Buru Energy Ltd

(BRU $0.17) Speculative Buy

EUROZ HARTLEYS

Analyst	Date	Price Target
Jon Bishop	23rd November 2021	$0.20/sh

Rafael-1 to be Tested: Possible Material Wet-Gas Discovery

Event

Significant gas influx, reservoir quality dolomite, strong downhole pressures and evidence of good associated liquids will see the Rafael-1 JV flow test the well next month

This has potentially opened up the Basin as a new wet-gas province

Impact

Wireline analysis of the primary 'Ungani Dolomite' equivalent reservoir section has defined:

- 165m of interpreted gas column from 3,785m;
- 50% of which is interpreted as dolomite reservoir;
- Gas on Rock;
- the dolomite petrophysical characteristics are equivalent to those of the Ungani Oil Field;
- reservoir pressures greater than 6,000psi;
- chromatographic analysis suggesting low CO2 and associate LPG & condensate fractions

The JV has elected to test the well. This is scheduled for Dec with results interpreted by late Dec all going well;

Pre-drill volumetric est for Rafael – 37mmbbls gross best est. Prospective Resource (High – 176mmbbls; Mean 69mmbbls):

Prospective Resources	Mean	Low	Best	High
Recoverable Oil (million barrels)	69	5	37	176

However, the interpreted gas-on-rock with high reservoir pressures suggests volumes are skewed to the high side (ie up to 1Tcfe equiv on a like for like basis, without considering recovery factors, losses etc)

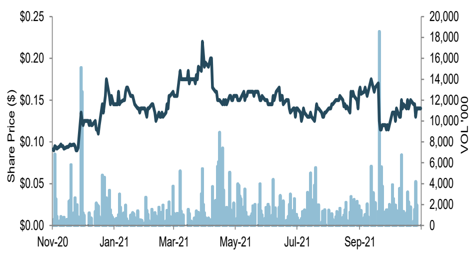
Buru Energy Ltd		Year End 30 June
Share Price	**0.17**	**A$/sh**
Price Target	**0.20**	**A$/sh**
Methodology		npv
Valuation	0.16	A$/sh
	(npv 10% nom)	
Shares on issue	538	m, diluted *
Market Capitalisation	92	A$m
Enterprise Value	67	A$m
Debt	0	A$m
Cash	25	A$m
Largest Shareholder	Birkdale Ent - 6.5%	

Production F/Cast	2020a	2021a	2021f
Total Attrib (mmbboe)	182.81	177.88	173.44
Op Costs A$bbl	42.0	47.5	44.4

Assumptions	2020a	2021a	2021f
Avg Oil Price (US$/bbl)	52	55	76
Avg Oil Price rec(A$/bbl)	74.30	69.76	100.24
AUDUSD	0.67	0.75	0.74

Key Financials	2020a	2021a	2021f
Revenue (A$m)	11	13	18
EBITDA (A$m)	0	0	0
NPAT (A$m)	0	0	0
Cashflow (A$m)	-4	-4	1
CFPS (Ac)	-1	-1	0
P/CFPS (x)	na	na	106.9
EPS (Ac)	-7	-1	-1
EPS growth (%)	na	na	na
PER (x)	na	na	na
EV:EBITDA (x)	74.3	173.6	11.5
EV:EBIT (x)	na	na	na
DPS (Ac)	0.0	0.0	0.0
Dividend Yield (%)	0%	0%	0%
ND:Net Debt+Equity (%)	na	na	na
Interest Cover (x)	na	na	na

Share Price Chart



Disclaimer

Euroz Hartleys declares that it has acted as underwriter to and/or arranged an equity issue in and/or provided corporate advice to BRU during the last year. Euroz Hartleys has received a fee for these services.

