



# Scirocco Energy

Acquisition of Assets in the Netherlands from ONE-Dyas

9<sup>th</sup> October 2019

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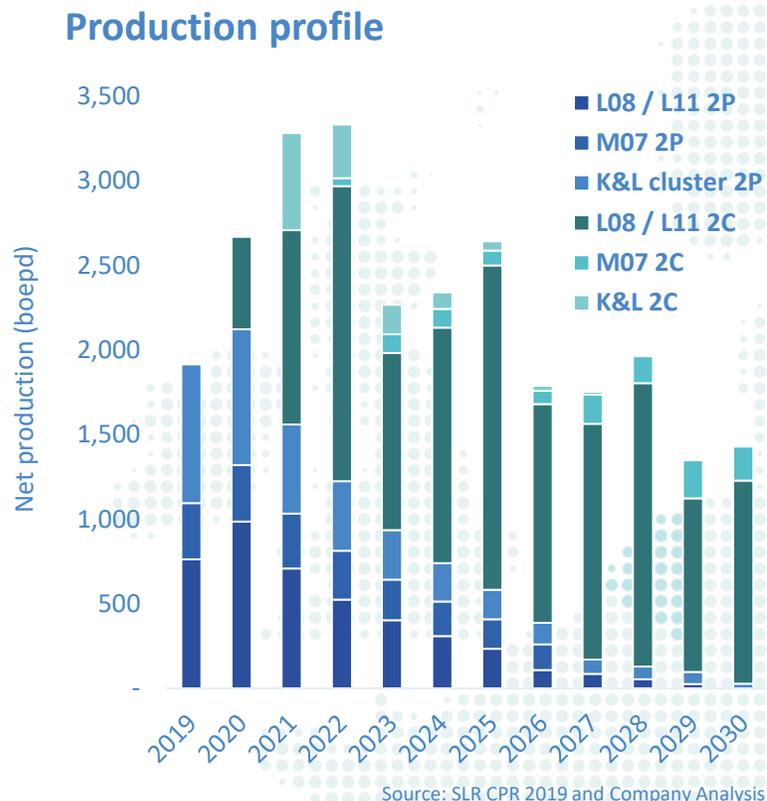
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# Acquisition of self-funding portfolio of high-quality assets

## Step 1: Acquisition of assets from ONE-Dyas

- Package of Dutch producing gas assets with development upside from ONE-Dyas for **€30.1m**
- **High-quality assets in a mature operating country** connected to existing infrastructure with access to Europe's 2<sup>nd</sup> largest gas market
- Stable production from **leading North Sea E&P operators ONE-Dyas, Neptune Energy and Total**
- Clear backlog of **development options to grow production and life of portfolio reserves**
- Transaction to be **funded by €18m of debt** from Mercuria and **c.£20m of new equity**



<b>€30.1m</b> Consideration	<b>€8.3 / boe</b> 2P acquisition cost	<b>3.6 mmmboe</b> Net 2P reserves	<b>c.€40m</b> Net 2P NPV10 pre-tax	<b>2.1k boepd</b> Net 2020E production	<b>€2.0 / boe</b> 2P capex / boe	<b>€11.4 / boe</b> 2P opex / boe	<b>11.1 mmmboe</b> Net 2P + 2C resources	<b>c.€60m</b> Net 2C NPV10 pre-tax
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Note: production, reserves and NPV10 estimates based on 2019 SLR CPR. Reserves and resources as at 1 January 2019

# Transaction details

- **Transaction effective 1 January 2019 with completion targeted for Q4 2019**, subject to equity funding and regulatory, government and partner consents
- **Up-front consideration of €30.1m cash** payable on completion
- **Deferred consideration of €2.0m cash** payable on first production from a platform development on L08-D South (estimated to be payable in 2021)
- Acquisition partially-funded through **€18m debt facility with Mercuria**
- Company raising **c.£20m of new equity** to fund the remainder
- **Mid-life assets** with low-risk opportunity to extend field life
- Decommissioning liabilities assumed by Scirocco
- **Reverse takeover under AIM Rules**
- **Scirocco's shares to be suspended pending publication of Admission Document** and General Meeting to approve transaction and **name change to Scirocco Energy**



