

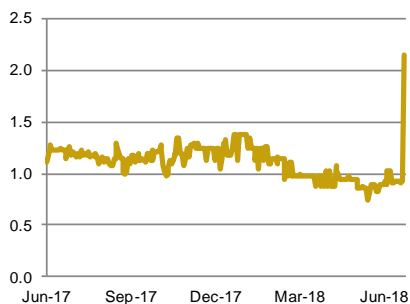
Red Emperor Resources (RMP LN)

25 June 2018

Stock Data

Share Price:	2.55p
Market Cap (M):	£10.8m
EV (M):	£5.0m
Free float	99.1%

Price Chart



52 Week Range

1.375p
0.74p

2.55p

Company Summary

Red Emperor is an oil and gas exploration company with assets in Alaska and the Philippines.

Alaska farm-in targets giant potential

Event

Red Emperor Resources (“Red Emperor” or “the Company”), together with Otto Energy and 88 Energy, has announced that it has agreed to farm-in to a large acreage position on the prolific Alaska North Slope from Great Bear Petroleum.

Red Emperor will acquire a 31.5% working interest in the acreage in consideration of US\$350,000 and contributing a 35% share of a performance bond (US\$1.05m net to the Company) and paying a 10% carry on the costs of an exploration well (estimated at US\$5.25m net to Red Emperor). Following completion of the transaction, 88 Energy will have a 36% interest, Otto Energy 22.5% and Great Bear Petroleum 10%. Great Bear Petroleum has an option to increase its interest by 10%.

The JV are planning to drill an exploration well in early 2019 targeting the Nanushuk oil play fairway. The target is adjacent to and a direct analogue of the large Horseshoe-1/1A discovery made by a Repsol-led group in 2017. Prospective resources on Red Emperor’s acreage are estimated at 400mmbbl (126mmbbl net to Red Emperor) and the well has a 25-30% geological chance of success. The play is de-risked by amplitude anomalies identified on modern 3D seismic. 88 Energy will manage drilling operations.

Comment

We consider the Great Bear Petroleum acreage on the Alaskan North Slope an exciting and high impact opportunity for Red Emperor. Red Emperor is already fully funded for drilling, which in a success case, could be worth nearly US\$400m net to the Company based on the US\$3.1/bbl acquisition multiple reported by Oil Search for a selection of assets acquired on the Alaskan North Slope in 2017. We believe shareholders should welcome the moderate geological risks, large upside and short timetable to the first well.

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Research Disclosures

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Will is a CFA charterholder and has more than 10 years' experience as a sell-side equity research analyst having previously worked at Dresdner Kleinwort, Jefferies International and finnCap. In his last role, he co-founded the Oil & Gas franchise at finnCap and later became Head of Oil & Gas, where he also coordinated corporate finance and corporate broking in addition to his responsibilities as a Research Director. During his career, Will has worked closely with many international E&P companies, both listed and private, evaluating assets across the globe and has developed particular expertise in petroleum economics and asset valuation. In 2010, Will was awarded No.1 stock picker for the European energy sector in the FT/Starmine Awards.

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Sell	Recommendation implies that expected total return expected over 12 months between current and analysts' target price is negative.

Research Disclaimers

Research disclosure as of 25 June 2018

<u>Company Name</u>	<u>Disclosure</u>
Red Emperor Resources (RMP LN)	1,2,7,8

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