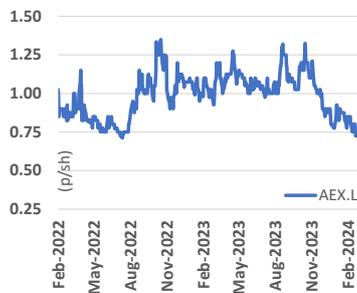


Sector: Oil & Gas

Upstream exploration and development company

Market data

Ticker	AEX
Price (p/sh)	0.71
12m High (p/sh)	1.45
12m Low (p/sh)	0.70
Target range (p/sh)	2.0-2.5
Shares (m)	4211
Shares FD (m)	4211
Mkt Cap (£m)	30
Market	LSE/standard



Source: Alpha

Description

LSE quoted Aminex PLC is an established energy company that holds interest in three blocks in Tanzania. The assets contain 191BCF of contingent gas resources (2C), net to Aminex.
www.aminex-plc.com

Board & key management

Executive Chairman	Charles Santos
General Counsel	Brian Cassidy
CFO	Nigel Penney

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Aminex Plc

Is there a “big-picture” change in the cards?

While we acknowledge that it is still early for a confirmative conclusion, we note that this morning’s announcement by Aminex for a significant potential resource increase in the Ruvuma basin, could lead to an interesting development in the region in the next couple of years. While the existing discovered resources are already vital for the government to fill the near-term gas shortage in the country, a potential further increase to a multi-TCF onshore accumulation(s) may indeed change the “big-picture” in the region. Should further drilling confirms this potential, discussions around offshore/onshore LNG comparison and gas exports could easily enter the picture. While we are not changing our view or valuation at present, today’s announcement gives us further confidence in our approach and with the recent pullback we see the shares in an attractive territory.

- ▶ **Potential to double the already discovered contingent (2C) resources.** As a result of an analysis of the newly acquired 3D seismic, completed by the operator ARA Petroleum (APT), the partners in the Ruvuma PSA **have increased the discovered in-place P50 GIIP gas resource estimate for the Ntorya gas discovery to 3.45Tcf.** This effectively doubles the previous estimate provided by the independent evaluator, RPS Energy. We note that we have so far only assigned 5% chance of success in our valuation to this potential upside (Fig 1), and today’s result suggests that we may be conservative on that assumption. We will look to adjust our assumption upon further drilling and RPS report update.
- ▶ **2P reserves on the horizon?** The company has engaged RPS Energy to undertake a revision of their last report, focusing on a narrow area around the first three wells and related to the initial development. Given that the partners already announced the signing of the Gas Sales Agreement earlier this year and the imminent award of the Ntorya Development licence, we will not be surprised if the RPS report results in transferring some of the 2C resources into 2P reserves.
- ▶ **Further exploration upside: can this change the “big picture”?** Beside the potential of doubling the already discovered resources, the 3D seismic has resulted in identifying further exploration potential on the licence, both within and outside the existing discovery. Altogether, in a “high case” scenario, the partners have identified an additional 16.38 Tcf (P10) of prospective gas resources in place, beyond the already discovered 3.45 Tcf (P50). Hypothetically speaking, should further drilling confirms this onshore potential, this type of resource size could start “competing” with the offshore LNG developments in the country, and thus potentially change the countries “big picture” perspective. We acknowledge that it is too early to start valuing this potential at present; nevertheless, it could provide for some catalysts in the next two years.
- ▶ **Chikumbi-1 well next catalyst in 2024.** Once the development licence has been awarded, the partners are looking to re-enter the two existing wells (NT-1 and NT-2) as well as drill the new Chikumbi-1 well that will not only appraise the current discovery but will also target new shallower horizons, identified in the new 3D seismic.
- ▶ **Valuation –** We have adjusted our model for the updated production schedule (first gas now expected in 1H25) and we have moved our valuation forward by a year. This has had an offsetting effect to our valuation, resulting in an unchanged fair value range for the shares of between 2.0-2.5p/share.

We believe that the recent pullback in the share price (likely due to delays in the first gas production schedule) provide a good risk/reward opportunity, especially given the future potential in next 12-24 months, highlighted by today’s announcement.