# Transformational acquisition

## Scirocco to acquire a portfolio of non-operated producing assets with development upside from ONE-Dyas



### Material cash flow, strengthening Scirocco's balance sheet and providing the basis for further growth

- Average 2020E net production of 2.1kboepd (2P)
- Incremental production from 2C to 2P conversion targeting net production of 3.3kboepd by 2022
- 3.6mmboe net 2P reserves (as at 1 Jan 2019)
- 11.1mmboe net 2P+2C resources



### Provides stable production and reserves

- Three core areas with 14 gas fields (99% gas)
- High quality operators in ONE-Dyas, Neptune and Total
- Mid-life assets, with relatively low abex
- Stable fiscal and regulatory environment
- Pipeline infrastructure provides multiple exit routes



### Development (2C) upside at each core area

- Near-field resources and proximal to existing infrastructure
- Well defined work programme to convert 2C to 2P
- Production to increase to 3.3kboepd by 2022E



### Platform to increase scale, driving further value

- Acquisition immediately cash flow and value accretive
- Programme targeting 2C is self-funding from free cash flow
- Basis for future organic and inorganic growth

Cluster	Licence / field	Operator	Working interest being acquired
L08 / L11	L08-D	ONE-Dyas	25.00%*
	L11c-Gillian	ONE-Dyas	25.00%*
M07	M07-A	ONE-Dyas	15.00%*
	M07-B	ONE-Dyas	15.00%*
K&L cluster	K09ab-A	Neptune	5.09%
	K09ab-B	Neptune	8.63%
	K09ab-C	Neptune	9.53%
	K09ab-D	Neptune	8.63%
	K09c-A	Neptune	10.26%
	K09c-C	Neptune	10.26%
	K12-L	Neptune	5.18%
	K12-G	Neptune	10.32%
	L10-M	Neptune	21.43%
	K06-D	Total	2.16%

\*only a partial divestment planned by ONE-Dyas – ONE-Dyas will retain operatorship and reduce working interest

# Securing platform for growth



## Executing strategy

- Assemble a diverse portfolio of cash-generative gas assets, creating a self-funding platform and returns to shareholders
- Target is to be significant gas-focused energy vehicle on AIM with production of 20kboepd within 5 years



## Investment case

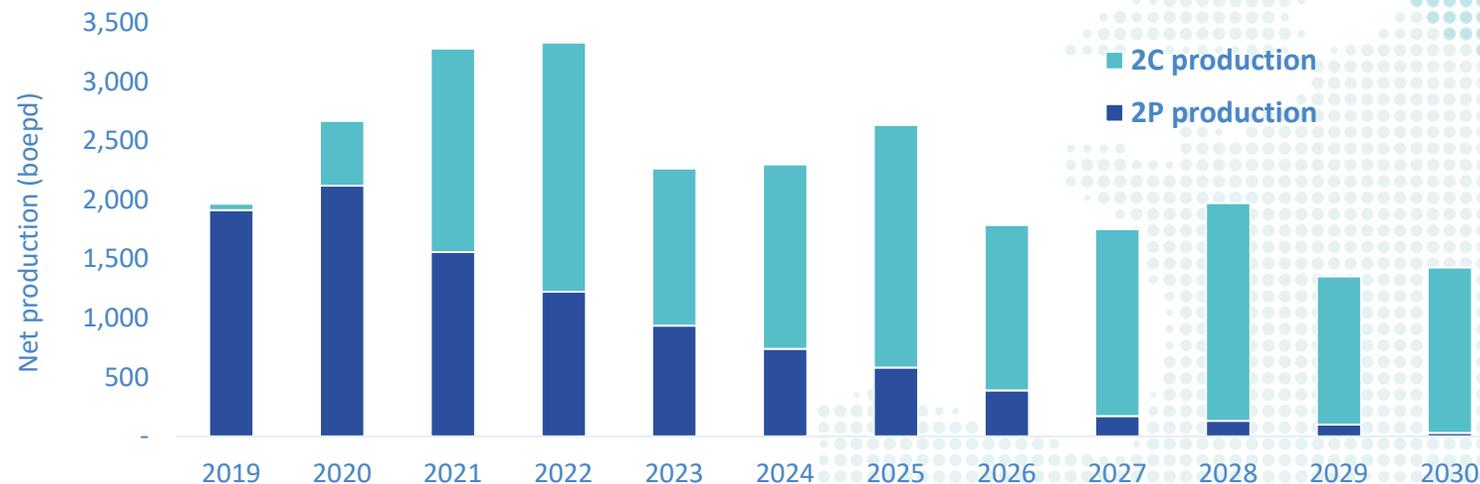
- Concentrated, full-cycle asset portfolio with production, development and exploration
- Self-funding balance sheet with 2020E net production of 2.1kboepd, capable of funding work programme to convert 2C to 2P



