

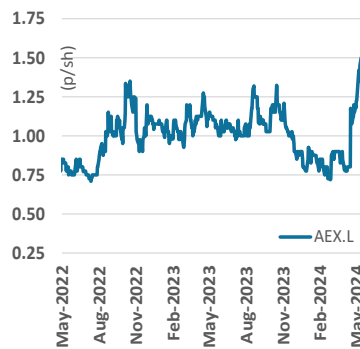
13th May 2024

Sector: Oil & Gas

Upstream exploration and development company

Market data

Ticker	AEX
Price (p/sh)	1.48
12m High (p/sh)	1.52
12m Low (p/sh)	0.70
Target range (p/sh)	2.0-2.5
Shares (m)	4211
Shares FD (m)	4211
Mkt Cap (£m)	61
Market	LSE/standard



Source: LSE

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
COO	Nigel Penney

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Aminex Plc

Things lining up nicely...

In last couple of weeks, besides its 2023 annual results, Aminex also provided an update on two important developments for the company. Firstly, on 29th of April, the company announced a funding facility that in our view will take the company to first gas without dilution to its shareholders. And secondly, on 10th of May, on the back of an operations meeting with the government-owned Tanzania Petroleum Development Corporation (TPDC), the company provided very encouraging update on the progress the TPDC has done on the development of a crucial pipeline spur for the project. We see these two announcements as very positive to our investment thesis, and with no further dilution on the horizon, we expect the shares to continue towards our target range, especially if in the next 12 months more data on the operational front continues to confirm the progress towards first gas in mid-2025.

- ▶ **Key takeaways from the 2023 financials.** As the company is still in development stage, we largely focus on few key items reported in the 2023 financials: G&A of \$1.58mm, year-end cash position of \$3mm, year-end net-debt position of \$3.6mm and remaining cash carry of \$29.6mm. **All of these items are either slightly better or in line with our expectations**, therefore we have not made any material changes to our model following these results.
- ▶ **Funding facility secured – no dilution on the horizon.** Couple of weeks ago Aminex announced an agreement with its largest shareholder, Eclipse Investments LLC, for a \$3mm facility in two tranches (a \$1.5mm guaranteed tranche plus \$1.5mm discretionary tranche). The draw downs from the facility will be set-off against the company's \$35mm carry, at Eclipse's discretion. If not set-off against the carry, no repayment can be demanded before 31 December 2026. With \$3mm of cash at 2023 year-end, c\$1.5mm annual G&A and a secured facility of \$1.5-3.0mm we believe the company is in a very good position to fund itself until first gas in mid-2025, and even beyond if necessary. Therefore, in our view, this should alleviate one of the investors' concerns, following last year's delay in first gas.
- ▶ **An update from TPDC: firm commitment to first gas with a deadline of no later than mid-2025.** With the land for the 35km pipeline spur from Ntorya to Madimba already acquired, the front-end engineering already being completed, and construction tender process expected in July 2024, we see the progress made by TPDC as very encouraging. In our view this pipeline spur is the most critical item in the field development that will determine the timing of first gas. It is good to see that that progress has already been made in the field, alongside the reiteration of government's firm commitment of achieving first gas as soon as possible.
- ▶ **Several catalysts throughout 2024.** Once the development licence has been issued by the Ministry of Energy, besides re-entering the two existing wells (NT-1 and NT-2), the partners are looking to drill the new Chikumbi-1 well. This well will not only appraise the current discovery (and be completed as producer if successful) but will also target new shallower horizons, identified in the new 3D seismic. **Therefore, we see Chikumbi-1 well and progress in the pipeline spur as two most significant catalysts in next 12 months.**
- ▶ **Valuation** – We have marginally adjusted our model to reflect 2023 results but maintained our fair value range for the shares of between 2.0-2.5p/share. More importantly, these announcements have further strengthened our investment thesis and despite some recent market recognition, we expect in next 12 months the shares to continue to move towards our fair value range, especially if progress from the field continues to support first gas in mid-2025.

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	1.3	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	2023A	2024E	2025E	2026E
Brent Oil Price (\$/bbl)	70.9	99.0	82.2	80.0	75.0	72.5
Realised Gas Price (\$/mscf)	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	2023A	2024E	2025E	2026E
Revenue	0	0	0	0	15	31
COGS (including injection costs)	0	0	0	0	-13	-14
Gross profit	0	0	0	0	2	17
Total G&A	-3	-2	-2	-2	-2	-2
Other expenses	-6	-1	-1	0	0	0
Net finance costs	0	0	0	0	0	0
Profit before tax	-9	-3	-2	-2	1	15
Total tax expense	0	-1	1	0	0	0
Net income	-9	-4	-1	-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

Figure 4: Summary balance sheet

Balance sheet (in \$mm)	2021A	2022A	2023A	2024E	2025E	2026E
Cash and equivalents	4.7	5.8	3.0	1.5	5.7	23.9
Net non-cash working capital	-8	-9	-7	-7	-7	-7
Net non-current assets	37	36	36	36	42	49
Total debt	0	0	0	0	0	0
Shareholders funds	33	33	33	31	41	67

Source: Shard Capital estimates

Figure 5: Summary Cash Flow Statement

Cashflow statement (in \$mm)	2021A	2022A	2023A	2024E	2025E	2026E
Profit before tax	-9	-3	-2	-2	1	15
DD&A	0	0	0	0	9	11
Other adjustments	6	1	1	0	0	0
Op. CF before working capital changes	-3	-2	-1	-2	10	26
Working capital changes	8	1	-2	0	0	0
Op. CF after working capital changes	5	-1	-4	-2	10	26
Cash taxes paid	0	-1	1	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	0	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	2023A	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	0	-2	10	26
DACF (\$mm)	-3	-3	0	-2	10	26
FCF (\$mm)	-4	-3	0	-2	4	18
EBITDAX (\$mm)	-2	-2	-2	-2	10	26
Adjusted net debt/(cash) (\$mm)	4	3	4	5	1	-17
Adjusted net debt to EBITDAX ratio (x)	NA	NA	NA	NA	0.1	NA

Source: Shard Capital estimates

Figure 7: Trading metrics summary

Trading metrics	2024E	2025E	2026E
Cashflow and production			
P/CF (x)	NA	7.9	3.0
EV/DACF (x)	NA	8.4	3.1
EV/boe of production (\$/boepd)	NA	44,245	21,016
Reserves as reported			
2P as reproetd (mmboe)	0		
EV/2P (\$/boe)	NA		
2P+2C (mmboe)	32		
EV/(2P+2C) (\$/boe)	2.54		
Reserves			
2P (mmboe)	0		
EV/ 2P (\$/boe)	NA		
2P+2C (mmboe)	32		
EV/ (2P+2C) (\$/boe)	2.54		
NAV			
Core NAV% (p/sh)	2.5		
P/Core NAV (%)	60%		
(Core + Contingent) NAV (p/sh)	2.5		
P/(Core + Contingent) NAV (%)	60%		

Source: Shard Capital estimates

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