# Elk Petroleum

Madden acquisition

## Acquires $CO_2$ vertical integration and cash flow

Oil & gas

**Elk Petroleum (ELK) has acquired a c 14% interest in the ConocoPhillips-operated Madden Gas Field, as well as the 310mmscfd capacity Lost Cabin Gas Plant in Wyoming. This elevates ELK to producer status, with cash flow being generated from Madden methane sales. The Madden field is also a significant $CO_2$ producer, fulfilling ELK's strategy of $CO_2$ integration, securing supply for future $CO_2$ enhanced oil recovery (EOR) projects. We incorporate Madden in our valuation along with recent changes to the company's capital structure – our base case 2P NAV stands at A$0.11 with significant upside in the event of oil/gas price recovery and/or incremental reserve/resource recovery above audited 2P estimates.**

| Year end | Revenue (A$m) | EBITDA (A$m) | PBT* (A$m) | Net cash/ (debt) (A$m) | Debt (A$m) | Capex (A$m) |
|---|---|---|---|---|---|---|
| 06/15 | 0.0 | (3.1) | (3.6) | (20.9) | (22.5) | 2.6 |
| 06/16 | 0.0 | (5.0) | (5.7) | (4.0) | (22.1) | (3.4) |
| 06/17e | 15.6 | 2.1 | (3.7) | (58.2) | (88.5) | (58.3) |
| 06/18e | 53.2 | 28.8 | 6.9 | (78.2) | (88.5) | (23.8) |

Note: *PBT is normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

## $CO_2$ supports EOR acquisitions and development

ELK acquired Madden/Lost Cabin from Freeport-McMoRan (FCX.NYSE), which is undertaking a company-wide divestment of its oil and gas operations. The transaction includes a corresponding interest in the sizeable Lost Cabin gas plant, capable of processing up to 310mmscfd of raw sour gas. It secures ELK direct ownership in the second largest $CO_2$ resource in the Northern Rockies. The operator is ConocoPhillips, holding a 46% interest. The US$17.5m acquisition price is being funded through a combination of convertible debt, cash and cash flow. ELK estimates positive free cash flow of approximately US$7m from the acquired asset base in 2017. ELK views the vertical integration of the $CO_2$ EOR value chain as an enabler for the acquisition, development and financing of additional enhanced recovery projects.

## Further $CO_2$ EOR opportunities

ELK's current focus is the Rocky Mountains, where the company believes there are over 500 projects accessible for $CO_2$ EOR. ELK's objective is to take advantage of current asset acquisition opportunities and to become a significant oil producer.

## Commodity price leverage and $CO_2$ EOR upside

Our base case $NPV_{12.5}$ valuation for Madden is US$38.9m based on January 2017 EIA gas prices and 2P reserves. There is clearly material upside to our A$0.11/share NAV in the event of higher oil and gas prices, and increased resource recovery relative to what appears to be a conservative assessment of Madden 2P from Netherland Sewell & Associates (NSAI). A 20% increase in both oil and gas prices relative to our base case would drive a c 49% increase in 2P NAV to A$0.16/share.

**20 April 2017**

| | |
|---|---|
| **Price** | **A$0.07** |
| **Market cap** | **A$57m** |
| | US$0.77/A$ |
| Net debt (A$m) at 31 December 2016 | 38.4 |
| Shares in issue | 854.0m |
| Free float | 57.5% |
| Code | ELK |
| Primary exchange | ASX |
| Secondary exchange | N/A |

### Share price performance


| % | 1m | 3m | 12m |
|---|---|---|---|
| Abs | (10.7) | (10.7) | (9.8) |
| Rel (local) | (10.7) | (12.1) | (18.8) |
| 52-week high/low | | A$0.1 | A$0.1 |

### Business description

Elk Petroleum's Grieve project in the US is expected to start production in late 2017/18. The recently acquired Madden asset will provide $CO_2$ for projects and generate strong cash flow from methane sales.

