# Fastnet Oil & Gas+*

## Turning up the heat

### No recommendation
### Price 18p
**Oil & Gas**
**United Kingdom/Ireland**

| | |
|---|---|
| FTSE AIM All Share | 705 |
| Reuters/Bloomberg | FAST |
| No. of shares in issue (m) | 205.9 |
| Market Cap (£m) | 37.1 |
| Net Cash (£m) (est.) | 8.2 |
| Enterprise Value (£m) | 28.9 |
| Website | www.fastnetoilandgas.com |

| | |
|---|---|
| Risked NAV (p/share) | 34 |
| Price/Risked NAV (x) | 0.5 |

| | |
|---|---|
| Next update | |
| Morocco update | Late 2012 |

| Performance | 1M | 3M | 12M |
|---|---|---|---|
| Absolute (%) | 19 | 49 | n/a |
| Rel Index (%) | 25 | 59 | n/a |
| Relative to | AIM Oil & Gas Index | | |

*Conflicts of interest:*
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**Fastnet's acquisition of Pathfinder took the company into West Africa with high-impact exploration acreage offshore Morocco, a country which is attracting significant industry interest. The Foum Assaka project is under the operatorship of US-listed independent Kosmos, which made its reputation with the Jubilee discovery offshore Ghana and is targeting prospects with similar geology. Importantly, Fastnet benefits from a lucrative carry through the current exploration phase, and maintains a sufficiently material interest to farm down further ahead of drilling in 2013. In addition, Fastnet's Celtic Sea acreage offers significant volumetric potential, so the company has secured a beachhead in two very exciting exploration areas. Ahead of further news flow and the possible addition of a 'third leg' to the portfolio, we calculate Risked NAV of 34p/share.**

**Morocco is hugely exciting:** We believe that the Pathfinder deal was very important for Fastnet, taking the company into an exploration 'hot spot' in partnership with a first class operator (Kosmos) and with the benefit of a lucrative carry. Drilling is expected to commence in late 2013 and Fastnet retains lots of flexibility to farm down further. Fastnet also has an option over an interest in the Merada onshore gas project, which provides near-term drilling potential.

**Celtic Sea also heating up:** Recent independent reports covering the Molly Malone and Mizzen Basins in the Celtic Sea indicate significant volumetric potential, and Fastnet hopes to farm out to a major partner following completion of its initial phase of seismic reprocessing. Ahead of this, we would highlight the proximity of Providence's high-profile Barryroe discovery to Fastnet's acreage, where the technical reports confirm the potential for substantial reservoir structures.

**Risked NAV estimated at 34p/share:** Fastnet's projects remain in the pre-drill phase, although the company has taken a systematic but low-cost approach, which we believe could add significant value over time. The company is led by a respected management team, and we expect catalysts to include the selection of drilling targets by Kosmos and completion of a Celtic Sea farm-out. Our forecasts indicate plenty of headroom; we calculate current Risked NAV of 34p/share.

**Results and Forecasts**

| Year to March | Turnover (£m) | PBT (£m) | EPS (p) | DPS (p) | Net Cash (£) | PER (x) | EV/EBITDA (x) | Div Yield (%) |
|---|---|---|---|---|---|---|---|---|
| 2012A | 0.0 | (0.5) | (0.2) | - | 0.1 | n/a | n/a | n/a |
| 2013F | 0.0 | (0.4) | (0.2) | - | 7.5 | n/a | n/a | n/a |
| 2014F | 0.0 | (0.6) | (0.3) | - | 5.1 | n/a | n/a | n/a |

Source: Fastnet Oil & Gas, Shore Capital Stockbrokers

**Disclosures of potential conflicts of interest as required by regulatory bodies are shown on page 15.**

# Rapidly gaining critical mass

Shares have performed strongly since AIM debut

In June 2012, Fastnet Oil & Gas announced the admission of its shares to trading on AIM and the Irish ESM, which followed completion of a £10m fundraising (at an 11p/share issue price) and reverse takeover of Terra Energy. The placing was heavily oversubscribed by investors, backing a management team led by Irish corporate financier Cathal Friel and geologist Stephen Staley, until recently a non-executive director of Cove Energy. Other former Cove directors sit on Fastnet's public company and advisory boards, and the shares have performed strongly since their debut on AIM, up circa 60% on the June placing price.

