

Jadestone Energy Inc. Announces Acquisition of Operated 90% Interest in Lemang PSC

29.06.2020 | [ACCESS Newswire](#)

[*Jadestone Energy Inc. to Acquire an Operated 90% Interest in the Lemang PSC, Onshore Indonesia*](#)

SINGAPORE, June 29, 2020 - [Jadestone Energy Inc.](#) (AIM:JSE) ("Jadestone", or the "Company"), an independent oil and gas production company focused on the Asia Pacific region, is pleased to announce that it has executed an acquisition agreement (the "Agreement") with Mandala Energy Lemang Pte Ltd ("Mandala", or the "Seller"), to acquire an operated 90% interest in the Lemang production sharing contract ("PSC"), onshore Indonesia (the "Acquisition"), for a total initial headline cash consideration of US\$12 million, to be funded from the Company's cash resources, and certain subsequent contingent payments.

Overview of the Lemang PSC

The Lemang PSC is located onshore Sumatra, Indonesia. The block includes the Akatara gas field, which was previously developed as an oil producing asset, but has a best estimate gross undeveloped wet gas in place of approximately 115 bscf which, at 90% interest, equates to unrisks 2C resources of 55.2 bscf sales gas, 2.2 mm bbls of condensate, and 5.8 mm boe of liquid petroleum gas¹.

The asset has been substantially de-risked with 11 wells drilled into the structure, plus three years of oil production history, up until the field ceased production in December 2019, after reaching its economic limit for oil production.

The remaining 10% working interest in the PSC is held by PT Hexindo Gemilang Jaya and, as is customary in Indonesia, the local government has a back-in right under the PSC, for up to a 10% working interest, at the time of development sanction. If exercised, this would result in an 81% interest, net to Jadestone.

Overview of the Acquisition

The Acquisition has a total initial headline cash consideration of US\$12 million, based on an economic effective date coincident with completion. The transaction is structured as a purchase of the interest in the Lemang PSC by a wholly owned subsidiary of the Company, with a guarantee from the Company in respect of the initial consideration.

Further consideration of US\$5 million is payable to the seller upon first gas, in addition to further contingent payments of up to US\$26.7 million, which may be triggered in the event that certain upside outcomes occur².

The Company believes the Acquisition represents exceptional value to Jadestone shareholders. Highlights include:

I US\$0.70/boe of 2C resource¹ acquisition cost;

I NPV₁₀ of US\$57 - US\$80 million, implying a purchase multiple of 0.15x - 0.21x 2C NAV^{1,3};

I Results in NAV per share accretion of 4.3-6.3%, based on the Company's 2P plus 2C net asset value⁴;

I Expected development capex of US\$5.44/boe⁵;

I Low cost development due to re-use of existing wells and infrastructure and short tie-in to nearby gas export pipelines within 17km;

I Funding for the development to come from existing cash, future cash flows, and debt;

I US\$126 million in tax deductible gross cost pools, arising from prior spend, to be recovered through the PSC cost-recovery mechanism⁶;

I Anticipated incremental production of approximately 5.3 mboe/d⁷, based on management's estimated average plateau gas production rate of 18.8 mmscf/d gas (gross), plus associated condensate and LPG, with a duration of six years;

I No near-term spending commitments, providing flexibility in the timing of the development and associated capital, to coincide with balance sheet capacity;

I Increase in the Company's 2P reserves plus 2C resources of 20%⁸; and

I Abandonment funds are set aside bi-annually on a unit-of-production basis over the life of the field and are fully cost recoverable.

In addition, the Acquisition introduces diversification and balance to the Company's portfolio through:

I Adding a further PSC asset to its portfolio. The Company's producing assets are all in royalty and tax-based regimes. Following the Acquisition, Group 2P reserves + 2C resources held via PSC increase from 36% to 47%⁸;

I Future fixed price gas production, creating a natural hedge to volatile oil prices and increasing the Company's proportion of long-term fixed price production from 34% to 37%⁸;

I Additional near-term production;

I Reducing the Company's blended unit operating costs once the asset is in production by more than 20%⁹; and

I An opportunity to re-establish credentials as an operator in Indonesia, increasing the Company's ability to access further opportunities in the country.