### Next events

| | |
|---|---|
| Quarterly activities report | April 2017 |

### Analysts


Sanjeev Bahl +44(0)20 3077 5742

Ian McLelland +44 (0)20 3077 5756

oilandgas@edisongroup.com

Edison profile page


***Elk Petroleum is a research client of Edison Investment Research Limited***

# ELK acquires direct $CO_2$ ownership at Madden

In line with ELK's strategy to become integrated along the $CO_2$ EOR value chain to support the acquisition and development of further enhanced recovery projects, it has acquired Freeport-McMoRan's c 14% interest in the Madden Gas Field for US$17.5m. In addition to being a prolific methane producer, Madden also produces a significant sour gas component, giving ELK access to material $CO_2$ resource. The acquisition, which has an effective date of 1 January 2017, elevates ELK to producer status. ELK estimates attributable free cash flow of c US$7m in 2017 from Madden. ELK's ramp-up in production post acquisition and first oil from Grieve have a material impact on group operational cash flow and earnings over the course of the next three years. The precise shape of the companies' earnings growth profile will depend on the timing of Grieve first oil, commodity prices and plant uptime.

## Strategy of vertical integration in $CO_2$ to support EOR growth

Given the substantial $CO_2$ requirement to establish an EOR project and its importance to securing financing, ELK regards vertical integration and $CO_2$ supply ownership as essential to underpin its future acquisition and development strategy and provide a long-term competitive advantage.

ELK believes the investment approach it took at the Grieve Enhanced Oil Recovery (EOR) project is highly repeatable. The Grieve project restructure, which involved raising debt and equity, generated widespread interest among US $CO_2$ developers and operators, banks and other capital providers. ELK's integration with its own $CO_2$ is an enabler for repeating this acquisition and funding strategy.

## ELK acquires FCX gas interests at Madden

ELK has acquired FCX's c 14% non-operated interest in the Madden Gas Field in Wyoming, as well as the associated Lost Cabin Gas Plant. FCX's sale is part of a broad, corporate-wide divestment strategy as the group looks to exit the oil and gas sector. The operator at Madden is oil major ConocoPhillips (COP:NYSE), which retains a 46% interest in the assets. The balance of the gas field and plant is owned by Moncrief Oil (30%) and various other private interest holders. The acquisition secures ELK a direct ownership position in the second most significant $CO_2$ supply in the Northern Rockies.

## High $CO_2$ production capacity, long-life $CO_2$ reserves

Current proven developed reserves of $CO_2$ in the Madden Gas Field are approximately 220bcf. The total recoverable resource potential of raw gas is over 1tcf. The raw gas stream has a $CO_2$ content of c 20%, methane and ethane (68% combined) and hydrogen sulphide or $H_2S$ (12%). The Lost Cabin Gas Plant is designed to separate raw gas into pipeline specification methane, a purified $CO_2$ stream, and elemental sulphur for sale to the fertiliser market. Operations began in 1995 and, after a number of major expansions, the plant consists of three gas processing trains with total capacity of 310mmscfd. The Madden Gas Field is the second largest supplier of $CO_2$ into the Northern Rockies $CO_2$ gas transmission and supply pipeline network.

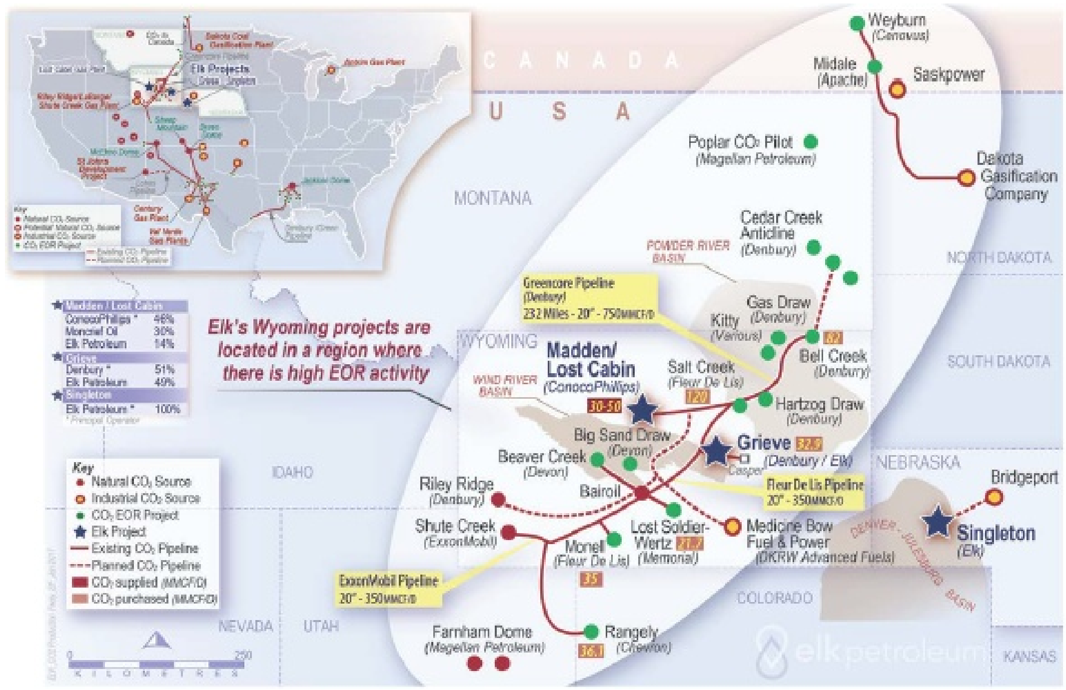
As part of the $CO_2$ supply arrangements, Denbury Resources (DNR:NYSE) constructed a $CO_2$ receiving and compression facility adjacent to the Lost Cabin Gas Plant and the 373km Greencore $CO_2$ gas pipeline. This has an ultimate capacity to transport 725mmscfd of $CO_2$ for EOR projects in Wyoming and Montana. This implies total annual capacity of approximately 260bcf $CO_2$. By way of comparison, ELK expects that a total of approximately 52bcf of $CO_2$ will be injected into the Grieve field by the time first oil is produced.