Celtic Sea blocks are highly prospective

At IPO, Fastnet's stated objective was to leverage its experience and contacts to develop a pipeline of opportunities in Ireland and Africa, and on the day following its AIM admission the company announced that it had been notified of the award of licensing options over blocks in the Molly Malone and Mizzen Basins in the Celtic Sea, offshore Ireland. We were very encouraged to see this award of two highly prospective licence areas in the Celtic Sea, which has received considerable attention following Providence Resource's successful appraisal of the large Barryroe discovery. Fastnet expects its Celtic Sea portfolio to grow further with additional licence awards in the coming months.

Pathfinder acquisition provided an exciting 'second leg'

Shortly afterwards, in July 2012, Fastnet announced the acquisition of Pathfinder Hydrocarbon Ventures for an initial consideration of US$8m, satisfied through the payment of US$1m in cash and US$7m in shares (plus a US$1m contingent consideration subject to the receipt of certain payments and a modest royalty). This was an important deal, in our opinion, as Pathfinder took the company into West Africa with high-impact exploration acreage offshore Morocco. The Foum Assaka project is under the operatorship of US-listed independent Kosmos, which made its reputation with the Jubilee discovery offshore Ghana and is targeting prospects with similar geology in other jurisdictions.

Fastnet benefits from a lucrative carry offshore Morocco

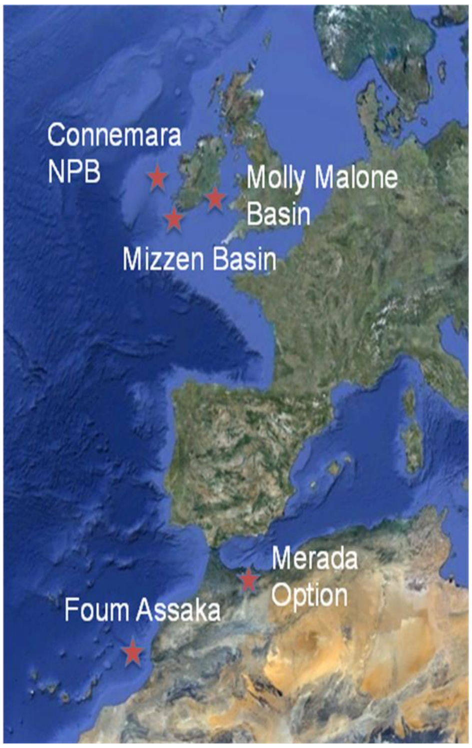
Importantly, under the terms of Pathfinder's deal with Kosmos, Fastnet benefits from a carry through the current exploration phase, and maintains a sufficiently material interest to farm down further ahead of drilling in 2013. The US$8m consideration consisted largely of Fastnet shares, and we felt that this represented a great deal for shareholders, particularly given the presence of a lucrative carry. The Pathfinder deal was consistent with Fastnet's strategy to acquire assets in Africa, and took it into a country which is attracting significant industry interest and offers excellent fiscal terms.

Rapidly gaining critical mass as an exploration play

Pathfinder was an excellent acquisition, in our opinion, and we were pleased to see such a deal announced so soon after IPO. The company is now actively evaluating opportunities to add a 'third leg' to the portfolio, most likely another project in Africa, although we already see in Fastnet a high-impact E&P story which is rapidly gaining critical mass. The company has taken a systematic but low-cost approach which we believe could add significant value over time, and is led by a highly respected management team. We expect to see a number of potential share price catalysts in the coming months, including the selection of drilling targets by Kosmos and completion of a farm-out deal in the Celtic Sea.

Portfolio now comprises assets in the Celtic Sea and Morocco

**Fig 1: Fastnet location map**




Source: Fastnet Oil & Gas

# Beating a path in Morocco

Pathfinder is a highly complementary acquisition

Although we expect the Celtic Sea to remain an important area for Fastnet, the company flagged at the time of its AIM admission the possibility of acquisitions in Africa, and the Pathfinder deal fits perfectly with this strategy. We see particularly strong synergies as the management teams have worked together before, and Paul Griffiths (formerly of Island Oil & Gas) is now an integral part of Fastnet's technical capability in both the Celtic Sea and Morocco. He is also working closely with other senior members of the team in the evaluation of potential new opportunities. Ahead of the possible addition of a 'third leg' to the portfolio, Morocco is now a hugely exciting area for Fastnet, in our opinion.