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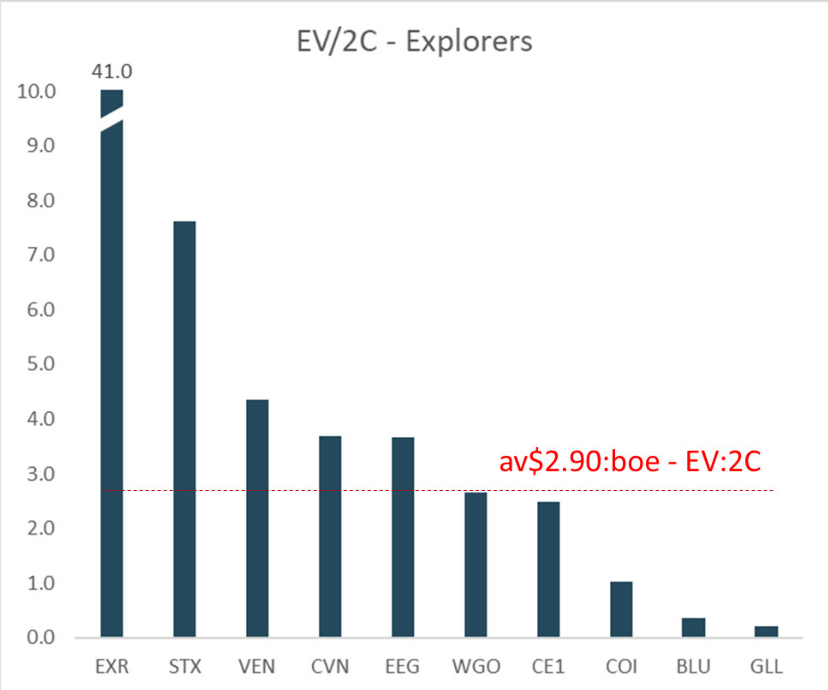
Action

We maintain our $0.20/sh Price Target but anticipate outperformance is likely if either of the wells is commercially successful.

Particularly noting the Company's $67m EV and the sector peers in a discovery (EV:2C - $2.90/boe = $54-255m or 10-47cps net) case:



However, if the flow test proves non-commercial, the stock will trade towards its NPV for Ungani production and est Cash ie c7cps before future exploration re-engenders interest

We also flag that follow-up appraisal and/or exploration drilling will likely occur in CY'23 post new seismic acquisition

A key consideration for any future commercialisation of Rafael is pathway to market for the gas. The associate liquids is critical to underpin the economics of a development, but this comes a need to find a viable means to move the gas

We retain our Speculative Buy recommendation.

Key Catalysts

- Rafael-1 flow test results (Dec);
- Ungani-8 development well (impact on production – Mar Q);
- Seismic results from 2022 survey in the Rafael-1 area;
- Appraisal drilling at Rafael (assuming positive flow test results) (likely 2023);
- Energy mkt sentiment.

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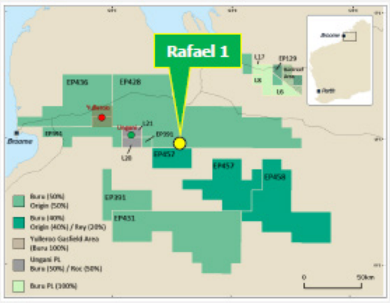
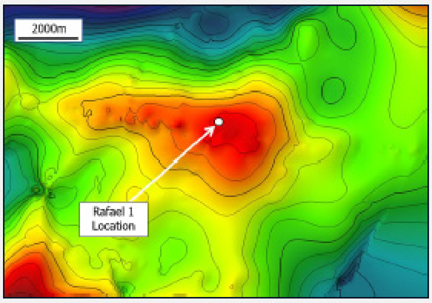
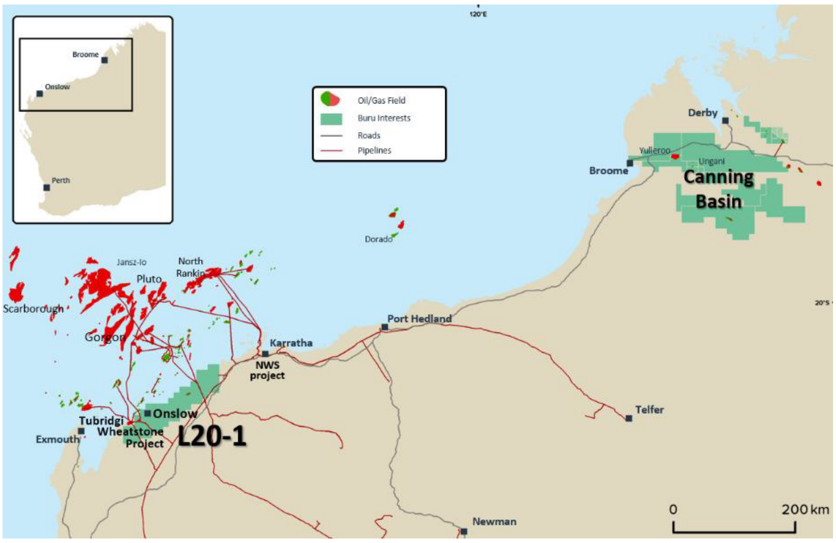
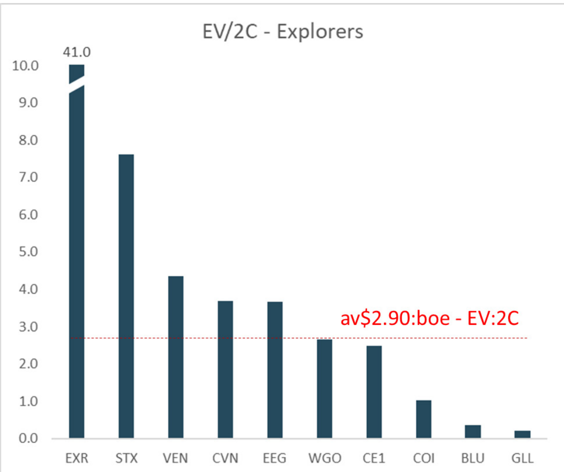
Key Variables

