

Egdon Resources

Shale results

Springs Road exploration well results

Oil & gas

27 June 2019

Egdon and IGas have provided a summary of initial analysis of the core extracted from Springs Road-1 (SR-01), in which Egdon holds a 14.5% interest. The well was drilled as a vertical exploration well in the centre of the Gainsborough Trough Basin where Egdon holds 82,000 net acres. The Bowland Shale, the Millstone Grit and the Arundian Shale were encountered with 429m of hydrocarbon bearing shale (147m cored) within the Bowland. Core analysis is positive with key shale characteristics comparable to commercial shales found in North America. High clay content was viewed as a risk pre-drill but the company believes that average clay content of below 30% should ensure the rock can be effectively fracture stimulated.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	EBITDA (£m)	Net cash/ (debt) (£m)	Cash flow from operations (£m)
07/17	1.0	(2.2)	(0.7)	(1.2)	6.1	(0.4)
07/18	0.8	(1.7)	(0.8)	(2.2)	2.8	(1.6)
07/19e	2.2	(2.1)	(0.2)	(0.5)	0.6	(0.3)
07/20e	2.7	(1.8)	(0.8)	0.1	(0.4)	0.6

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, share-based payments

SR-01 comparison to US shale gas play parameters. SR-01 total organic content of average 3% (ranging from 2-7%) is consistent with the averages of the top ten US shales which range from 0.9% to 5.3%. Thermal maturity at an average 464degC puts SR-01 shale in the wet gas to dry gas window. Total porosity of average 4% (range 2-9%) is comparable to US analogue shales which typically range from 4-7%. Gas content at an average 71scf/ton (range 24-131scf/ton) compares to a range of 15-350scf/ton typically seen in the US. Average clay content of 30% by weight (in *The Carboniferous Bowland Shale gas study: geology and resource estimation – 2013*, BGS states that clay content should be below 35% to facilitate fracture stimulation) is considered as low. From an operational perspective it is encouraging that SR-01 well costs came in 20% below budget; however well costs have not been released at this stage.

Operator IGas is to make a further announcement and technical presentation of these results in Q319.

Price 4.6p
Market cap £14m

Net cash (£m) at end January 2019	1.8
Shares in issue	303.3m
Free float	47%
Code	EDR
Primary exchange	AIM
Secondary exchange	N/A

Share price performance



Business description

Egdon Resources is an AIM-listed onshore oil and gas exploration company. The group has conventional and unconventional assets in the UK.

Analysts

Sanjeev Bahl	+44 (0)20 3077 5700
Carlos Gomes	+44 (0)20 3077 5700

oilandgas@edisongroup.com

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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
1,185 Avenue of the Americas
3rd Floor, New York, NY 10036
United States of America

Sydney +61 (0)2 8249 8342
Level 4, Office 1205
95 Pitt Street, Sydney
NSW 2000, Australia