# Madden: 33rd largest US conventional gas field by proven reserves

Raw gas from the Madden Gas Field is currently processed at the approximate rate of 240mmscfd through the dedicated Lost Cabin Gas Plant (LCGP). Over the five years from 2017 to 2022, gross raw gas production from the Madden field is estimated to average 202mmscfd based on Proved Developed Producing (PDP) reserves.

Sales gas, mainly methane and ethane, accounts for about 68% of raw gas content. It is delivered from the gas plant into several inter-state sales gas transmission lines. These include the Lost Creek pipeline (for delivery to Colorado Interstate Gas, Wyoming Interstate Gas and Rockies Express) and Mountain Gas Resources (for delivery to Colorado Interstate Gas).

**Exhibit 1: Location of Madden and Grieve projects and pipeline networks**




Source: Elk Petroleum

# ELK's projected share of Madden sales gas production

Based on projections for the 2017-22 period, ELK's c 14% share of Madden net sales gas produced will be approximately 22.6mmscfd after taking into account the state ORRI royalty of 18-19% deducted from gross production (royalty credits drive a material reduction in the effective royalty rate at 9-11%). This projection is based solely on PDP reserves. This is equivalent to annual attributable gas sales of around 8.3bcf. ELK has estimated positive net free cash flow of approximately US$7m in 2017 based on January 2017 price consensus forecasts. To protect earnings and cash flow, ELK intends to instigate a natural gas hedging programme to support debt for the Grieve EOR project.

Exhibit 2 summarises historical production over the 2014-16 period. Due to the significant decline in US natural gas prices in the second half of 2016, the financial performance of the Madden Gas Field was clearly weaker.

**Exhibit 2: Madden Gas Field: FCX historical share of net gas production, sales and cash flow**

| December years | 2014 | 2015 | 2016 |
|---|---|---|---|
| Ave gas sales (mmscfd) | 21.6 | 22.0 | 20.2 |
| Gas sales (bcf) | 7.9 | 8.0 | 7.4 |
| Nymex gas price (US$/mmbtu) | 4.41 | 2.66 | 2.46 |
| Realised price (US$/mmbtu) | 4.28 | 2.44 | 2.24 |
| Revenue (US$m) | 35.6 | 21.8 | 16.6 |
| Production cost (US$m) | 19.1 | 12.9 | 12.5 |
| Gross profit (US$m) | 16.6 | 8.9 | 4.1 |
| Production cost (US$/mcf) | 2.42 | 1.61 | 1.69 |
| Operating cash flow | | | |
| Gross profit (US$m) | 16.6 | 8.9 | 4.1 |
| Capex (US$m) | 1.5 | 1.1 | 0.5 |
| Operating cash flow (US$m) | 15.1 | 7.8 | 3.6 |

Source: Elk Petroleum.

# Madden Gas Field

The Madden Gas Field is a conventional gas field located in the Wind River Basin in Wyoming. It was discovered in 1968 and is one of the state's largest gas fields. The field sits on the Madden anticline and covers an area of 518km$^2$.

## Majority of gas production from deep wells

The field produces from multiple reservoir units ranging in depth from 1,500m to 7,600m.

