

Stock Data

Share Price: 0.07p
Market Cap.: £3.1m
Shares in issue: 4,426.4m

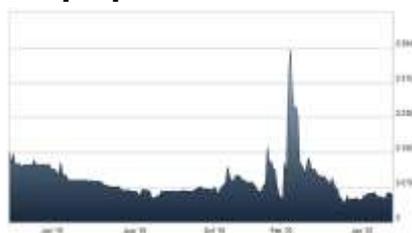
Company Profile

Sector: Oil & Gas
Ticker: BOIL
Exchange: AIM

Activities

Baron is a junior E&P company with a focus on exploration and appraisal projects in Timor Leste, Peru and the Inner Moray Firth region of the UKCS.

Share price performance



Source: [London Stock Exchange website](https://www.londonstockexchange.com/stock-page/BOIL)

Past performance is not an indication of future performance.

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Baron Oil Plc

Baron today announced its final results and an update on its key areas of operation in Timor Leste, Peru and the UK for the year ended December 2019. In a separate release, the company has also announced a potentially exciting Work Sharing and Confidentiality Agreement with a large European E&P company in regard to UK Licence P2478 (Baron: 15%), located in the Inner Moray Firth (IMF) region of the North Sea.

For the twelve months ended 31 December 2019, Baron announced a loss after tax of £1.674m (2018: £3.28m). However, the majority of this headline loss relates to an asset impairment charge for the company's 8% interest in UKCS Licence P1918 containing the Colter South prospect. Group administration was reduced from £0.59m in 2018 to only £0.442m in 2019 and the cash balance at the end of the year was £0.347m. However, this has been augmented significantly since the year-end by a successful £2.5m (gross) fund raising in February 2020 which is sufficient to fund Baron's proposed work programmes through 2020 and into 2021.

The TL-SO-19-16 PSC otherwise known as the 'Chuditch' PSC in Timor Leste was awarded in November 2019 and progress in-country has accelerated in 2020. In early April, Baron executed a Shareholder's Agreement (SHA) with SundaGas Resources Pte. Ltd (SundaGas) governing the operation of SundaGas (Timor-Leste Sahul) Pte. Ltd (SundaGas TLS) in which Baron holds a 33.33% interest. SundaGas TLS's sole asset is a 100% shareholding in SundaGas Banda Unipessoal Lda., the operator of Chuditch. SundaGas Banda Unipessoal holds a 75% interest in Chuditch providing Baron with an indirect interest of 25% in the PSC.

Early resource estimates by Shell pertaining to several structures within the Chuditch PSC, termed the 'Greater Chuditch' area, indicate total gross mean gas in place (GIIP) of 2.3 TCF with recovery rates expected to be in the range 55%-75%. As such, current internal estimates indicate that gross mean recoverable gas resources could be as much as 1.7 TCF. More information is available in regard to the Chuditch PSC in the TPI research update dated 22 April 2020.

In Peru, Baron is still keen to drill the El Barco-3X well (Baron: 100%) which would involve the introduction of a drilling partner to the proposed work programme. However, plans are currently in hiatus as a consequence of the Covid-19 pandemic restricting the movement of both personnel and equipment. Given the current unprecedented level of volatility in the oil and gas sector, we believe that the suspended status of activities in Peru could actually provide Baron with the opportunity to concentrate near term efforts more on the gas opportunities within the portfolio until a degree of relative stability returns to global crude markets.

In the UK, the latest analysis indicates that a further appraisal well is required to better define the oil resources identified within the Colter South prospect on UK Licence P1918. The current low oil price environment also suggests that efforts to bring in a new drilling partner are unlikely to be successful and under IFRS6 rules, the entire carrying amount for Colter has been impaired in Baron's 2019 accounts as outlined above. The status of adjacent onshore licences PEDL330 and PEDL245 is also being reviewed in a similar context and we believe these now represent non-core assets for Baron.

In the IMF, Baron relinquished its 15% interest in Licence P2470 at the end of March 2020 as expected, but retained the same stake in P2478 where the JV partners, Corallian (operator), Baron and Upland Resources have signed a Work Sharing Agreement with a prominent (as yet unnamed) European E&P company. Under the terms of the agreement, the JV partners will cease marketing a joint farm-out agreement to the wider industry until 30 September 2020. Instead, the interested party will complete its own technical assessment of the acreage over this exclusive period and share its findings with the JV partners. Exclusivity may be extended until 31 December 2020 in the event that the interested party wishes to negotiate a formal farm-in agreement. In the event that the third parties' technical work suggests significant potential resources to be present on the licence and a farm-in is agreed, we believe that the value of Baron's interest could increase significantly.

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