Morocco has become the subject of intense industry interest

In addition to its interest in Foum Assaka (operated by Kosmos), Pathfinder brings with it a 12-month option to acquire a 37.5% working interest (50% paying interest) in the Merada block, which covers an area exceeding 7,000km$^2$ onshore north-eastern Morocco. Morocco is rapidly becoming an exploration 'hot spot', with Kosmos now having a permanent office in Rabat and other high-profile players (including Cairn Energy and Genel) recently entering the country via acquisitions and farm-in deals. Other operators present in-country include Repsol and Anadarko, while smaller players include Serica Energy, San Leon Energy, Circle Oil, Longreach Oil & Gas and Tangiers Petroleum+ (TPET, No Recommendation, 23p).

Site visit confirmed a highly supportive environment

We recently visited Rabat and the Merada licence area on a visit with Fastnet, and this helped to confirm a highly supportive environment for oil & gas exploration. Morocco is a significant net energy importer, reportedly importing around 97% of its energy needs, and has promoted the participation of the international E&P industry with world-leading fiscal terms – these include low royalties and a ten-year corporation tax holiday, while the state oil and minerals company ONHYM has a 25% carry through the exploration phase of projects, but then pays its *pro rata* share of development and production costs. This leads to Morocco having one of the lowest levels of state 'take' globally, particularly compared with the production sharing agreements implemented in many African countries.

Fastnet has strong relationships with Kosmos and ONHYM

During our visit, it became clear that Fastnet enjoys a strong working relationship with both Kosmos and ONHYM, and it is notable that Morocco has largely avoided the issues seen in 'Arab Spring' countries such as Libya and Syria. The country benefits from good road infrastructure, including a national system of autoroutes, and we believe that this would be of significant benefit in the management of wellsite logistics onshore. In addition, there is extensive refining and pipeline infrastructure, including the major Trans-Maghreb pipeline which intersects the Merada permit. Realised gas prices are linked to fuel oil and currently sit at over US$7 per mcf (thousand cubic feet). What this all adds up to, in our opinion, is a country which combines significant exploration potential with attractive fiscal terms, well-developed infrastructure, excellent security and a ready market for oil and gas products.

# Partnered with Kosmos offshore

Foum Assaka offshore block operated by Kosmos

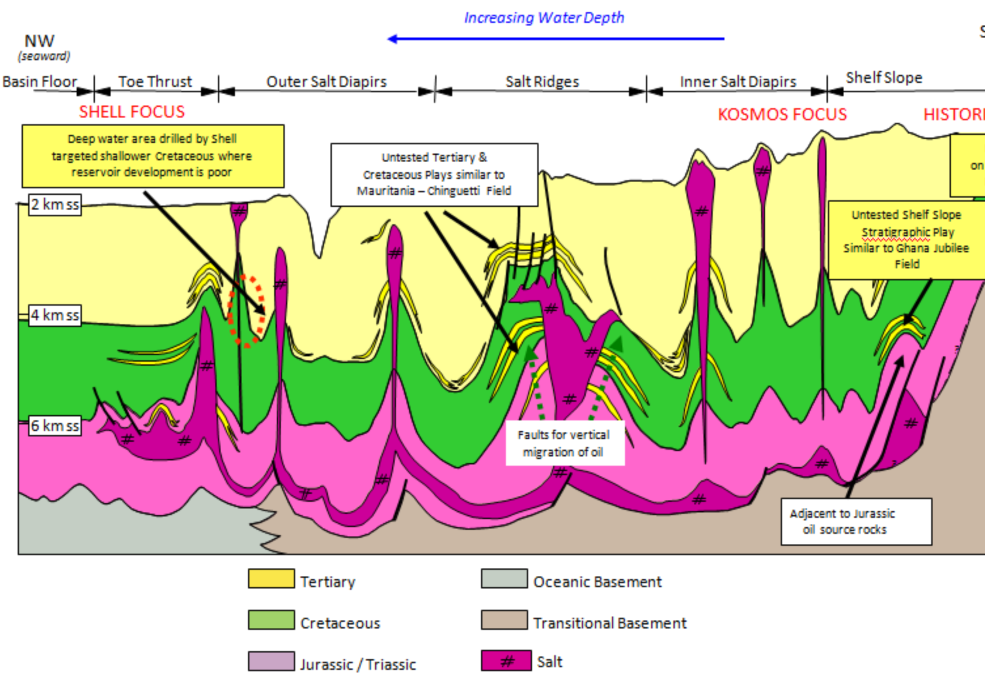
Fastnet's core project in Morocco is Foum Assaka, which is located offshore (in water depths of 300m to 2,100m) in the highly prospective Agadir Basin, covering circa 6,500km$^2$. The company has an 18.75% working interest (25% paying interest) and is being carried by the operator Kosmos through an initial exploration phase costing circa US$16m (gross) – this includes a 3D seismic survey (completed in April 2012), and 4,800km$^2$ of existing and new 3D data is now being processed and interpreted ahead of the identification of drilling targets. This is scheduled to occur by year end, so the partners are progressing rapidly towards the drilling phase at Foum Assaka, which contains a range of different play types.

