

**Stock Data**

Share Price:	0.43p
Market Cap:	£2.80m*
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.**

**Turner Pope contact details**

Turner Pope Investments ("TPI")  
8 Frederick's Place  
London EC2R 8AB

Tel: 0203 657 0050  
Email: [info@turnerpope.com](mailto:info@turnerpope.com)  
Web: [www.turnerpope.com](http://www.turnerpope.com)

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**Barry Gibb**  
Research Analyst  
Tel: 0203 657 0050  
[barry.gibb@turnerpope.com](mailto:barry.gibb@turnerpope.com)

**Andrew Thacker**  
Corporate Broking & Sales  
Tel: 0203 657 0050  
[andy.thacker@turnerpope.com](mailto:andy.thacker@turnerpope.com)

# TomCo Energy plc

TomCo yesterday announced it has raised £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](#) ('Petroteq', 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.

## Circumstances surrounding cancellation of previous placing

On [19 June 2020](#) Turner Pope elected to [cancel the last placing](#), during a short period of the [shares being suspended](#), because clarification around the status of the arrangements and licences between TomCo's partner Valkor and Petroteq and [Quadrise Fuels International](#) ('Quadrise', AIM:QFI) was required. As a consequence, certain contracts and arrangements, including TomCo's joint venture agreement with Valkor establishing Greenfield, were renegotiated. TomCo, Valkor and Quadrise each rapidly publicised their respective situations, followed lastly by Petroteq which yesterday also [issued a corresponding statement](#).

## 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.

## 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.

## 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 oil sands plant.

## 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.

## 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. 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.

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 oil sands plant.

## Use of proceeds and terms of the JV Agreement

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. As a result, the net proceeds of the Placing will be used by the Company to provide funding of up to US\$1.5 million and will be used to enable Greenfield to, *inter alia*, undertake the planned upgrades to POSP and to complete the associated tests with the aim of demonstrating the POSP's commerciality, together with funding TomCo's contribution to the FEED Study on Petroteq's closed loop system for use in the recovery of oil using its Oil Sands Technology and to provide general working capital to the Company.

The Company believes that it will take approximately three months to complete the upgrade works to the POSP, with the test programme expected to then take approximately a further 4-6 weeks, with third party verification of the process to then be undertaken following this. It is envisaged that the FEED will then be completed following the receipt, and subject to the results, of the third-party verification report and assuming no further changes are needed to the POSP.

Within this, Quadrise has reached in principal an agreement for the deployment of [MSAR® Technology](#) equipment for the commercial trial at the POSP for a price of up to US\$150,000, which has been taken into account in Greenfield's budget for the proposed work programme. This is intended to further support the JV's 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.

In parallel with the commercial trial, Quadrise and Valkor continue to cooperate in good faith to agree the commercial terms of a conditional MSAR® licence and commercial supply agreement for the production of MSAR® fuel in respect of the development of a commercial MSAR® plant of up to 10,000 bopd. Quadrise has agreed with Valkor that any licence ultimately granted to Valkor under the terms of their memorandum of understanding, will be limited to the deployment of the MSAR® Technology in Utah, USA, in connection with the processing of sweet heavy or paraffinic crude oil and will be capable of being assigned to Valkor group joint ventures, including Greenfield, in the future. Should, for whatever unexpected reason, agreement not be finalised with Quadrise, then the upgrade and test will not include a commercial trial of Quadrise's MSAR® Technology at the POSP.

## 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.

## Unaudited interim results for the six-month period ended 31 March 2020

Unaudited figures to end-March 2020 as [announced on 30 June 2020](#), indicate the Company had total assets of £10.5 million (unaudited 1H 2018: £9.5 million), significantly comprising intangibles amounting to £9.2 million (unaudited 1H 2018: £8.2 million) plus cash of £0.75 million (unaudited 1H 2018: £0.25 million). Total liabilities comprised trade and other payables only of £0.35 million (unaudited 1H 2018: £0.35 million). Administrative expenses accounted overwhelmingly to the Company's loss from continuing operations, resulting in a basic and diluted loss per share of 0.16p (unaudited 1H 2018: 0.56p) for the half year.

During the period TomCo raised £925,000 (gross) via an equity placing in December 2019, through the issue of 142.3 million new ordinary shares at a price of 0.65 pence per share. The net proceeds were directed to provide general working capital and also to undertake the engineering studies in respect of the oil sands opportunity.

As at 29 June 2020, TomCo had approximately £340,000 of cash available and no structural debt. Notwithstanding the new funds raised yesterday to cover the cost of any works to be undertaken under the JV Agreement and associated upgrades to the POSP, the Board believes the Company has sufficient funds through to the end of 2020, by when it anticipates the need to raise further funding in order to meet its liabilities and commitments as they fall due as well as to provide it with additional working capital.

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