Figure 1: Fair value range derivation (high and low end)

Development scenarios	Probability %	Value (p/share)	"risky val." (p/share)	Development scenarios	Probability %	Value (p/share)	"risky val." (p/share)
No development	5.0%	0.0	0.0	No development	0.0%	0.0	0.0
Low case: 45mmscf/d, 173Bcf	45.0%	0.9	0.4	Low case: 45mmscf/d, 173Bcf	15.0%	0.9	0.1
Base case: 140mmscf/d, 763Bcf	45.0%	2.8	1.2	Base case: 140mmscf/d, 763Bcf	80.0%	2.8	2.2
High case: 250mmscf/d, 1.7Tcf	5.0%	4.6	0.2	High case: 250mmscf/d, 1.7Tcf	5.0%	4.6	0.2
Total			1.9	Total			2.6
Low-end of "fair value range":			2.0	High-end of "fair value range":			2.5

Source: Shard Capital estimates

Forecasts:

Figure 2: Assumptions summary

Key assumptions	2021A	2022A	2023E	2024E	2025E	2026E
Brent Oil Price (\$/bbl)	70.9	100.0	90.0	80.0	75.0	72.5
Realised Gas Price (\$/mmscf)	4.0	3.9	4.1	4.3	4.4	4.6
Production - WI (kboe/d)	0.0	0.0	0.0	0.0	1.9	3.8
Production liquids (%)	NA	NA	NA	NA	0%	0%
FX rate (\$/£)	1.38	1.20	1.20	1.20	1.20	1.20

Source: Shard Capital estimates

Figure 3: Summary Income Statement

Income statement (in \$mm)	2021A	2022A	2023E	2024E	2025E	2026E
Revenue	0	0	0	0	15	31
COGS (including injection costs)	0	0	0	0	-12	-14
Gross profit	0	0	0	0	3	17
Total G&A	-3	-3	-2	-2	-2	-2
Other expenses	-6	-1	0	0	0	0
Net finance costs	0	0	0	0	0	0
Profit before tax	-9	-4	-2	-2	1	15
Total tax expense	0	0	0	0	0	0
Net income	-9	-4	-2	-2	1	15
Weighted average # of shares diluted (mm)	3771	4081	4211	4211	4211	4211
EPS diluted (\$/sh)	0.00	0.00	0.00	0.00	0.00	0.00
DPS (\$/sh)	0.00	0.00	0.00	0.00	0.00	0.00

Source: Shard Capital estimates

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Figure 4: Summary balance sheet

Balance sheet (in \$mm)	2021A	2022A	2023E	2024E	2025E	2026E
Cash and equivalents	4.7	5.8	2.6	1.1	5.2	23.4
Net non-cash working capital	-8	-9	-8	-8	-8	-8
Net non-current assets	37	36	36	36	42	49
Total debt	0	0	0	0	0	0
Shareholders funds	33	33	31	29	39	65

Source: Shard Capital estimates

Figure 5: Summary Cash Flow Statement

Cashflow statement (in \$mm)	2021A	2022A	2023E	2024E	2025E	2026E
Profit before tax	-9	-4	-2	-2	1	15
DD&A	0	0	0	0	9	10
Other adjustments	6	1	0	0	0	0
Op. CF before working capital changes	-3	-3	-2	-2	10	26
Working capital changes	8	1	-1	0	0	0
Op. CF after working capital changes	5	-2	-3	-2	10	26
Cash taxes paid	0	0	0	0	0	0
Capital expenditures and acquisitions	-1	0	0	0	-6	-8
Proceeds from debt	0	0	0	0	0	0
Proceeds from equity	0	4	0	0	0	0
Interest paid	0	0	0	0	0	0
Dividends	0	0	0	0	0	0
Other	0	0	-1	0	0	0
Change in cash	4	1	-3	-2	4	18

Source: Shard Capital estimates

Figure 6: Summary Operational Performance Metrics

Key performance metrics	2021A	2022A	2023E	2024E	2025E	2026E
Netback (\$/boe)	NA	NA	NA	NA	14.47	18.76
Opex (\$/boe)	NA	NA	NA	NA	5.48	2.74
Adjusted Op. CF (\$mm)	-3	-3	-2	-2	10	26
DACF (\$mm)	-3	-3	-2	-2	10	26
FCF (\$mm)	-4	-3	-2	-2	4	18
EBITDAX (\$mm)	-2	-3	-2	-2	10	26
Adjusted net debt/(cash) (\$mm)	4	3	5	7	3	-16
Adjusted net debt to EBITDAX ratio (x)	NA	NA	NA	NA	0.3	NA

Source: Shard Capital estimates

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Figure 7: Trading metrics summary

Trading metrics	2023E	2024E	2025E	2026E
Cashflow and production				
P/CF (x)	NA	NA	3.6	1.4
EV/DACF (x)	NA	NA	4.3	1.5
EV/boe of production (\$/boepd)	NA	NA	22,757	10,272
Reserves as reported				
2P as reproetd (mmboe)	0			
EV/2P (\$/boe)	NA			
2P+2C (mmboe)	32			
EV/(2P+2C) (\$/boe)	1.22			
Reserves				
2P (mmboe)	0			
EV/ 2P (\$/boe)	NA			
2P+2C (mmboe)	32			
EV/ (2P+2C) (\$/boe)	1.22			
NAV				
Core NAV% (p/sh)	2.5			
P/Core NAV (%)	29%			
(Core + Contingent) NAV (p/sh)	2.5			
P/(Core + Contingent) NAV (%)	29%			

Source: Shard Capital estimates

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