Kosmos brings significant experience of Cretaceous fans

Kosmos brings significant experience of Cretaceous fan prospects, which are the primary focus at Foum Assaka, following its success in Ghana with the Jubilee field. In addition to being consistent with Kosmos's core geological theme, the prospects offshore Morocco offer significant volumetric potential, with mid-case recoverable resources of 986mmboe (million barrels of oil equivalent) calculated by consultants at SLR. These volumetric estimates cover six Tertiary and Cretaceous prospects and are based on earlier work by Shell. Various other play types have been identified, and Kosmos's primary objective is the Cretaceous shelf slope play. Here, it estimates that each prospect could contain between 100 and 400mmbbl (million barrels), with a one-in-three pre-drill chance of success.

Foum Assaka has multiple play types

**Fig 2: Foum Assaka geological cross-section**




Source: Fastnet Oil & Gas

Historical drilling by Shell

Historical well density offshore Morocco is relatively low, with just 18 wells drilled to date in the Agadir and Tarfaya Basins. These wells typically targeted Jurassic structures in shallow water and resulted in just one heavy oil discovery (Cap Juby). However, the majority of wells had hydrocarbon shows, and more recent exploration (2001-2006) by Shell in the Agadir Basin identified three play types. Following extensive 2D and 3D seismic surveys, two deep water wells were drilled by Shell in 2004, targeting Upper Cretaceous prospects. These wells failed to encounter the primary reservoir target (with the exception of thin sands in the second well), with similar results from a third well drilled by Vanco in a neighbouring block. The results indicated that the wells were drilled too far offshore from the main basin, and Shell relinquished the acreage (which partially overlaps Foum Assaka) in 2006.

Similar geology to the Jubilee field

This relinquishment occurred before the high-profile Jubilee discovery offshore Ghana, where Kosmos is the technical operator. Kosmos is now targeting prospects with similar geology in other jurisdictions, and applied for a 37.5% working interest in Foum Assaka (alongside Pathfinder) in July 2011. A subsequent farm-out agreement with Kosmos reduced Pathfinder's interest to 18.75%, in exchange for a carry through the initial exploration period. This comprises 3D seismic data reprocessing and the acquisition, processing and interpretation of new 3D seismic data. In line with its broader strategy, Kosmos's primary objective at Foum Assaka is the Cretaceous shelf slope play, where it is aiming to discover good quality reservoir sands in proximity to mature source rocks.

Planned drilling in late 2013

The key objective in the short term is the completion of geophysical data processing and interpretation work, which is expected to result in the mapping and ranking of a full inventory of prospects, ahead of drilling in late 2013 (procurement of certain long lead items is already underway with an estimated well cost of US$80-100m). We believe that prospect generation by Kosmos, and selection of its first drilling target, has the potential to create considerable excitement for Fastnet investors. It is also worth noting that 13 'drill-ready' prospects identified by Shell remain secondary targets, so the volumetric potential at Foum Assaka is considerable. The presence of Kosmos as operator and a lucrative carry through the current phase of activities are big positives, in our opinion, while both partners retain sufficient running room to farm down their interests prior to the commencement of drilling.

**Fig 3: Foum Assaka prospective resources ('Shell' prospects)**

| | Five Canyon prospects | B12 prospect |
|---|---|---|
| Undiscovered oil-in-place (mmbbl) | 3,778 | 1,152 |
| Recovery factor (%) | 20 | 20 |
| Prospective resources (mmbbl) | 755.6 | 230.4 |
| Fastnet interest (%) | 18.75 | 18.75 |
| Net prospective resources (mmbbl) | 141.7 | 43.2 |
| Chance of success (%) | 12 | 9 |
| Net risked resources (mmbbl) | 16.9 | 3.9 |
| NPV per discovered barrel (US$) | 32.01 | 26.46 |

Source: SLR Consulting

# Potential for early drilling onshore

Option to acquire 37.5% working interest in Merada onshore block

The Pathfinder deal also brought with it a 12-month option to acquire a 37.5% working interest (50% paying interest) in the Merada block, which contains four operated permits covering a total area exceeding 7,000km$^2$ onshore north-eastern Morocco, in the Guercif Basin. Formal award is subject to payment of a US$1.5m bank guarantee and final ratification. The proposed minimum cost of the next stage of the work programme is US$3.7m, and Fastnet has plenty of capacity to fund its share should negotiations be completed and its option exercised. Merada includes biogenic gas potential similar to the Rharb Basin (to the west) where Circle Oil has had considerable drilling success.