- **Deep wells:** the majority of current gas production comes from the deeper Carboniferous (Mississippian) Madison Formation from only eight production wells. The Madison Formation reservoir is continuous over a 103km$^2$ structure with a continuous gas column that extends over 365m. Production from the existing deep wells remains strong and there are no current plans to drill additional wells in the Madison Formation. The majority of Madison Formation reserves acquired by ELK are classified as PDP. Under the Society of Petroleum Engineers reserve classification guidelines, no additional capital investment is required to develop or produce hydrocarbons under this classification. These deeper wells have produced over 1.1tcf since commencement of production in 1995. Initial well production rates have ranged from 45 to 60mmscfd. Individual wells have produced 21-225bcf each, making them prolific producers.
- **Shallow wells:** shallow gas production comes from multiple, discontinuous, stacked fluvial sandstones in the Upper Cretaceous to Early Tertiary Lower Fort Union, Lance and Cody Formations. Gas is produced from 165 active gas wells. Shallow gas production is currently very limited at prevailing gas prices. The make-up of these shallow producing sands is similar to the primary gas-producing intervals in the Cooper Basin in Central Australia. COP has identified additional development potential within the shallow units from undeveloped zones across 4,500m of gas-bearing intervals through well completions, vertical infill drilling and horizontal drilling. We do not include shallow gas production in our forecasts at this stage.

## Madden gas reserves – upside implied by operator forecasts

The Madden Gas Field has an estimated original gas in place of over 5.5tcf. To date, it has produced over 2.42tcf of natural gas. This includes 1.1tcf from the deep Madden Formation wells.

Exhibit 3 shows a recent (January 2017) classification of Madden Deep Gas Reserves independently audited by NSAI. Gross PDP reserves were 524.3bcf (0.52tcf) on a methane only basis and post-royalty. We understand this audit was commissioned by Freeport-McMoRan as part of the sale process to divest its oil and gas interests.

**Exhibit 3: Summary of Madden Deep Gas Reserves***

| Category | Gross hydrocarbons (bcf) | ELK net hydrocarbons (bcf) |
|---|---|---|
| Proved (1P) | | |
| Proved Developed Producing (PDP) | 524.3 | 71.3 |
| Proved Developed Non-Producing (PDNP) | 60.3 | 8.2 |
| Subtotal | 584.6 | 79.5 |
| Proved and probable (2P) | 671.3 | 91.3 |
| Proved, probable and possible (3P) | 758.1 | 103.1 |

Source: Elk Petroleum. Note: *Independently audited by NSAI on a methane post-royalty basis. As at 1 January 2017

Production forecasts by the operator, COP, provide for production over an estimated additional 10 years beyond the life implied by the NSAI PDP reserves; the NSAI PDP numbers may therefore be conservative.

## Valuation of ELK's acquired 14% interest in Madden

We have valued ELK's acquired c 14% interest on an $NPV_{12.5}$ basis from cash flow estimates from the Madden Deep wells. We have calculated valuations over a range of reserve/resource scenarios and gas price scenarios (Exhibit 4). The gross reserves in the table below are on a raw gas (including sour gas components) and pre-royalty compared to methane only (sales gas) and post-royalty in the table above. In nearly all scenarios, our valuations are at premium to the US$17.5m consideration paid by ELK.

**Exhibit 4: Scenario analysis of valuation ($NPV_{12.5}$, US$m) of ELK's c 14% share of the Madden Gas Field**

| | Reserves* | | Valuation $NPV_{12.5}$ (US$m) | | |
|---|---|---|---|---|---|
| | Gross (bcf) | ELK Net (bcf) | EIA -20% | EIA pricing | EIA +20% |
| Proved Developed Producing (PDP) | 891.3 | 121.2 | 17.0 | 31.7 | 46.2 |
| Proved & Probable (2P) | 1,142 | 155.3 | 22.0 | 38.9 | 55.8 |
| Operator Case (Implied Resources) | 1,697* | 172.2 | 31.1 | 49.8 | 68.5 |

Source: Edison Investment Research. Note: *Assumes cessation of production in 2050. Reserves on a raw gas, pre-royalty basis. As at 1 January 2017.

A comprehensive valuation for the whole company, including the Grieve project, is provided later in this report in Exhibit 5.