The Acquisition will be funded from available cash on hand, and funding of the development will be the subject of a future announcement, expected to comprise a mix of cash on hand, future cash flows and debt from an enlarged reserves based loan facility.

The Acquisition does not compromise the Company's ability to fund the remainder of its planned capital spending in 2020, its maiden dividend, or closing of the Maari acquisition which remains on track for H2 2020.

Completion of the Acquisition is conditional upon customary governmental consents to the assignment of the interest in the Lemang PSC to a wholly owned affiliate of the Company, the appointment of such affiliate as the operator under the Lemang joint operating agreement ("JOA"), as well as other consents under the JOA, as required, all on or before June 26, 2021.

The Company anticipates completing the Acquisition in Q1 2021. In the interim period, the seller has given customary undertakings and subject to any consents, members of the Company's team will be seconded to

the project.

Indonesia

Indonesia is one of the most prolific oil and gas jurisdictions in the Asia Pacific region, and includes many assets which are either mid-life or potential near-term development candidates, thereby offering an excellent fit with Jadestone's capabilities.

The Company and its management have extensive prior experience both in operating producing upstream oil & gas assets in Indonesia and with the Indonesian regulators, including via Jadestone's prior participation in the Ogan Komering PSC. Jadestone has an in-place team in Jakarta, well versed in the commercial and operating characteristics of the Sumatra Basin, which is a core area for the Company.

Paul Blakeley, President and CEO commented:

"I'm delighted to re-establish our operating presence in Indonesia and to further balance our portfolio by adding a new gas resource to our reserves base. In addition to providing much-needed energy to a region of Indonesia which will benefit from it, this acquisition creates an opportunity to renew key relationships in Sumatra with local stakeholders, service providers and communities with whom we have worked closely in the past through the team's involvement in Ogan Komering, and various other assets in prior times.

"The Acquisition adds 17.2 mm boe of 2C gas resource, prior to any local government back-in, implying a headline consideration of US\$0.70/boe, and which we believe can be developed for US\$5.44/boe, thanks in part to re-use of existing facilities. While gas prices and other terms are currently being negotiated we expect to execute a gas sales agreement, ahead of development plan approval and any commitment to project capital. Local gas prices are typically in the range of US\$5 - \$6/mm btu, which we anticipate will generate attractive returns on investment, making this a compelling opportunity to add value to the Jadestone portfolio.

Reflecting on the current economic climate, and our deliberate measures to conserve capital resources in 2020, Lemang provides a high degree of flexibility in the forward spending profile. The PSC carries no near-term spending commitments, doesn't expire until 2037, and as such, affords us the discretion to time the development such that spending dovetails with other high-value investments across our portfolio."

Conference call

The management team will host an investor and analyst conference call at 08:30 (UK) / 15:30 (Singapore) today, including a question and answer session.

Dial-in details are provided below, in addition to a link to a live webcast of the call. The Company has posted a new presentation to its website, at www.jadestone-energy.com/investor-relations/presentations-communication/.

Webcast link: https://produceredition.webcasts.com/starthere.jsp?ei=1339243&tp_key=ecab115c51

Event title: Jadestone Energy Management Briefing

Start time: 08:30 (UK) / 15:30 (Singapore)

Date: Monday, June 29, 2020

Conference ID: 11546343

Country	Dial-in Numbers
Australia	1800076068
Canada (Toronto)	+1 416 764 8688
Canada (Toll free)	888 390 0605
France	0800916834
Germany	08007240293
Germany (Mobile)	08007240293
Hong Kong	800962712
Indonesia	0078030208221
Ireland	1800939111
Ireland (Mobile)	1800939111
Japan	006633812569
Malaysia	1800817426
New Zealand	0800453421
Singapore	8001013217
Switzerland	0800312635
Switzerland (Mobile)	0800312635
United Kingdom	08006522435
United States (Toll free)	888 390 0605

Area access numbers are subject to carrier capacity and call volumes.