## European gas focus

- Opportunity to acquire gas assets from large independents and super-majors during a continued period of portfolio rationalisations and structural changes in the European energy dynamics
- Gas remains resilient in Europe's power sector as it benefits from the demise of coal and an ageing nuclear sector
- Gas plays a critical role in the European energy mix as countries strive for net zero emissions targets
- Scirocco aims to be at the forefront of the European energy transition

## Acquisition asset production profile



Source: SLR Competent Persons Report, 2019

Note: production estimates based on 2019 SLR CPR

# Mercuria funding partnership

Mercuria Energy Group is one of the world's largest integrated energy and commodity trading companies



- Scirocco has agreed an €18.0m debt financing arrangement with Mercuria
- Mercuria's activities encompass all key energy products and a wide range of dry bulk commodities
- Mercuria will also provide the Company with gas marketing and gas hedging services



**€18.0m**  
Acquisition  
financing package



## Summary of key terms

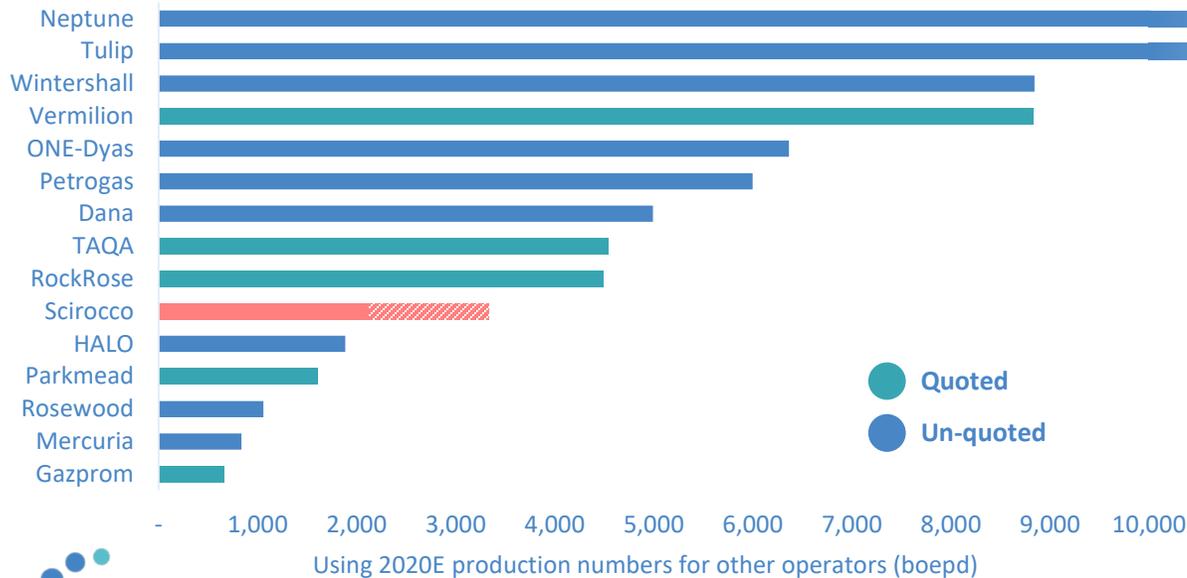
### Acquisition financing loan of €18m

Senior Loan	
Loan amount	€14.0m
Final maturity	31 December 2022
Interest	US\$3m LIBOR + 7.0% p.a., paid quarterly on drawn amounts
Repayment	Quarterly amortisation (€1.2m per quarter), starting at the end of 1Q 2020
Ranking	Senior secured, pari-passu with credit exposure related to the hedging instruments