### Reserve/resource scenarios

- **Proved Developed Producing (PDP)** – NSAI reserves. End of field life 2032.
- **Proved & Probable (2P)** – NSAI reserves. End of field life 2032.
- **Operator forecast** – The production profile is based on COP's projections, as operator. We understand the NSAI reserves were commissioned by FCX, a passive investor in the project. In formulating the higher production profile for its operator forecast, it is implied that COP expects to extract more gas than that contained in the NSAI PDP or 2P reserves.

### Gas price scenarios

- **Base case** – EIA Short-Term Energy Outlook (STEO), January 2017. Forecast of US$3.13/mcf for 2017 and US$3.56/mcf for 2018 and escalated by 2.5% pa from 2019.
- **Upper case** – Gas prices at 20% premium to EIA forecasts.
- **Lower case** – Gas prices at 20% discount to EIA forecasts.
- In addition to the cash flow from sales gas (mainly methane), there are other considerations to be taken into account in assessing its value to ELK:

### $CO_2$ production

- $CO_2$ assumed to be sold at cost.
- Direct ownership of $CO_2$ production provides leverage to negotiate acquisitions and the available $CO_2$ to development EOR projects.
- Expected cost differential of own-low cost $CO_2$ production vs potential higher cost of on-market purchase of $CO_2$. There is a risk that third-party purchases of $CO_2$ are not possible at the quantities or to the schedule required.

### Sulphur production

The Lost Cabin Gas Plant produces 1,200-1,400 t/day of sales-grade sulphur (gross). The majority is transported by rail to Tampa, Florida to supply the fertiliser market. The remainder is transported to a local fertiliser plant in south-west Wyoming.

- Sulphur assumed to be sold at cost – margin neutral.
- Cyclical periods of shortages may lead to occasional periods of high prices.

### Decommissioning

The Lost Cabin Gas Plant is a sizeable and complex plant, which will incur a material decommissioning expense at the end of field life. We include estimates for the cost of mothballing train 1 (2033) and decommissioning the entire plant at the end of field life.

# ELK focus is Rocky Mountains $CO_2$ EOR acquisitions

ELK is seeking to replicate elements of the restructuring and finance model used at Grieve for the acquisition of additional $CO_2$ EOR projects.

## Acquisition targets – assets where value can be added

ELK is targeting the acquisition of additional $CO_2$ EOR assets with development or expansion upside. It is seeking unique project opportunities that may:

- exhibit hidden value;
- represent distressed assets; and
- provide opportunities to use innovative funding with low equity needed.

## Rocky Mountains – multitude of $CO_2$ EOR opportunities

The advantage of the Rocky Mountains is the substantial opportunity for acquiring projects that can provide incremental valuation growth. The Nebraska DJ Basin may also provide an additional parallel path. In the longer term, the company plans to also screen opportunities in Australia and South-East Asia (including Indonesia and Malaysia) where it believes the opportunity set is virtually untapped.

ELK believes there is an oversupply of mature $CO_2$ EOR assets in the Rocky Mountains. It has identified over 500 $CO_2$ EOR projects in Wyoming alone. Wyoming's regulatory environment is also supportive and it has some of the largest proven reserves of $CO_2$, vital for $CO_2$ EOR, in the US. Many companies with high-quality $CO_2$ EOR and $CO_2$ projects are capital constrained or undertaking balance sheet repair. Some are liquidating assets with current production and positive cash flow. We understand that a number of peer $CO_2$ EOR operators have approached ELK as a potential partner for $CO_2$ EOR expansion projects.

ELK's objective is to take advantage of the current weak oil market and acquire attractive EOR projects at the bottom of the price cycle.

## Update on the Grieve $CO_2$ EOR project

$CO_2$ injection at 25-35mmscfd and water injection at approximately 4,650 barrels of water per day has continued. Field pressures have increased in line with expectations. At 31 December 2016, approximately 36bcf of $CO_2$ had been injected into the Grieve field with an expected 40.5bcf by March 2017. Under the current development plan, it is expected that approximately 52bcf of $CO_2$ will have been injected into the field by the time first oil is produced.

ELK expects field development well and construction work to commence in April/May 2017. The commencement of the remaining well workover projects and well testing is expected to be completed in August 2017.

Following the restructure of the Grieve Project JV, there has been an improved relationship with DNR as operator. ELK has reviewed, with DNR, an updated field development plan and project execution schedule. DNR has confirmed that the overall recoveries expected from the Grieve field are expected to be in line with ELK's independent reserves assessment of 12.5mmbbl 2P gross recoverable oil from the project. First oil production continues to be expected in late 2017 or early 2018.

