

## Andalas Energy\*

8 March 2019

### Stock Data

Share Price:	0.21p
Market cap.:	£1.2m
Shares in issue:	555.1m
Fully diluted equity:	680.4m

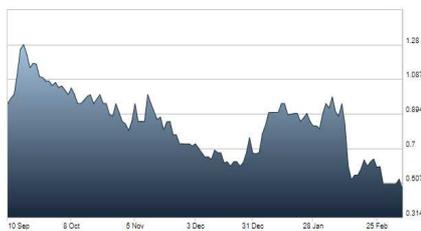
### Company Profile

Sector:	Oil & Gas
Exchange:	AIM
Ticker:	ADL

### Activities

Andalas is an AIM-quoted oil and gas E&P company with a portfolio of exploration and appraisal interests located in the UKCS and Indonesia.

### Performance data



### Directors

Robert Arnott:	Chairman
Simon Gorringe:	CEO
Dan Jorgensen:	Finance. Director
Ross Warner:	Legal & Commercial

### Important Notice

OSL's investment research products are paid for by corporate clients as part of their retainer fee. As such, this document falls under Article 12 3 (b) of the European Commission's Delegated Directive of 7 April 2016 and it qualifies as an 'acceptable minor non-monetary benefit' and does not qualify as 'chargeable research'. OSL are therefore able to send this document to investors without the requirement for any compensation to be paid to OSL from the recipients – it is 'freely available'.

\*Optiva Securities acts as joint broker to Andalas Energy and Power plc.

## Colter appraisal programme completed

Andalas has been informed by the operator of Licence P1918, Corallian Energy that the sidetrack appraisal well 98/11a-6Z targeting the northern part of the Colter prospect encountered the Sherwood Sandstone reservoir deeper than expected, indicating that the Colter accumulation is smaller than anticipated. Although disappointing, we are encouraged by the results from the original 98/11a-6 well which has already delivered a new discovery at Colter South, the most recent assessment of which has indicated up to 15 mmbbls of recoverable resources.

Following the completion of the 98/11a-6Z sidetrack well on the Colter prospect to a depth of 1,910 metres in the Sherwood Sandstone, the operator has concluded that the smaller areal extent of the Colter feature north of the fault boundary is unlikely to yield commercial volumes of hydrocarbons and consequently the 98/11a-6Z sidetrack well will be plugged and abandoned and the rig released.

On 25 February 2019, Corallian announced that the initial Colter appraisal well (98/11a-6) reached a total depth of 1,870 metres in the Sherwood Sandstone reservoir. Although the well unexpectedly remained on the southern side of the prospect bounding fault, it nonetheless encountered oil and gas shows over a 9.4 metre interval and calculated a net pay of 3 metres.

Provisional analysis of the 98/11a-6 well indicates that it shares a common oil-water contact with the original 98/11-1 discovery well drilled by British Gas in 1983, both having intersected the down-dip region of the southern portion of the Colter prospect. Corallian's most recent assessment of Colter South prior to drilling 98/11a-6 indicated an estimated gross mean recoverable resource of 15 mmbbls.

We note that a discovery of this size comfortably exceeds the threshold for commerciality and further work will be required to refine this assessment. Although the partners already possess significant well and seismic data, we do not rule out the potential for further 3D seismic work to be required to improve the imaging of the Colter South structure. The timing and details of a future work programme have not been outlined by Corallian at this stage.

Andalas was also advised on 8 March 2019, that Holywell Resources Limited, a wholly owned subsidiary of Eagle Gas Limited had relinquished its 66.7% interest in Southern North Sea Licence P2112 which contains the Badger prospect. Andalas holds 25% of Eagle Gas implying a 16.7% indirect interest in P2112. Eagle informed Andalas that Holywell had been unable to secure a farm-in partner for the licence within the time permitted under the licence terms. Andalas has stated that it remains interested in the Badger prospect and will consider options to apply for a new licence.

**Despite the significant decline in the share price, we note that Andalas has met all of its financial commitments under its farm-in agreement and estimated recoverable resources of 15 mmbbls still exceeds comfortably the threshold for commerciality at Colter. There also remains the potential for upside to this prognosis in event of further assessment of the accumulation. Although the current outlook for the advancement of Colter is unclear in the short term, we have adjusted our risk NPV-based value per share for Colter to 1.0p (2.0p on an unrisks and fully diluted basis) to reflect primarily the lower resource estimate. This compares to our pre-drill risk assessment of 1.9p per share (3.3p unrisks) calculated prior to the company's fund raising in February.**

**THIS DOCUMENT IS NOT FOR DISTRIBUTION INTO THE UNITED STATES, JAPAN, CANADA OR AUSTRALIA**

**General disclaimers**

OSL's investment research products are paid for by corporate clients as part of their retainer fee. As such, this document falls under Article 12 3 (b) of the European Commission's Delegated Directive of 7 April 2016 and it qualifies as an 'acceptable minor non-monetary benefit' and does not qualify as 'chargeable research'. OSL are therefore able to send this document to investors without the requirement for any compensation to be paid to OSL from the recipients – it is 'freely available'.

