

Stock Data

Share Price:	0.60p
Market Cap:	£3.90m*
Shares in issue:	650.8m*
<i>*Post-Placing number</i>	

Company Profile

Sector:	Oil & Gas
Ticker:	TOM
Exchanges:	AIM

Activities

TomCo Energy plc ("TomCo", "TOM", "the Company") is an oil exploration, development and technology group focused on using innovative technology to unlock unconventional hydrocarbon resources. Its operations consist of two subsidiaries which include the Oil Mining Company (100%) which holds the group's Mineral Leases, and Turboshaletm (80%), the company's proprietary oil shale extraction technology.

1-year share price performance chart



Source: [LSE](#)

Past performance is not an indication of future performance.

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TomCo Energy plc

TomCo has announced its raising of £1.5m new funds through the placing of 375m new ordinary shares (representing a c.136% dilution of existing share capital) at a price of 0.4p each. One half Warrant is also attached to each new share exercisable at 0.8p/share for up to two years post-Admission.

The Company's [Preliminary Results](#) of 27 March 2020, had already advised shareholders that should it either take a decision to advance its Radio Frequency ("RF") technology or otherwise receive a further positive demonstration of the commercial potential of its oil sands joint venture with [Valkor Technology LLC](#) ("Valkor"), it would need to raise new development funding. Having now received a preliminary draft of its [Pre-FEED study](#) incorporating [Petroteq Energy Inc's](#) (TSXv:PQE) oil sands recovery system, the Board now sees significant potential upside from an upgrade of an existing plant to demonstrate commerciality. As such this placing, together with the Company's existing cash resources, is expected to provide funding sufficient to complete TomCo's investment in a new joint venture, Greenfield Energy LLC ("Greenfield"), up to the point of sourcing project finance for a commercial scale plant within the next 24 months or so.

Joint Venture with Valkor LLC

The results of the draft Pre-FEED study have provided TomCo's Board with sufficient comfort to enter into a binding joint venture agreement with Valkor (the 'JV Agreement') to form and regulate the operations of Greenfield, a newly incorporated Utah registered company that will seek to pursue the development of a commercial scale plant utilising the Oil Sands Technology. Greenfield is equally owned by TomCo and Valkor, with a director from each being appointed to its board, being John Potter and Steve Byle respectively.

Under the terms of the JV Agreement, the Company will provide funding to Greenfield, subject to being satisfied as to the use of such funds, of up to US\$1.5m. This will enable Greenfield to complete, *inter alia*, the required upgrades to Petroteq's existing oil sands plant at Asphalt Ridge, Utah (the 'POSP') and to undertake the proposed test programme as specified, together with funding TomCo's contribution to the FEED. Within this, the most significant upgrade to the POSP will be the additional licensing of Quadrise Fuels International's (AIM:QFI) [MSAR® process](#), which is intended to further support the JV's commercial opportunity by processing output into a premium, very low sulphur HFO product for retail sale as an IMO 2020 compliant No. 6 diesel/bunker fuel.

Potential to generate strong operating margins

The upgraded plant will be capable of producing various oil qualities of up to 500 barrels of oil per day ('bopd'). Ultimately, Greenfield intends to construct a commercial scale plant, subject to finance, that will produce a very low sulphur HFO based on proposed criteria of up to 10,000 bopd. Such output finds significant international demand from buyers including marine shipping, power generation etc. and is generally forward sold on long-term supply contracts. Given that this fuel typically trades at some US\$9-12 premium to West Texas Intermediate crude ('WTI') and assuming scale economies can be rapidly achieved along with sustained steady-state production, the JV appears capable of delivering strong operating margins based even on current low energy prices.

Pre-Feed study indicates economic viability

TomCo's Board considers the draft Pre-FEED study (that was undertaken by Valkor) to examine the deployment of Petroteq's closed loop system for use in the recovery of oil from oil sands (the 'Oil Sands Technology'), indicate economics viable for a commercial scale plant.