## Valuation

We have used our base case oil and gas prices (Exhibit 5) in our valuation of ELK's 2P asset base, which stands at A$0.11/share. We see material upside in the event of higher commodity prices and/or resource recovery in excess of audited 2P estimates. In particular, we flag that ConocoPhillips holds significantly greater than estimates by NSAI of Madden 2P reserves as its own operator estimates. Our base case valuation breakdown is provided below.

**Exhibit 5: ELK base case valuation**

| | | | | Recoverable reserves | | | Net risked | Value/ share |
|---|---|---|---|---|---|---|---|---|
| Asset | Country | Diluted WI | CoS | Gross | Net | NPV/boe | value | Risked |
| | | % | % | mmboe | mmboe | $/boe | US$m | /share |
| Net (debt)/cash - FY17e | | 100% | 100% | | | | (47) | (0.07) |
| SG&A - NPV of 2yrs | | 100% | 100% | | | | (8) | (0.01) |
| Production | | | | | | | | |
| Grieve 2P | US | 49% | 100% | 12.3 | 5.2 | 16.7 | 87.3 | 0.13 |
| Madden Deep 2P | US | 14% | 100% | 1,142.1 | 155.3 | 0.2 | 38.9 | 0.06 |
| Core NAV | | | | | | | 71 | 0.11 |

Source: Edison Investment Research

**Oil and gas prices:** we have used Edison's oil price forecasts to value the Grieve project. We have used the January 2017 EIA STEO gas price forecasts for 2017 and 2018, escalated at 2.5% pa from 2019, in valuing the Madden project.

**Exhibit 6: Oil and gas price forecasts**

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|
| Oil price (WTI) (US$/bbl) | 54.6 | 57.2 | 77.3 | 79.2 | 81.2 |
| Gas price (Henry Hub) (US$/mcf)* | 3.1 | 3.6 | 3.7 | 3.8 | 3.9 |

Source: Edison Investment Research. Note: *Uses conversion factor of 0.9756 to convert US$/mmbtu to US$/mcf.

To quantify commodity price sensitivity we provide a 2P NAV sensitivity to both long-term oil price and gas price assumptions. As can be seen in the table below, Elk is highly sensitive to both oil and gas pricing given the company's operational and financial leverage. Our-long term assumptions are 70$/bbl WTI (real) and $3.4/mcf Henry Hub (real).

**Exhibit 7: NAV sensitivity to oil and gas price (A$/share)**

| Long-term gas price (US$/mcf) | Long-term oil price (US$/bbl) | | | | |
|---|---|---|---|---|---|
| | 40 | 50 | 60 | 70 | 80 |
| 3 | 0.04 | 0.06 | 0.08 | 0.10 | 0.11 |
| 4 | 0.07 | 0.09 | 0.10 | 0.12 | 0.14 |
| 5 | 0.09 | 0.11 | 0.13 | 0.15 | 0.17 |
| 6 | 0.12 | 0.14 | 0.16 | 0.18 | 0.20 |

Source: Edison Investment Research

To reduce downside risk, a comprehensive oil price hedging programme was put in place at the same time as ELK's term loan facility to underwrite the Grieve project. As such, 75% of forecast oil production from the Grieve project during calender years 2018 and 2019 has been hedged with put options at a floor of 45$/bbl – ELK retains oil price upside.

With the current share price implying that long-term commodity prices remain below current spot levels and with a significant amount of oil production hedged over the next two years, commodity price-driven downside is largely protected. Nevertheless, company-specific operational risks centre around ELK's ability to recover reserves in line with audited 2P estimates, maintain high levels of operational uptime and minimise the NPV of decommissioning liabilities associated with large capital items such as the Lost Cabin Gas Plant.

# Financials

To date, ELK has used a combination of debt and equity to fund growth. We expect operational cash flow from Madden and Grieve in late 2017/early 2018 to enable ELK to pay down debt and fund further growth.

## Earnings

The effective date for the Madden Gas Field acquisition is 1 January 2017. From this date, ELK becomes a producing oil and gas company and will begin to generate operating earnings from gas sales. Expected first oil production from the Grieve $CO_2$ EOR project is expected in late 2017/early 2018.