¹ Based on an independent review of contingent resources by ERCE, an independent qualified reserves auditor, and prepared for the Company in June 2020 in accordance with National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities and the Canadian Oil and Gas Evaluation Handbook ("COGEH"), assuming 90% interest. Based on 81% (assuming local government participation), total 2C Group resource is 15.5 mm boe, resulting in an initial headline acquisition cost of US\$0.77/boe. 2C resource volumes presented represent the sub-class Development Pending, as defined by COGEH, and are presented on an unrisks basis. The main contingencies are non-technical and include the finalisation of the gas sales agreement and project FID. ERCE estimates the chance of development at 90%.

² US\$26.7 million of additional contingent consideration comprises (a) US\$3 million should first gas occur prior to March 31, 2023; (b) US\$3 million if audited close out costs are equal to or less than budget; (c) US\$0.7 million on VAT refund related to pre-effective date expenditures exceeding US\$6.7 million (gross); (d) US\$3 million if Average Saudi CP exceeds US\$620/MT in year one of production; (e) US\$2.5 million if Average Dated Brent exceeds US\$80/bbl in year one of production; (f) US\$2 million if Average Saudi CP exceeds US\$620/MT in year two of production; (g) US\$1.5 million if Average Dated Brent exceeds US\$80/bbl in year two of production; and (h) if a new discovery is made on the drilling of the final commitment well, US\$3 million is payable upon approval of the resulting plan of development, and an

additional US\$8 million is payable if oil reserves approved under that plan of development are no less than 8.4mm bbl (gross).

³ Based on ERCE 2C volumes and reflecting a US\$5 - US\$6/mm btu gas price range and certain other commercial variables and assumptions. Purchase multiple based on initial headline cash consideration of US\$12 million.

⁴ Based on 466.7mm fully diluted shares outstanding. Montara and Stag 2P NAVs as per year end 2019 ERCE audited 51-101 disclosures (ERCE assumed Brent oil prices, expressed in nominal 2020 dollars, are as follows: US\$66/bbl, US\$67/bbl, US\$67/bbl, US\$68/bbl for 2020, 2021, 2022, and 2023+ respectively). Maari 2P NAV based on year end 2018 ERCE audited volumes and ERCE price deck as above. ND/UM and Lemang NAVs are based on year end 2017 and June 2020 ERCE audited volumes respectively, and management estimates for development and commercial assumptions. The calculation excludes Tho Chu and SC56 2C resources of 63.7mm boe, and 21.0 mm boe respectively.

⁵ Anticipated development capex of US\$94 million gross, based on FEED studies conducted to date and drilling of two infill wells plus two existing well workovers, and total contractors 2C resource of 17.2MM boe (and assuming local government exercises its back-in right).

⁶ Subject to Government of Indonesia audit for cost recovery purposes.

⁷ Based on 90% interest. At 81% interest (assuming local government participation), plateau rate is 4.8 mboe/d.

⁸ Excludes 2C resource at Tho Chu and SC56. Based on 90% interest. At 81% interest (assuming local government participation), the increase in 2P reserves + 2C resources is 18%, the Group PSC exposure increases to 46%, and the gas weighting increases to 37%.

⁹ Based on 90% interest. At 81% interest (assuming local government participation), Group unit opex falls by 19%.

The information contained within this announcement is considered to be inside information prior to its release, as defined in Article 7 of the Market Abuse Regulation No. 596/2014, and is disclosed in accordance with the Company's obligations under Article 17 of those Regulations. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

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About Jadestone Energy Inc.

[Jadestone Energy Inc.](#) is an independent oil and gas company focused on the Asia Pacific region. It has a balanced, low risk, full cycle portfolio of development, production and exploration assets in Australia, Vietnam and the Philippines.

