

Egdon Resources Plc

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VSA Capital Market Movers - Egdon Resources

VSA Morning Flow Test, 30/03/20

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Egdon Resources (LON:EDR)

Egdon Resources (EDR LN) has previously highlighted that whilst the reprocessing of seismic data at Biscathorpe had been completed the technical analysis and interpretation of the results had yet to be completed. EDR has today announced the results which confirm a robust project with further upside potential.

Having reprocessed and remapped 264km² of 3D seismic and integrated this enhanced understanding with the information gained from the Biscathorpe 2 well, the company and its JV partners have a far stronger understanding of the resource. This not only includes improved understanding of the Westphalian target (similar to the currently producing Keddington oilfield) but also the Dinantian Carbonate which could be exploited through a sidetrack well. The structure has an STOIP of 24.3mmbbls although this needs further assessment to confirm permeability amongst other factors necessary to determine its commerciality.

Following the default of Humber Oil & Gas EDR now holds an effective economic interest of 44.75% (38.5% previously) which includes Humber's share. The quantitative analysis which underpins the Westphalian target demonstrates an NPV10 of £55.6m on an unrisks 100% ownership basis with the project breaking even at US\$18.07/bbl. This highlights that the project has a robust cost base and can withstand a weak pricing environment. Our valuation estimate is updated to reflect the additional ownership associated with the Humber default, from 3.3/sh. to 3.7p/sh and indicates that our underlying assumptions are broadly in line with the company's analysis. We note that the gross mean prospective resource of 3.95mmbbls mentioned relates solely to the Westphalian target. The wider potential includes that from the Dinantian Carbonate. Our Biscathorpe valuation continues to demonstrate that EDR and its conventional portfolio remain deeply discounted by the market.

We reiterate our Buy recommendation although increase our target price 2% to 39.2p/sh.

Price: 2.2

Market Cap: £7.22 m

1 Year Share Price Graph



July 2019 December 2019 July 2020

Share Information

Code: EDR

Listing: AIM

52 week	High	Low
	6.95	1.5

Sector: Oil & Gas

Website: www.egdon-resources.com

Company Synopsis:

Egdon Resources plc is an independent onshore focused oil and gas exploration and production business.

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