The earnings forecasts in Exhibit 9 use Edison oil price forecasts and EIA gas price forecasts, as shown in Exhibit 6. Almost all the Madden gas is sourced from the Madden Deep Wells, where future capital expenditure requirements are low as no new wells are required to underpin the company's 2P reserve profile.

## Cash flow

Assuming January 2017 consensus gas prices, ELK has estimated positive attributable net free cash flow of approximately US$7m for CY17 from Madden. At the outset of production, our pre-tax cash flow forecasts for Madden are within this range.

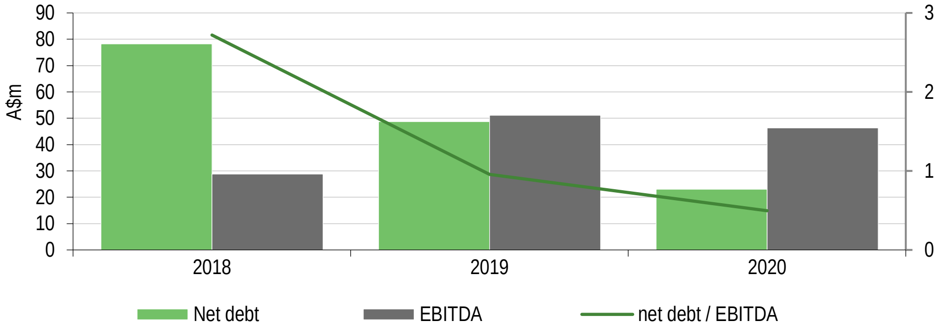
## Balance sheet

The Benefit Street Partners facility was a US$58m conventional term loan for oil field development financing available to fund ELK's outstanding capital requirements to first oil at Grieve. We expect the bulk of this to be drawn down over the course of FY17. In addition, ELK has completed a US$10m convertible loan to finance the closing payment of the Madden/Lost Cabin transaction.

The remaining balance of $5.5m is due by 15 July 2017 and is expected to be paid out of cash flow and existing cash resources.

We expect to see a material increase in debt before year-end FY17 (June 2017) as ELK draws down of the Benefit Street Partners loan and takes on an additional US$10m of convertible debt to fund the Madden/Lost Cabin transaction. We expect this to be paid down rapidly from cash flow once Grieve is on-stream.