This is a marketing communication under the rules of the Financial Conduct Authority ("FCA"). It has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This document, which presents the Optiva Securities Limited ("OSL") research department's view, cannot be regarded as "investment research" in accordance with the FCA definition. The contents are based upon sources of information believed to be reliable but no warranty or representation, expressed or implied, is given as to their accuracy or completeness. Any opinion reflects OSL's judgement at the date of publication and neither OSL, nor any of its affiliated or associated companies, nor any of their directors or employees accepts any responsibility in respect of the information or recommendations contained herein which, moreover, are subject to change without notice. OSL accepts no liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection with this document (except in respect of wilful default and to the extent that any such liability cannot be excluded by the applicable law).

The document is confidential and is being supplied solely for your information. It must not be copied or re-distributed to another person / organisation without OSL's prior written consent.

This is not a personal recommendation, offer, or a solicitation, to buy or sell any investment referred to in this document. The material is general information intended for recipients who understand the risks associated with investment. It does not take account of whether an investment, course of action, or associated risks are suitable for the recipient.

OSL manages its conflicts in accordance with its conflict management policy. For example, OSL may provide services (including corporate finance advice) where the flow of information is restricted by a Chinese wall. Accordingly, information may be available to OSL that is not reflected in this document. OSL and its affiliated or associated companies may have acted upon or used research recommendations before they have been published.

This document is approved and issued by OSL for publication only to UK persons who are authorised persons under the Financial Services and Markets Act 2000 and to professional clients, as defined by Directive 2004/39/EC as set out in the rules of the Financial Conduct Authority. Retail clients (as defined by rules of the FCA) must not rely on this document.

**Specific disclaimers**

OSL acts as joint broker to Andalus Energy and Power plc ("Andalus"). OSL's private and institutional clients hold shares in Andalus.

This document has been produced by OSL independently of Andalus. Opinions and estimates in this document are entirely those of OSL as part of its internal research activity. OSL has no authority whatsoever to make any representation or warranty on behalf of Andalus.

NEITHER THIS DOCUMENT NOR ANY COPY OF IT MAY BE TAKEN OR TRANSMITTED INTO THE UNITED STATES OF AMERICA, OR DISTRIBUTED, DIRECTLY OR INDIRECTLY, IN THE UNITED STATES OF AMERICA OR TO ANY US PERSON AS DEFINED IN REGULATION S UNDER THE UNITED STATES SECURITIES ACT OF 1933. ANY FAILURE TO COMPLY WITH THIS RESTRICTION MAY CONSTITUTE A VIOLATION OF UNITED STATES SECURITIES LAWS.

NEITHER THIS DOCUMENT NOR ANY COPY OF IT MAY BE TAKEN OR TRANSMITTED INTO CANADA OR DISTRIBUTED IN CANADA OR TO ANY INDIVIDUAL OUTSIDE CANADA WHO IS A RESIDENT OF CANADA, EXCEPT IN COMPLIANCE WITH APPLICABLE CANADIAN SECURITIES LAWS.

NEITHER THIS DOCUMENT NOR ANY COPY OF IT MAY BE TAKEN OR TRANSMITTED INTO AUSTRALIA OR DISTRIBUTED IN AUSTRALIA OR TO ANY RESIDENT THEREOF EXCEPT IN COMPLIANCE WITH APPLICABLE AUSTRALIAN SECURITIES LAWS. ANY FAILURE TO COMPLY WITH THIS RESTRICTION MAY CONSTITUTE A VIOLATION OF AUSTRALIAN SECURITIES LAWS.

NEITHER THIS DOCUMENT NOR ANY COPY OF IT MAY BE TAKEN OR TRANSMITTED INTO OR DISTRIBUTED INTO JAPAN OR TO ANY RESIDENT THEREOF FOR THE PURPOSE OF SOLICITATION OR SUBSCRIPTION OR OFFER FOR SALE OF ANY SECURITIES. ANY FAILURE TO COMPLY WITH THIS RESTRICTION MAY CONSTITUTE A VIOLATION OF JAPANESE SECURITIES LAWS.

NEITHER THIS REPORT NOR ANY COPY HEREOF MAY BE DISTRIBUTED IN ANY JURISDICTION OUTSIDE THE UK WHERE ITS DISTRIBUTION MAY BE RESTRICTED BY LAW. PERSONS WHO RECEIVE THIS REPORT SHOULD MAKE THEMSELVES AWARE OF AND ADHERE TO ANY SUCH RESTRICTIONS.

**Copyright © 2019 Optiva Securities Limited, all rights reserved. Additional information is available upon request.**

**Optiva Securities Limited, 49 Berkeley Square, Mayfair, London, W1J 5AZ  
Tel: 0203 137 1902, Fax: 0870 130 1571**

**Member of the London Stock Exchange. Authorised and regulated by the Financial Conduct Authority.**