Junior Loan	
Loan amount	€4.0m
Final maturity	31 December 2023
Interest	US\$3m LIBOR + 12.0% p.a., paid quarterly on drawn amounts
Repayment	After full repayment of the Senior Loan, quarterly amortisation (€1.0m per quarter)
Ranking	Senior secured, pari-passu with credit exposure related to the hedging instruments

# Scirocco in the Netherlands

## Production in the Netherlands ranked by European independent



**L08 / L11**

- ONE-Dyas operated
- Near-term infill drilling
- 2C development

**K&L cluster**

- Neptune/Total operated
- Near-term infill
- Workover programme

**M07**

- ONE-Dyas operated
- Near-term infill drilling
- 2C development

*Scirocco becomes the 4<sup>th</sup> largest quoted European independent in the Netherlands by production*

Note: Scirocco production estimates based on 2019 SLR CPR; Other companies' production estimates based on Wood Mackenzie (excludes EBN, NAM, Total and ExxonMobil)

# Platform acquisition for future growth



## European gas

*European gas dynamics provide a strong investment case*



## Sustainable platform

*Self-sustaining asset package with significant 2C resource funded from cashflow*



## Leverage expertise

*Exceptional M&A, deal origination and gas commercialisation capability*



## Intrinsic value

*Intrinsic value of remaining core assets – significant future option value*



## Partnership model

*Debt package in place with leading commodity trading house – may provide access to follow-on capital to facilitate growth*



## Appendix: Asset Overviews

# L08 / L11 (25% interest)

## Overview

- 25% interest in L08-D (discovered in 2004) and L11c-Gillian (discovered in 2015)
- ONE-Dyas took over operatorship from TAQA in 2016 and increased operational uptime
- Development: both fields developed via L11b-A platform
- Five producing wells – three on L08-D and two on L11c-Gillian
- L11c-Gillian wells have been hydraulically fractured to improve flow rates
- Export for gas and condensate via NGT pipeline to Uithuizen
- Near-term activity:
  - Sidetrack of A06 well (A06X) and hydraulic fracturing – first well to be hydraulically fractured on L08-D;
  - Aiming to unlock additional reserves and de-risk future satellite development; and
  - Workover of underperforming L11b-A09 well.