**Exhibit 8: Base case – debt reduction after Grieve first oil**




Source: Edison Investment Research

## Exhibit 9: Financial summary

| A$'000s | 2014 | 2015 | 2016 | 2017e | 2018e | 2019e | 2020e |
|---|---|---|---|---|---|---|---|
| Year end June | IFRS | IFRS | IFRS | IFRS | IFRS | IFRS | IFRS |
| PROFIT & LOSS | | | | | | | |
| Revenue | 327 | 38 | 48 | 15,642 | 53,228 | 75,885 | 68,679 |
| Cost of sales | (803) | (264) | (317) | (8,504) | (19,409) | (19,736) | (17,322) |
| Gross profit | (476) | (226) | (269) | 7,137 | 33,819 | 56,149 | 51,357 |
| General & admin | (3,639) | (2,901) | (4,762) | (5,052) | (5,052) | (5,052) | (5,052) |
| EBITDA | (4,115) | (3,127) | (5,031) | 2,086 | 28,767 | 51,097 | 46,305 |
| Depreciation | (1,050) | (243) | (175) | (3,505) | (12,487) | (16,832) | (13,778) |
| Operating Profit (before amort. and except.) | (5,165) | (3,370) | (5,206) | (1,419) | 16,280 | 34,265 | 32,527 |
| Intangible amortisation | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Exceptionals | (2,060) | 0 | (1,483) | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EBIT | (7,225) | (3,370) | (6,689) | (1,419) | 16,280 | 34,265 | 32,527 |
| Net interest | (122) | (276) | (479) | (2,231) | (9,400) | (9,621) | (6,402) |
| Profit Before Tax (norm) | (5,287) | (3,646) | (5,685) | (3,650) | 6,880 | 24,643 | 26,125 |
| Profit before tax (FRS 3) | (7,347) | (3,646) | (7,168) | (3,650) | 6,880 | 24,643 | 26,125 |
| Tax | 0 | 0 | 0 | (386) | (3,071) | (9,079) | (12,935) |
| Profit After Tax (norm) | (5,287) | (3,646) | (5,685) | (3,650) | 3,809 | 15,564 | 13,190 |
| Profit after tax (FRS 3) | (7,347) | (3,646) | (7,168) | (3,650) | 3,809 | 15,564 | 13,190 |
| Average number of shares outstanding (m) | 180.2 | 196.7 | 263.2 | 826.7 | 854.0 | 854.0 | 854.0 |
| EPS - normalised (c) | (2.9) | (1.9) | (2.2) | (0.5) | 0.4 | 1.8 | 1.5 |
| EPS - normalised fully diluted (c) | (2.9) | (1.9) | (2.2) | (0.5) | 0.4 | 1.8 | 1.5 |
| EPS - (IFRS) (c) | (4.1) | (1.9) | (2.7) | (0.5) | 0.4 | 1.8 | 1.5 |
| Dividend per share (c) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Gross margin (%) | -145.7 | -596.6 | -564.2 | 45.6 | 63.5 | 74.0 | 74.8 |
| EBITDA margin (%) | -1,259.6 | -8,263.8 | -10,553.4 | 13.3 | 54.0 | 67.3 | 67.4 |
| Operating margin (before GW and except.) (%) | -1,581.0 | -8,905.5 | -10,920.4 | -9.1 | 30.6 | 45.2 | 47.4 |
| BALANCE SHEET | | | | | | | |
| Non current assets | 20,176 | 28,979 | 41,926 | 96,756 | 108,097 | 93,669 | 81,316 |
| Intangible assets | 20,128 | 28,953 | 41,768 | 47,541 | 47,541 | 47,541 | 47,541 |
| Tangible assets | 48 | 26 | 158 | 49,216 | 60,557 | 46,128 | 33,775 |
| Investments | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Current assets | 3,261 | 2,549 | 19,904 | 32,126 | 13,620 | 16,169 | 15,224 |
| Stocks | 9 | 0 | 0 | 0 | 1,110 | 1,960 | 1,645 |
| Debtors | 35 | 168 | 1,801 | 1,801 | 2,220 | 3,920 | 3,290 |
| Cash | 403 | 1,567 | 18,103 | 30,326 | 10,290 | 10,290 | 10,290 |
| Other | 2,814 | 813 | 0 | 0 | 0 | 0 | 0 |
| Current liabilities | (2,900) | (7,962) | (13,570) | (13,570) | (2,594) | (4,577) | (3,842) |
| Creditors | (585) | (4,377) | (13,565) | (13,565) | (2,590) | (4,573) | (3,838) |
| Short term borrowings | (2,316) | (3,585) | (4) | (4) | (4) | (4) | (4) |
| Long term liabilities | (17,385) | (22,147) | (25,476) | (91,876) | (91,876) | (62,450) | (36,697) |
| Long term borrowings | (12,589) | (18,931) | (22,095) | (88,495) | (88,495) | (59,069) | (33,316) |
| Other long term liabilities | (4,797) | (3,216) | (3,381) | (3,381) | (3,381) | (3,381) | (3,381) |
| Net assets | 3,151 | 1,419 | 22,784 | 23,437 | 27,247 | 42,811 | 56,000 |
| CASH FLOW | | | | | | | |
| Operating cash flow | (3,712) | (3,337) | (4,286) | (531) | 3,792 | 31,830 | 27,178 |
| Net interest | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Tax | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Capex inc acquisitions | (863) | 2,560 | (3,365) | (58,335) | (23,828) | (2,404) | (1,425) |
| Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Equity issued | 2,660 | 742 | 24,328 | 4,689 | 0 | 0 | 0 |
| Dividends | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net cash flow | (1,916) | (36) | 16,677 | (54,177) | (20,036) | 29,426 | 25,753 |
| Opening net debt/(cash) | 4,216 | 14,501 | 20,949 | 3,996 | 58,174 | 78,210 | 48,784 |
| HP finance leases initiated | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | (8,370) | (6,412) | 276 | 0 | 0 | (0) | 0 |
| Closing net debt/(cash) | 14,501 | 20,949 | 3,996 | 58,174 | 78,210 | 48,784 | 23,031 |

Source: Elk Petroleum, Edison Investment Research

Frankfurt +49 (0)69 78 8076 960
Schumannstrasse 34b
60325 Frankfurt
Germany

London +44 (0)20 3077 5700
280 High Holborn
London, WC1V 7EE
United Kingdom

New York +1 646 653 7026
245 Park Avenue, 39th Floor
10167, New York
US

Sydney +61 (0)2 8249 8342
Level 12, Office 1205
95 Pitt Street, Sydney
NSW 2000, Australia