EH Forecast	FY'20	FY'21	FY'22	FY'23	FY'24	FY'25
Dtd Brent (US$/bbl)	$50.00	$52.22	$54.71	$76.25	$75.00	$75.00
Oil Price Rec'd (A$/bbl)	$60.00	$74.30	$69.76	$100.24	$101.35	$101.35
AUDUSD	$0.68	$0.72	$0.75	$0.74	$0.74	$0.74

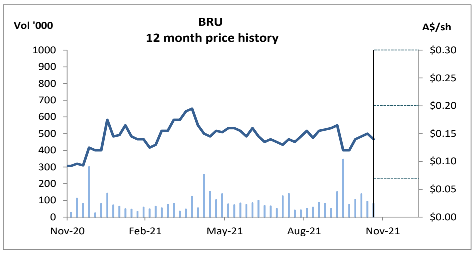








Our Share Price Sensitivity



Our Market Sensitivity

Valuation - $0.16/sh

Price Target - $0.20/sh

Bull Scenario - $0.30/sh

Speculation ahead of flow testing at Kurrajong-1 drives higher share prices on expectation of success. NB: higher NAV and share price can be expected if Kurrajong is commercially successful/ opens up the Basin as new wet-gas province.

Base Scenario - $0.20/sh

Kurrajong testing supports possibility of a commercial development and/or emergence of a new wet-gas play fairway.

Bear Scenario - $0.07/sh

Commercialisation of Kurrajong proves challenging. BRU is therefore valued for its base Ungani production interests and Balance Sheet net of overhead at the current oil price.

Company Summary

Buru Energy Limited engages in the exploration, development, and production of oil and gas resources in Western Australia. The company operates through Oil, Gas, and Exploration segments. It holds interests in a portfolio of petroleum exploration permits covering an area of approximately 5.5 million gross acres located in Canning basin in the southwest Kimberley region of Western Australia. The company's principal property is the Ungani oil field project located onshore in the Canning Basin. Buru Energy Limited was founded in 2008 and is headquartered in Perth, Australia.

Disclaimer

The projections and information above is based on the set assumptions outlined. Due care and attention has been used in the preparation of this information. However actual results may vary from forecasts and any variation may be materially positive or negative. Forecasts by their very nature, are subject to uncertainty and contingencies, many of which are outside the control of Euroz Hartleys.

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Market Statistics			Year End 30 June	
Share Price	**$0.17**	**A$/sh**	**Directors**	
Issued Capital			E Streitberg	Exec Chair
FP Ord*	538.4	m	J Kendrick	NE Dir
Opt (@$var/sh)	12.9	m	R Willes	NE Dir
			M King	NE Dir
Total Dil. FPOrd	**538.4**	**m**		
			Shareholders	
Market Capitalisation	**$92**	**m**	Birkdale Ent	6.5%
Enterprise Value	$67	m	Coogee Chem	6.2%
Debt	$-	m		
Cash	$25	m		

Asset Valuation	A$m	A$/sh
Ungani	20	0.04
Yulleroo	15	0.03
Exploration + Other Permits	35	0.07
Corporate	(10)	(0.02)
Unpaid Capital	-	-
Financing	-	-
Debt	-	-
Cash	25	0.05
Total @ 10% nom	**85**	**0.16**