**988** boepd

Net 2020E  
production

**1.5** mmmboe

Net  
2P reserves

**€19.6m**

Net 2P pre-tax  
NPV10

**8.0** mmmboe

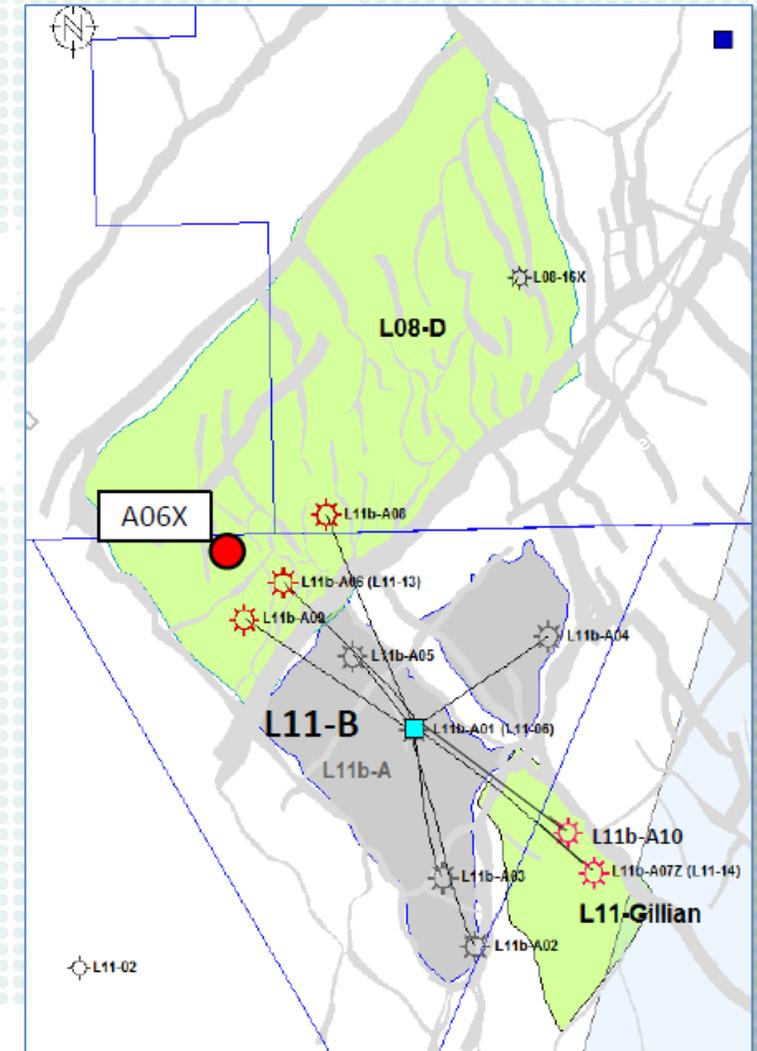
Net  
2P+2C resources

**€66.5m**

Net pre-tax  
2P+2C NPV10

**€6.2m**

Net 2P abex  
(real terms)



# L08 / L11: low-risk development upside

## L08: 2C satellite developments

- Majority of the L08-D South area is left undrained by the current producing wells and L08-D North area is an unconnected volume to existing wells
- **Phase 1**
  - L08-D South will consist of one unmanned satellite platform in the SE corner of the field and drilling of three long-reach wells
  - Wells designed such that three additional sidetracks can be drilled from the initial three wellbores providing for a total of six wellbores for each development
  - Operator planning to stimulate wells per the successful operations at L11c-Gillian
- **Phase 2**
  - L08-D North development will be contingent on the successful implementation of Phase 1 development at L08-D South
- Production will be transported to L11b-A platform via NGT pipeline
- ONE-Dyas planning to reduce implementation risks by using proven well designs and a mirror platform design (used by ONE-Dyas on P11a field)

## L08 / L11: near-term platform well opportunities

- Gillian-3 well targeting additional reserves from the south side of L11c-Gillian field
- Projected reserve assessment ongoing on the basis of Gillian-1 and Gillian-2
- Study ongoing on the re-utilisation of a redundant L11b platform well through sidetracking
- L11b-A09X sidetrack well aims to further develop the area to the west of the current L11b-A09 producer
- Drilling of the well side-track is planned to commence following CoP of the current well (L11b-A09)
- In the meantime, L11b-A09 will benefit from an upcoming production optimisation scope via acid stimulation
- L11b-A09X well proposal to be finalised on the basis of production data post acid stimulation

**6.5** mmboe

Net  
2C resource

**+1.5k** boepd

Additional  
production by 2022

**3.8** bcm

Static GIIP  
South Segment  
L08-D

**3.0** bcm

Static GIIP  
North Segment  
L08-D

**c.€47m**

Net 2C NPV10

**2020**

Targeted drilling  
L08-D

**2036**

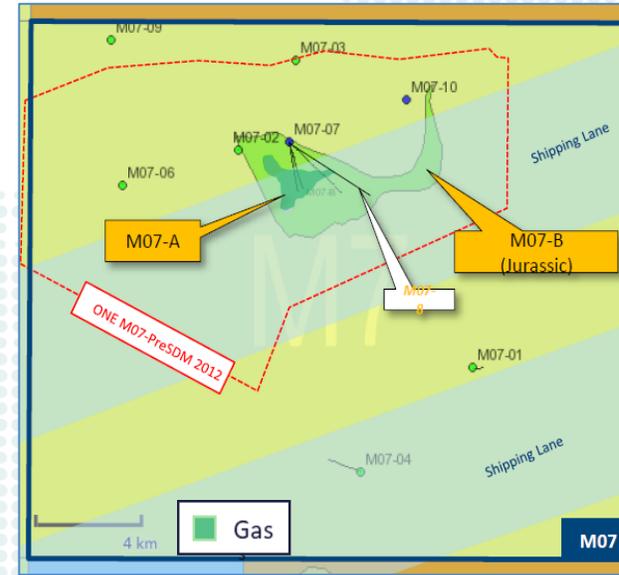
Extending field life  
L08-D

Note: production, reserves and NPV10 estimates based on 2019 SLR CPR. Reserves and resources as at 1 January 2019