Merada benefits from proximity to existing gas infrastructure

SLR estimates in a recent competent person's report mid-case recoverable resources of 540bcf (billion cubic feet) at Merada, which also benefits from proximity to existing gas infrastructure, including the Trans-Maghreb pipeline which intersects the permits. The first phase of the proposed minimum work programme covers three years and includes the reprocessing and interpretation of 1,000km of existing 2D seismic data, plus various desk studies. Dependent on the outcome of this work, the partners would then acquire 250km$^2$ of new 3D data or drill one well to a minimum depth of 2,000m or to the top of the Middle Jurassic formation, whichever is shallower.

**Significant potential for biogenic gas accumulations**

Our site visit in September 2012 highlighted excellent road access, flat terrain, and proximity to infrastructure including a railway and high voltage power lines. Outcrops at surface indicated possible source and reservoir, with the primary focus being shallow biogenic gas, in addition to deeper Jurassic and Triassic plays. Recent exploration has been limited to drilling by previous operators Stratic Energy and Transatlantic Petroleum, with a total of four oil exploration wells and four stratigraphic wells drilled to date on the proposed licence area. Re-examination of wireline logs suggested that several zones of potential gas pay may have been missed by earlier exploration. There are various untested surface anticlines, and modern geophysical surveys indicate possible biogenic gas at the Neogene level.

**Opportunity for near-term drilling and commercialisation**

Although 3D seismic data acquisition has the potential to improve subsurface delineation, we believe that there is a good possibility that Fastnet (assuming exercise of its option) would decide to drill immediately following completion of its initial phase of seismic reprocessing and data analysis work. With gross drilling costs for a first exploration well currently estimated at US$1.0-1.5m, we believe that Merada provides Fastnet with an opportunity for near-term drilling excitement and early commercialisation at a low cost. SLR Consulting estimates P50 prospective resources exceeding 500bcf at the Neogene and Triassic levels combined, although Fastnet believes that these figures could prove to be very conservative given the size of the structures being targeted compared with the Rharb Basin.

**Fig 4: Merada prospective resources**

| | Neogene | Triassic |
|---|---|---|
| Undiscovered gas-in-place (bcf) | 506 | 515 |
| Recovery factor (%) | 66 | 40 |
| Prospective resources (bcf) | 334 | 206 |
| Fastnet interest (%) | 37.5 | 37.5 |
| Net prospective resources (bcf) | 125 | 77 |
| Chance of success (%) | 21 | 22 |
| Net risked resources (bcf) | 26 | 17 |
| NPV per discovered mcf (US$) | 1.55 | 1.34 |

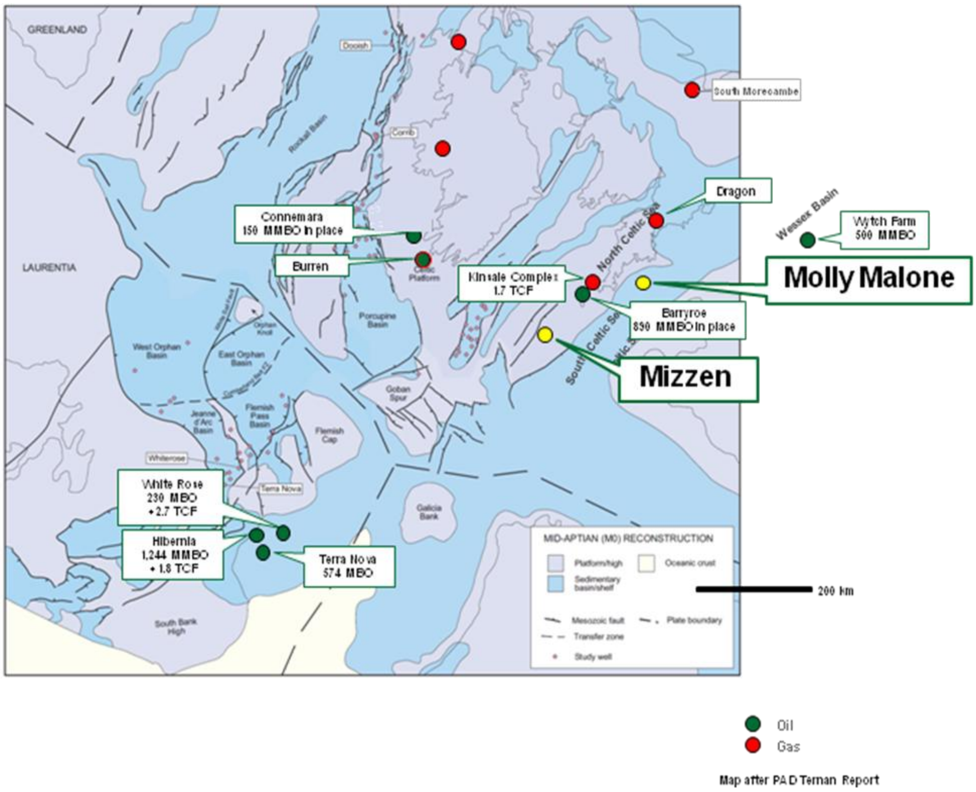
Source: Shore Capital Stockbrokers, SLR Consulting

