalas has issued 238.2 million new shares since September 2018 and Bunga Mas is now removed from our valuation, our rebased assessment of the company's value on a fully risked basis is 2.5p per share on a fully diluted basis, compared to 5.6p in October 2018. However, our valuation of the company could increase to 3.5p per share on the basis that the side-track well on Colter, currently drilling, de-risks the asset and confirms a potentially commercial accumulation within the next two weeks.

**THIS DOCUMENT IS NOT FOR DISTRIBUTION INTO THE UNITED STATES, JAPAN, CANADA OR AUSTRALIA**

**General disclaimers**

This is a marketing communication under the rules of the Financial Conduct Authority (“FCA”). It has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This document, which presents the Optiva Securities Limited (“OSL”) research department’s view, cannot be regarded as “investment research” in accordance with the FCA definition. The contents are based upon sources of information believed to be reliable but no warranty or representation, expressed or implied, is given as to their accuracy or completeness. Any opinion reflects OSL’s judgement at the date of publication and neither OSL, nor any of its affiliated or associated companies, nor any of their directors or employees accepts any responsibility in respect of the information or recommendations contained herein which, moreover, are subject to change without notice. OSL accepts no liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection with this document (except in respect of wilful default and to the extent that any such liability cannot be excluded by the applicable law).

The document is confidential and is being supplied solely for your information. It must not be copied or re-distributed to another person / organisation without OSL’s prior written consent.

This is not a personal recommendation, offer, or a solicitation, to buy or sell any investment referred to in this document. The material is general information intended for recipients who understand the risks associated with investment. It does not take account of whether an investment, course of action, or associated risks are suitable for the recipient.

OSL manages its conflicts in accordance with its conflict management policy. For example, OSL may provide services (including corporate finance advice) where the flow of information is restricted by a Chinese wall. Accordingly, information may be available to OSL that is not reflected in this document. OSL and its affiliated or associated companies may have acted upon or used research recommendations before they have been published.

This document is approved and issued by OSL for publication only to UK persons who are authorised persons under the Financial Services and Markets Act 2000 and to professional clients, as defined by Directive 2004/39/EC as set out in the rules of the Financial Conduct Authority. Retail clients (as defined by rules of the FCA) must not rely on this document.

**Specific disclaimers**

OSL acts as joint broker to Andalus Energy and Power plc (“Andalas”). OSL’s private and institutional clients hold shares in Andalus.

This document has been produced by OSL independently of Andalus. Opinions and estimates in this document are entirely those of OSL as part of its internal research activity. OSL has no authority whatsoever to make any representation or warranty on behalf of Andalus.

NEITHER THIS DOCUMENT NOR ANY COPY OF IT MAY BE TAKEN OR TRANSMITTED INTO THE UNITED STATES OF AMERICA, OR DISTRIBUTED, DIRECTLY OR INDIRECTLY, IN THE UNITED STATES OF AMERICA OR TO ANY US PERSON AS DEFINED IN REGULATION S UNDER THE UNITED STATES SECURITIES ACT OF 1933. ANY FAILURE TO COMPLY WITH THIS RESTRICTION MAY CONSTITUTE A VIOLATION OF UNITED STATES SECURITIES LAWS.

NEITHER THIS DOCUMENT NOR ANY COPY OF IT MAY BE TAKEN OR TRANSMITTED INTO CANADA OR DISTRIBUTED IN CANADA OR TO ANY INDIVIDUAL OUTSIDE CANADA WHO IS A RESIDENT OF CANADA, EXCEPT IN COMPLIANCE WITH APPLICABLE CANADIAN SECURITIES LAWS.

NEITHER THIS DOCUMENT NOR ANY COPY OF IT MAY BE TAKEN OR TRANSMITTED INTO AUSTRALIA OR DISTRIBUTED IN AUSTRALIA OR TO ANY RESIDENT THEREOF EXCEPT IN COMPLIANCE WITH APPLICABLE AUSTRALIAN SECURITIES LAWS. ANY FAILURE TO COMPLY WITH THIS RESTRICTION MAY CONSTITUTE A VIOLATION OF AUSTRALIAN SECURITIES LAWS.

NEITHER THIS DOCUMENT NOR ANY COPY OF IT MAY BE TAKEN OR TRANSMITTED INTO OR DISTRIBUTED INTO JAPAN OR TO ANY RESIDENT THEREOF FOR THE PURPOSE OF SOLICITATION OR SUBSCRIPTION OR OFFER FOR SALE OF ANY SECURITIES. ANY FAILURE TO COMPLY WITH THIS RESTRICTION MAY CONSTITUTE A VIOLATION OF JAPANESE SECURITIES LAWS.

NEITHER THIS REPORT NOR ANY COPY HEREOF MAY BE DISTRIBUTED IN ANY JURISDICTION OUTSIDE THE UK WHERE ITS DISTRIBUTION MAY BE RESTRICTED BY LAW. PERSONS WHO RECEIVE THIS REPORT SHOULD MAKE THEMSELVES AWARE OF AND ADHERE TO ANY SUCH RESTRICTIONS.

**Copyright © 2019 Optiva Securities Limited, all rights reserved. Additional information is available upon request.**

**Optiva Securities Limited, 49 Berkeley Square, Mayfair, London, W1J 5AZ  
Tel: 0203 137 1902, Fax: 0870 130 1571**

**Member of the London Stock Exchange. Authorised and regulated by the Financial Conduct Authority.**