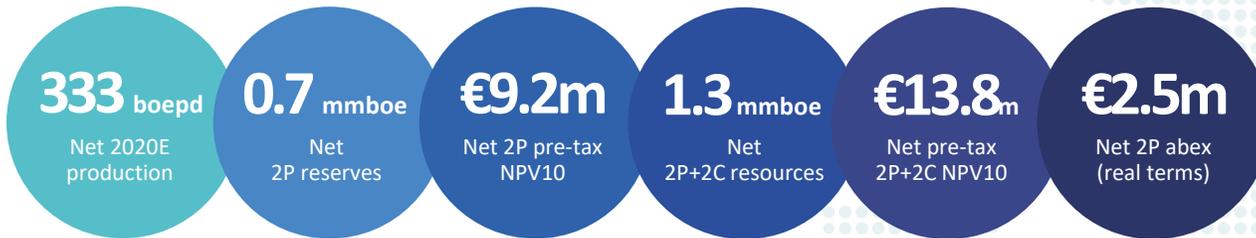
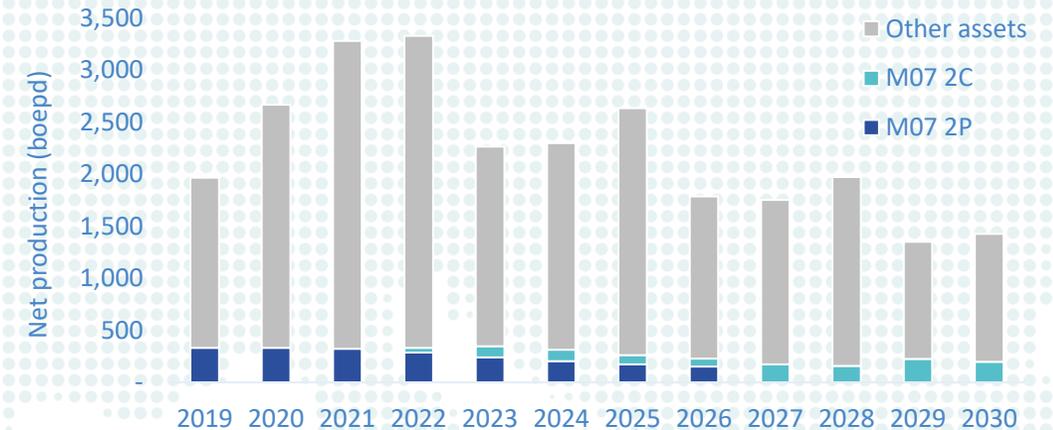
# M07 (15% interest)

## Overview

- Two gas fields, M07-A (discovered in 1996) and M07-B (discovered in 2010)
- Development: both fields developed via a minimum facilities mono-tower platform
- Wells: three producing wells, one on M07-A and two on M07-B
- Export: gas and condensate via the L09FF platform and onwards via the NOGAT pipeline
- Near-term activity: no major works



## Production profile

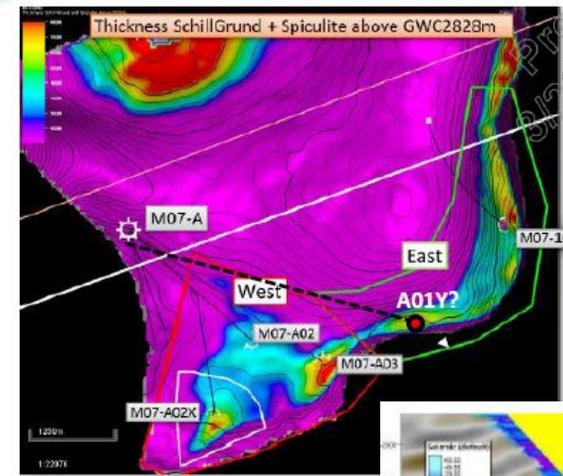


Note: production, reserves and NPV10 estimates based on 2019 SLR CPR. Reserves and resources as at 1 January 2019