# Hunting for elephants in the Celtic Sea

Providence's Barryroe discovery has created excitement in the Celtic Sea

On the day following its AIM admission, Fastnet announced that it had been notified of the award of licensing options over blocks in the Molly Malone and Mizzen Basins in the Celtic Sea, offshore Ireland (in water depths of 100-160m). We were very encouraged to see this award of two highly prospective licence areas in the Celtic Sea, which has received considerable attention following Providence Resource's successful appraisal of the large Barryroe discovery. Upon exercise, Fastnet will have a 100% operated interest, and expects its Celtic Sea portfolio to grow further with additional licence awards in the coming months.

**Fig 5: Celtic Sea location map**




Source: Fastnet Oil & Gas

Independent reports by SLR confirm the potential

In late July 2012, Fastnet announced publication of independent technical reports (by SLR Consulting) covering Molly Malone and Mizzen. The reports confirmed the potential for substantial reservoir structures, as highlighted at the time of Fastnet's admission to AIM, whilst indicating the need to undertake a comprehensive programme of seismic reprocessing to de-risk high-impact prospects. It is anticipated that reprocessing work and a programme of regional studies will assist in the design of a 3D seismic survey planned for 2013, prior to the identification of drilling targets, and the company expects to farm out to an industry partner once the initial phase of reprocessing is complete.

Modest funding requirement, with plans to farm out

It is important to note that the funding requirement arising from Fastnet's planned work programme in the Celtic Sea is estimated by the company at approximately £0.5m over 18 months, so Fastnet is fully funded to carry out this work, and we would highlight the proximity of Providence's Barryroe discovery to Fastnet's acreage. However, Fastnet sees the potential for much larger accumulations within its own acreage, and hopes to attract the support of a major partner in the coming months. Looking into 2013, following the completion of reprocessing work and potential award of additional acreage, we believe that agreement of a high-profile farm-out deal has the potential to provide a strong catalyst for Fastnet shares.

Field analogues include Wytch Farm

In the case of both Mizzen and Molly Malone, SLR has identified credible field analogues, with an Eastern Canada play analogue at Mizzen and Wytch Farm (onshore UK) field analogue at Molly Malone. SLR has estimated in-place resources for both licence areas (tabulated in Figures 6 and 7 below) and the volumetric potential is significant. There is less available information at Molly Malone (explaining the absence of high and low resource estimates) and both projects remain in the early stages. However, we expect historical seismic data to respond well to modern reprocessing, and SLR's play fairway analysis in these underexplored basins already provides considerable encouragement, in our opinion.

Fastnet's management team is very familiar with the area

We would also highlight management's significant experience in the Celtic Sea, where 128 wells have been drilled since exploration began in 1970. Although 3D seismic data coverage is relatively sparse, Marathon discovered the Kinsale gas field 70km offshore in 1971, and Fastnet's projects are located circa 120km either side of Barryroe, a substantial oil accumulation across multiple horizons which confirms the presence of a Cretaceous petroleum system. The primary target at Molly Malone (historically underexplored because of its proximity to the UK/Irish median line) is the Triassic Sherwood Sandstone, which is highly productive at Wytch Farm and other analogue fields such as Morecambe and Corrib.