The Company has a 100% operated working interest in the Stag oilfield and the Montara project, both offshore Australia. Both the Stag and Montara assets include oil producing fields, with further development and exploration potential. The Company has a 100% operated working interest in two gas development blocks in Southwest Vietnam and is partnered with Total in the Philippines where it holds a 25% working interest in the SC56 exploration block. In addition, the Company has executed a sale and purchase agreement to acquire an operated 69% interest in the Maari Project, shallow water offshore New Zealand, and anticipates completing the transaction in H2 2020, upon receipt of customary approvals.

Led by an experienced management team with a track record of delivery, who were core to the successful growth of Talisman's business in Asia, the Company is pursuing an acquisition strategy focused on growth and creating value through identifying, acquiring, developing and operating assets in the Asia Pacific region.

[Jadestone Energy Inc.](#) is listed on the AIM market of the London Stock Exchange. The Company is headquartered in Singapore. For further information on Jadestone please visit www.jadestone-energy.com.

Cautionary statements

Certain statements in this press release are forward-looking statements and information (collectively "forward-looking statements"), within the meaning of the applicable Canadian securities legislation, as well as other applicable international securities laws. The forward-looking statements contained in this press release are forward-looking and not historical facts.

Some of the forward-looking statements may be identified by statements that express, or involve discussions as to expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of phrases such as "will likely result", "are expected to", "will continue", "is anticipated", "is targeting", "estimated", "intend", "plan", "guidance", "objective", "projection", "aim", "goals", "target", "schedules", and "outlook"). In particular, forward-looking statements in this press release include, but are not limited to statements regarding reserves and resources volumes, production forecasts, the financial benefits of the Acquisition, final terms of the gas sales agreement, satisfaction of conditions under the Agreement, timing of completion of the Acquisition, application and timing of contingent payments, funding and timing of the development, the establishment of an enlarged and extended reserves based loan facility, further acquisitions in Indonesia and elsewhere, and the payment and timing of the Company's maiden dividend.

Because actual results or outcomes could differ materially from those expressed in any forward-looking

statements, investors should not place undue reliance on any such forward-looking statements. By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes will not occur. Some of these risks, uncertainties and other factors are similar to those faced by other oil and gas companies and some are unique to Jadestone. The forward-looking information contained in this news release speaks only as of the date hereof. The Company does not assume any obligation to publicly update the information, except as may be required pursuant to applicable laws.

The oil, natural gas and natural gas liquids information in this announcement has been prepared in accordance with National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities and the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook").

A barrel of oil equivalent ("boe") is determined by converting a volume of natural gas to barrels using the ratios of six thousand cubic feet ("Mcf") to one barrel. Boes may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf:1 boe is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilising a conversion on a 6:1 basis may be misleading as an indication of value.

The technical information contained in this Presentation has been prepared in accordance with the March 2007 guidelines endorsed by the Society of Petroleum Engineers, World Petroleum Congress, American Association of Petroleum Geologists and Society of Petroleum Evaluation Engineers Petroleum Resource Management System.

Henning Hoeyland of [Jadestone Energy Inc.](#), a Subsurface Manager with a Masters degree in Petroleum Engineering who is a member of the Society of Petroleum Engineers and who has been involved in the energy industry for more than 19 years, has read and approved the technical disclosure in this regulatory announcement.

Glossary

2P reserves	the sum of proved and probable reserves, denotes the best estimate scenario of reserves
2C resources	unrisked best estimate scenario of contingent resources
Average Dated Brent	the arithmetic average of the daily mean of the Dated Brent quotations (in US\$ per barrel) as published by Platts for the relevant twelve-month period, calculated to three decimal places
Average Saudi CP	the arithmetic weighted average of the monthly mean of the Saudi Arabian FOB contracts of Propane and Butane (in US\$ per Metric ton) as published by Saudi Aramco for the relevant twelve-month period, calculated to three decimal places
boe	barrel of oil equivalent
bbl	barrel of oil
bscf	billion standard cubic feet
ERCE	ERC Equipose Ltd
FEED	front end engineering and design
mboe/d	thousands of barrels of oil equivalent day
mm bbls	million barrels of oil

mm boe	million barrels of oil equivalent
mm btu	million British thermal units
MT	metric tonne
NAV	net asset value

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