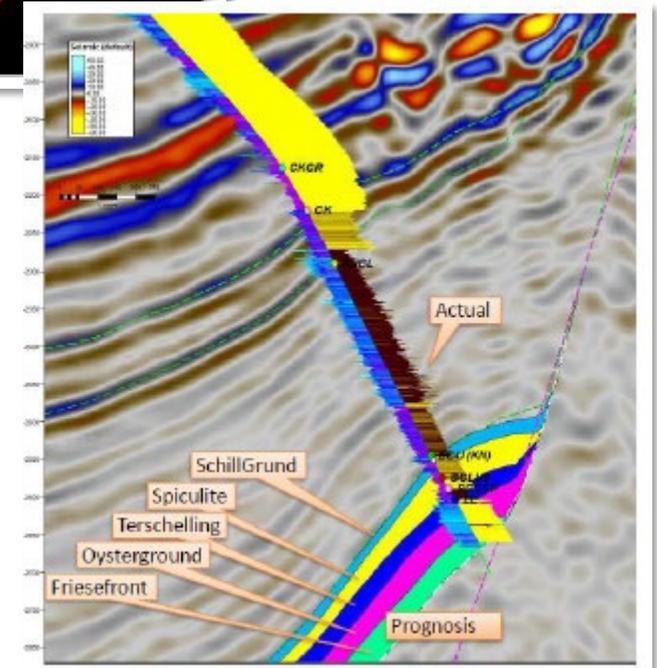
# M07: 2C development upside

## Overview

- M07-10 appraisal well was drilled in 2016 targeting the East Flank – 300m above the gas-water contact of M07-B field
- Well proved the presence of Schillgrund and Spiculite members, de-risking the source effectiveness and reservoir presence in M07-B field
- Jurassic strata below the Spiculite proved absent – lower Bunter and Zechstein strata were found instead
- ONE-Dyas plans to appraise the East Flank of M07-B field and prove additional gas
- Given requirement for a well slot, plan to either simulate or sidetrack M07-10 or utilise the M07-A01Z slot (once depleted) on M07-A platform to drill a slanted production well east of M07-A03 (expected Spiculite thickness ~400m, anticipated TD @ ~6000m)