**Fig 6: Mizzen in-place resource estimates (unrisked)**

| | In-place resources (unrisked) | | | |
|---|---|---|---|---|
| **Trap** | **Low** | **Best** | **High** | **GPoS*** |
| Wealden oil (mmbbl) | 571 | 1,799 | 3,899 | 4% |
| Wealden gas (bcf) | 659 | 2,075 | 4,724 | 12% |
| Triassic gas (bcf) | 1,474 | 3,108 | 9,356 | 5% |

Source: SLR Consulting
*Geological Probability of Success

**Fig 7: Molly Malone in-place resource estimates (unrisked)**

| | In-place resources (unrisked) | |
|---|---|---|
| **Trap** | **Best estimate** | **GPoS*** |
| North Prospect Gas (bcf) | 10,448 | 12% |
| South Prospect Gas (bcf) | 9,128 | 8% |
| North Prospect Oil (mmbbl) | 6,677 | 9% |
| South Prospect Oil (mmbbl) | 5,833 | 5% |

Source: SLR Consulting
*Geological Probability of Success

# Forecasts and valuation

We see ample headroom through our forecast period

We have generated P&L and cash flow forecasts for Fastnet through to FY2014 (the company has a March year end) although, as an exploration company, we believe that the net cash position is of greatest importance. Having raised £10m before expenses at IPO earlier this year, we see ample headroom through our forecast period.

Financial commitments in the next 18 months are very low

The company's central overhead is circa £0.5m, and Fastnet enjoys a full carry through the current exploration phase at Foum Assaka (although we do assume US$1.5m of pre-drill expenses). Commitments in the Celtic Sea are limited as reprocessing work continues, and we assume that Fastnet successfully farms out prior to the commencement of a 3D seismic survey (at an estimated cost of circa US$7.5m, Fastnet could part fund this if necessary). Assuming that Fastnet exercises its option at Merada and posts its 50% share of the US$1.5m bank guarantee, we forecast remaining net cash of £5.1m at 31st March 2014.

We assume that Fastnet farms out offshore Morocco and in the Celtic Sea

We calculate Risked NAV of 34p/share, assuming two 300mmbbl Cretaceous fan prospects at Foum Assaka with an implied reserve value of US$8 per barrel and a one-in-ten probability of success. We assume that Fastnet farms down to a 10% stake, but we do not assume any farm-down at the lower-cost onshore project at Merada, where we assume 500bcf of prospective resources (recoverable) and a 20% probability of success.

We estimate Risked NAV of 34p/share

In the Celtic Sea, which we have risked more aggressively at 5% given its relatively early stage, we have focused on the Wealden gas play at Mizzen (which enjoys a relatively high probability of success combined with low, best and high case resource estimates). Here, we have taken a 60% recovery factor and assumed that Fastnet farms down half its interest. Finally, we have made adjustments for net cash and the present value of central costs.

**Fig 8: Fastnet sum-of-the-parts valuation**

| | Unrisked | CoS* | Risked | Unrisked | Risked | Risked |
|---|---|---|---|---|---|---|
| | US$m | % | US$m | US$/share | US$/share | GBP/share |
| Morocco offshore | 480.0 | 10 | 48.0 | 2.33 | 0.23 | 0.15 |
| Morocco onshore | 161.7 | 20 | 32.3 | 0.79 | 0.16 | 0.10 |
| Celtic Sea | 536.4 | 5 | 26.8 | 2.61 | 0.13 | 0.08 |
| Net cash | 13.1 | 100 | 13.1 | 0.06 | 0.06 | 0.04 |
| Central costs | (8.0) | 100 | (8.0) | (0.04) | (0.04) | (0.02) |
| **Total NAV** | **1,183.2** | **-** | **112.3** | **5.75** | **0.55** | **0.34** |

Source: Shore Capital Stockbrokers

Assumed $/£ rate: 1.6. *Chance of Success

# Conclusions

Rapidly gaining critical mass as a high-impact E&P story

Fastnet is evaluating opportunities to add a 'third leg' to the portfolio, most likely another project in Africa, although we already see in Fastnet a high-impact E&P story which is rapidly gaining critical mass. The company has taken a systematic but low-cost approach that we believe could add significant value over time, and is led by a highly respected management team. We expect to see a number of potential share price catalysts in the coming months, including the selection of drilling targets by Kosmos and the completion of farm-out deals in the Celtic Sea and subsequently Morocco.