Diversifying TomCo's corporate strategy

TomCo has chosen to diversify its corporate strategy which, until now, had concentrated on development of its 80%-owned TurboShale technology, which uses RF sub-surface heaters to produce oil and gas from oil shale.

Further to its announcement of [19 March 2020](#), the Company announced that it had received a preliminary draft of the Pre-FEED study from Valkor, which seeks to demonstrate the economic viability of the Oil Sands Technology. This sets out the design criteria, including the environmental and regulatory compliance and codes and standards required, the product specifications of the feed stock, sales oil and effluent solids, the process systems, the safety systems, the civil and structural requirements and the mechanical, electrical and instrumentation and control requirements, for a commercial scale 10,000 barrels of oil per day oil sands plant.

Establishment of a joint venture company, Greenfield Energy LLC

The results of the draft Pre-FEED study have provided the TomCo Board with sufficient comfort to enter into a binding joint venture agreement with Valkor (the "JV Agreement") to form and regulate the operations of Greenfield.

Valkor will provide the engineering knowhow pertaining to the Oil Sands Technology required to complete the changes and will undertake the upgrade as detailed in the 'Work Order'. Valkor will provide the services for the completion of the pre-FEED and the FEED up to a value of US\$375,000, along with their management and operating experience and any other information and other valuable resources owned by and/or controlled by Valkor. In addition, Valkor has granted to Greenfield a licence to the Quadrise MSAR[®] technology, for the processing of heavy sweet crude into heavy fuel oil for which it has a right to an exclusive licence, for the use on all future plants that are majority owned and operated by Greenfield in Utah. The aim of the upgrade works is to increase the POSP's capacity to 500 bopd and to run it for a sufficient period of time for the design to be reviewed and the operations verified by third party engineers. On completion of this work, it is intended that a FEED will be completed for a commercial scale (up to 10,000 bopd) oil sands plant.

Pursuant to the lease of the POSP site, in addition to a monthly rent, the landlord will be entitled to certain royalty payments in respect of any commercial produce from the POSP and/or associated operations. Valkor has also granted Greenfield the right to occupy the site to complete the upgrade works/operations of the POSP proposed in the Work Order.

Furthermore, under the terms of the JV Agreement, Valkor has granted a licence for the use on all future plants that are majority owned and operated by Greenfield in Utah, to its existing Intellectual Property and knowhow to Greenfield of the processing of oil sands into heavy fuel oil. All modifications and improvements to the IP developed in Greenfield, including in relation to the upgrade of the POSP, will belong to Greenfield, which the Board of TomCo believes will allow Greenfield to develop its own oil sands plant, subject to identifying a suitable location. Greenfield will seek to identify and secure suitable locations in Utah for a commercial scale (up to 10,000 bopd) oil sands plant.

A clean and environmentally friendly method of producing HFO

The POSP and Oil Sands Technology has been in development by Petroteq for a number of years to determine a clean and environmentally friendly method of producing heavy fuel oil from oil sands. The system contains several parts: a front end, where ore is crushed and mixed with solvent; a middle section, for the separation of liquids and sand; and a back end to recover the solvent for reuse, produce a saleable bitumen product and return a hydrocarbon-free sand.

In 2018, Petroteq entered into a management services agreement with Valkor, to bring in Valkor's process engineering experience to help the design process. The work began with a redesign of the back end to increase reliability and capacity, resulting in a 12 API, ultra-low basic sediment and water ('BS&W'), heavy oil product with almost no sulphur. Further work continued through to the end of 2019, to improve the middle section efficiency for sand and oil separation while reaching steady production at rates as high as 300 bopd.

In order to complete the necessary upgrade to the POSP needed to be able to demonstrate its commerciality, as well as the Quadrise MSAR[®] process, and to be able to run the necessary tests, Valkor has taken over the management and operations of the POSP under the Work Order. Any IP developed as result of the upgrade and from the tests to be run will be the property of Greenfield. The further inclusion of the MSAR[®] process is intended to demonstrate the economic opportunity presented by mixing the low sulphur HFO with water and chemicals to produce an emulsified solution expected to be compliant with IMO 2020 regulatory standards without further refinement.

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