M07-10 well objectives



**0.6** mmbob  
Net 2C resource

**€4.6m**  
Net 2C NPV10

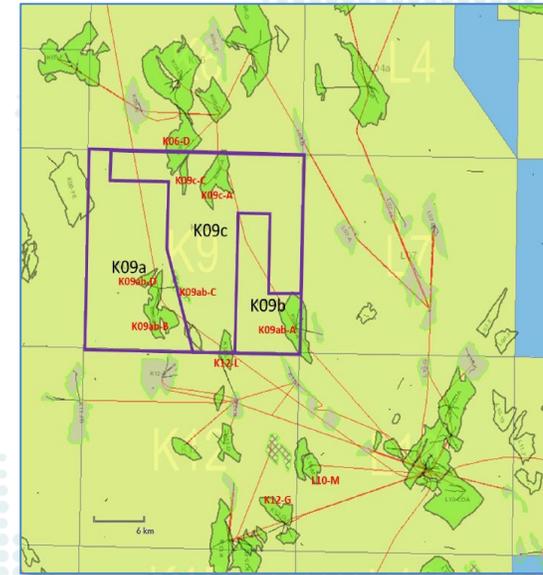
**2021**  
Targeted drilling

**2033**  
Extending field life

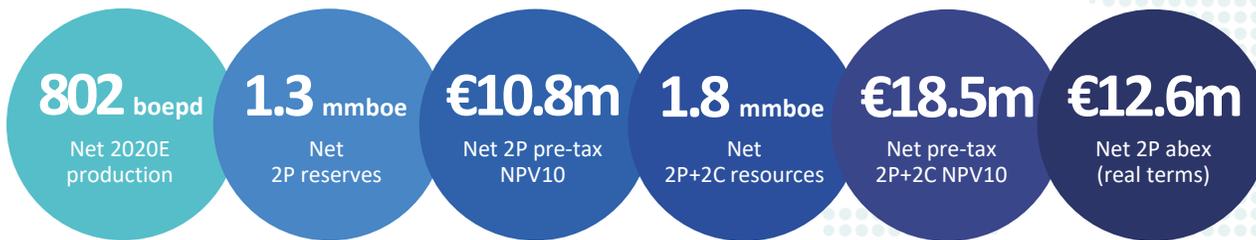
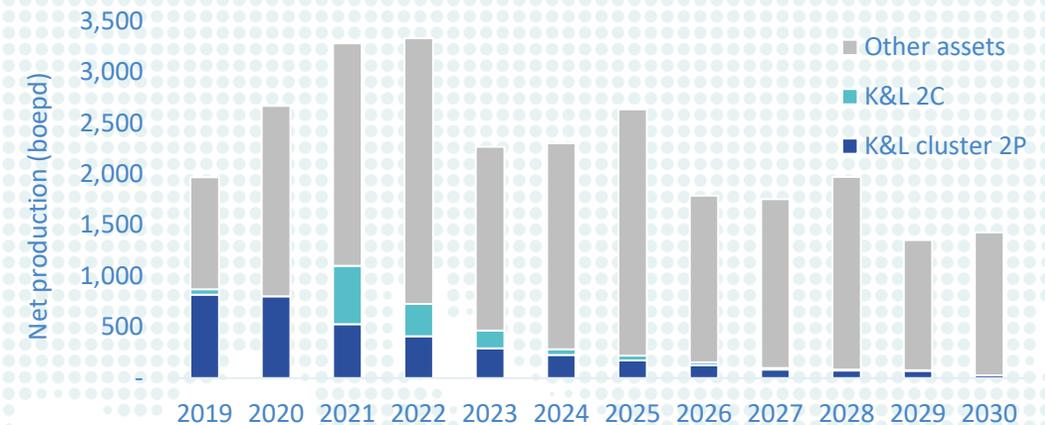
# K09 / L10-M / K12-G cluster (2.2% - 21.4% interest)

## Overview

- Ten gas fields on the K09a, K09b, K09c, K12-G and L10-M licences
- Various unitised and non-unitised interests
- All fields are operated by Neptune except for K06-D (operated by Total)
- Development: three platforms on K09, one platform on K12-G, one platform on L10-M and one platform on K06-D
- Export: gas via the L10-A pipeline and onwards via the NGT pipeline to Uithuizen
- Near-term activity: potential 2019 infill well on K09ab-A
- Upside potential: 2021 infill well on K12-G, three targets identified



## Production profile



Note: production, reserves and NPV10 estimates based on 2019 SLR CPR. Reserves and resources as at 1 January 2019



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# Glossary of terms

2C Best estimate scenario of Contingent Resources

2D / 3D 2D / 3D seismic survey

2P Proved reserves plus probable reserves

Abex Abandonment and decommissioning expenditure

bbl Barrel (oil)

bcf Billion cubic feet

bcm Billion cubic meters

boepd Barrels of oil equivalent per day

btu British thermal units

Capex Capital expenditure

CoP Cessation of production

DST Drillstem test

EBITDA Earnings before interest, tax, depreciation and amortisation

FCF Free cash flow

GIIP Gas initially in place

LIBOR London Interbank Offered Rate

LNG Liquefied Natural Gas

M&A Mergers & acquisitions

mmboe Million barrels of oil equivalent

mmscfd Million standard cubic feet per day

MWh Megawatt hour

NPV Net present value

Opex Operating expenditure

tcf Trillion cubic feet

therm Unit of heat equal to 100,000 btu

TTF Netherlands' Title Transfer Facility virtual trading point for natural gas

## Exchange rates

\$/€	1.1
£/\$	1.25
£/€	1.12

## Conversion factors

scf to boe	6
mmbtu to MWh	3.4
mmbtu to kcf	1.1
Pence per therm to mmbtu	10