We expect further progress to drive Risked NAV upgrades

The company has yet to exercise its option at Merada, although we believe that this is looking increasingly likely as Fastnet considers the introduction of near-term drilling excitement into the portfolio. In the meantime, financial commitments over the next 18 months are easily funded from existing cash resources, so funding risks appear very low, in our opinion. This is an important consideration in a market where so many junior E&P companies are facing limited access to capital; existing institutional investor involvement reflects the quality of Fastnet's management team and we fully expect the company to drive upgrades to our 34p/share Risked NAV estimate as it further implements its strategy.

**Fig 9: Fastnet – profit & loss (£'000)**

| Yr-end March | 2012A | 2013F | 2014F |
|---|---|---|---|
| **Turnover** | **-** | **-** | **-** |
| Cost of sales | - | - | - |
| **Gross profit** | **-** | **-** | **-** |
| Central costs | (172) | (500) | (600) |
| Other | (344) | 0 | 0 |
| **Operating profit** | **(516)** | **(500)** | **(600)** |
| Net interest | 0 | 100 | 50 |
| **Profit before tax** | **(516)** | **(400)** | **(550)** |
| Tax | - | - | - |
| **Net profit** | **(516)** | **(400)** | **(550)** |
| Average shares in issue (m) | 303.7 | 205.9 | 205.9 |
| Basic loss per share (p) | **(0.2)** | **(0.2)** | **(0.3)** |

Source: Fastnet Oil & Gas, Shore Capital Stockbrokers

**Fig 10: Fastnet – cash flow (£'000)**

| Yr-end March | 2012A | 2013F | 2014F |
|---|---|---|---|
| **Operating profit** | **(516)** | **(500)** | **(600)** |
| Share based payments | 0 | 0 | 0 |
| Change in working capital | (36) | 0 | 0 |
| Other | 305 | 0 | 0 |
| **Operating cash flow** | **(247)** | **(500)** | **(600)** |
| Exploration expenditure | 0 | (656) | (1,749) |
| Acquisitions | 0 | (1,000) | 0 |
| **Free cash flow** | **(247)** | **(2,156)** | **(2,349)** |
| Share issues | 0 | 10,000 | 0 |
| Share issue costs | 0 | (500) | 0 |
| Other | 395 | 0 | 0 |
| **Net cash flow** | **148** | **7,344** | **(2,349)** |
| Opening net cash | 1 | 149 | 7,493 |
| **Closing net cash** | **149** | **7,493** | **5,144** |

Source: Fastnet Oil & Gas, Shore Capital Stockbrokers

# Appendix: Fastnet management team

**Dr Stephen Staley – Chief Executive Officer**

Non-Executive Director of Cove Energy prior to its recent acquisition by PTT.

CEO of Terra Energy since April 2011.

Founder and former Managing Director of Independent Resources, Managing Director of Derwent Resources Limited.

28 years' experience in the European, African and Asian oil, gas and power sectors with companies including BP and Conoco.

**Paul Griffiths – Executive Vice President Exploration**

35 years' experience – early-stage oil & gas prospector, Royal School of Mines graduate.

Founder and former CEO of Island Oil & Gas (acquired by San Leon Energy).

In 2007, Island drilled the first successful exploration well offshore SE Ireland in 16 years.

100% success rate offshore Ireland with Island Oil & Gas – four wells drilled, two commercial gas fields discovered.

Previous experience: Gulf Oil and Libyan National Oil Corporation.

**Cathal Friel – Non-Executive Chairman**

Founder and managing director of Raglan Capital, with over 25 years of managerial, entrepreneurial and corporate finance experience.

Has successfully advised many of Ireland's leading companies and individuals on domestic and international transactions.

Founding Director of Merrion Corporate Finance where he helped build and then sell Merrion for circa €100 million in 2006.

**Michael Nolan – Non-Executive Director**

Founder and former Finance Director of Cove Energy.

Chartered Accountant by profession.

Serves on the board of several resource exploration and investment companies including Rathdowney Resources and Tiger Resource Finance.

Over 18 years' experience in the resource exploration sector.

**John Craven – Advisor**

Founder and former CEO of Cove Energy.

Founder and former CEO of Petroceltic and Chairman of Falcon Oil & Gas.

Petroleum geologist with 30 years in E&P including Gulf Oil, Dana Petroleum and Vanco.

MSc in Petroleum Geology from the Royal School of Mines and an MBA from Queens University, Belfast.

**CONFLICTS**

^ Independent Research:

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