F/Cast Production (A$m)	2020a	2021f	2022f	2023f
Attrib. Prod'n (kbbls/bcf)				
Ungani	182.81	177.88	173.44	173.44
Total Attrib (mmboe)	182.81	177.88	173.44	173.44
Opex & Roy (A$/bbl)	41.99	47.47	44.36	44.97
Assumptions				
Avg Oil Price (US$/bbl)	52.2	54.7	76.3	76.3
Avg Oil Price received(A$/bbl)	74.3	69.8	100.2	100.2
US$:A$	0.67	0.75	0.74	0.74

Ratio Analysis (A$m)	2020a	2021f	2022f	2023f
CF (A$m)	(4)	(4)	1	1
CF / Sh (Ac/sh)	(1)	(1)	0	0
CF Ratio (x)	na	na	106.9	106.9
Earnings (A$m)	(29)	(5)	(3)	(3)
EPS (Ac/sh)	(6.7)	(0.9)	(0.6)	(0.6)
EPS Growth (%)	na	na	na	na
Earnings Ratio (x)	na	na	na	na
E'prise Val. (A$m)	39	60	62	62
EV : EBITDA (x)	74.3	173.6	11.5	11.5
EV : EBIT (x)	na	na	na	na
Net Debt / ND+Eq (%)	na	na	na	na
Net Debt / Eq (%)	na	na	na	na
NTA / sh (A$/sh)	0.13	0.13	0.12	0.12
Interest Cover (x)	na	na	na	na
EBIT Margin (%)	na	na	na	na
ROE (%)	-50%	-7%	-5%	-5%
ROA (%)	-41%	-9%	-7%	-7%
Div. (Ac/sh)	-	-	-	-
Div. payout ratio	-	-	-	-
Div. Yield	-	-	-	-
Div. Franking	-	-	-	-

Profit and Loss (A$m)	2020a	2021f	2022f	2023f
Sales Revenue	14	12	17	16
Hedging Revenue	-	-	-	-
Deferred Revenue	(3)	-	-	-
Interest Revenue	1	1	1	1
Other Revenue	-	-	-	-
TOTAL REVENUE	**11**	**13**	**18**	**17**
Operating Costs	8	8	8	8
Dep/Amort	6	6	7	7
W/O & Provisions	24	1	4	1
Admin	2	4	4	4
EBITDA	**-**	**-**	**-**	**-**
EBIT	**1**	**0**	**5**	**4**
Interest Expense	(29)	(8)	(5)	(4)
NPBT	0	-	-	-
Tax	(29)	(7)	(5)	(3)
NPAT	**-**	**(2)**	**(1)**	**(1)**
Minorities	(29)	(5)	(3)	(2)
NET PROFIT	**-**	**-**	**-**	**-**

Cash Flow (A$m)	2020a	2021f	2022f	2023f
Net Profit	(29)	(5)	(3)	(2)
+ Working Capital Adj.	1	-	-	-
+ Dep/Amort	6	6	7	7
+ Provisions	24	1	4	1
+ Tax Expense	-	(2)	(1)	(1)
- Tax Paid	-	-	-	-
Operating Cashflow	**2**	**2**	**7**	**5**
	-	-	-	-
-Capex + Development	5	6	6	2
-Exploration	5	6	3	1
-Assets Purchased	-	-	-	-
+Asset Sales	-	-	-	-
+Other	-	-	-	-
Investing Cashflow	**(11)**	**(12)**	**(9)**	**(3)**
	-	-	-	-
+Equity Issues	-	19	-	-
+Loan D'down/Receivable	-	-	-	-
+Other	-	-	-	-
-Loan Repayment	2	-	-	-
-Dividends	-	-	-	-
Financing Cashflow	**(2)**	**19**	**-**	**-**
Period Sur (Def)	**(11)**	**10**	**(2)**	**2**
Cash Balance	**21**	**32**	**30**	**32**

Balance Sheet (A$m)	2020a	2021f	2022f	2023f
Assets				
Cash	21	32	30	32
Current Receivables	5	5	5	5
Other Current Assets	-	-	-	-
Non-Current Assets	46	46	45	39
Total Assets	**72**	**82**	**79**	**76**
Liabilities				
Borrowings	-	-	-	-
Current Accounts Payable	6	6	6	6
Non-Current Liabilities	6	6	6	6
Other Liabilities	3	3	3	3
Total Liabilities	**14**	**14**	**14**	**14**
	-	-	-	-
Net Assets	**58**	**68**	**65**	**62**

Reserves and Resources	Oil mmbbls	Gas bcf	Total mmboe
2P	-	-	-
2C	27	700	144
EV / boe (A$)			**0.46**

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