

*Text of Baron Oil press release on fifth page*

## **Baron Oil inks contract with Timor Gap for farm-up in Timor Leste**

*18 December 2023*

(Alliance News) - Baron Oil PLC on Monday said it has signed a memorandum of understanding with Timor Gap Chuditch Unipessoal Lda for the farm-up of the Chuditch production sharing contract, offshore Timor Leste.

Baron Oil shares up 1.0% to 0.083 pence on Monday afternoon in London. The stock is down 40% over the past year.

Baron Oil is a London-based oil and gas exploration and appraisal company, while Timor Gap is the existing joint venture partner on the sharing contract and a wholly-owned subsidiary of Timor Gap EP, the Timor-Leste national oil and gas company.

SundaGas Banda Unipessoal Lda, Baron's wholly owned subsidiary, has entered into a memorandum with Timor Gap. This includes an obligation to enter a farm-up, which is expected to have a value to Baron of USD8.5 million.

Once the farm-up is complete, SundaGas will retain operatorship and hold a 60% working interest in the Chuditch contract, while Timor Gap will have a 40% interest, made up of a new paying 15% interest, plus its original 25% interest which is carried to first gas.

From completion, Timor Gap will be responsible for paying 20% of all costs, including the drilling of the planned Chuditch-2 appraisal well. In 2024, this contribution is estimated to be around USD7.5 million.

SundaGas also will receive cash payments from Timor Gap, which are estimated to be USD1 million relating to back costs covering the period from the signing of the contract to the anticipated date of completion.

By Holly Beveridge, Alliance News reporter

Comments and questions to [newsroom@alliancenews.com](mailto:newsroom@alliancenews.com)

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# Baron enters farm-up deal with Timor-Leste national oil firm

*Josh White, Sharecast News, 18 December 2023*

**Baron Oil** announced a proposed farm-up agreement on Monday, under which it would assign a 15% working interest in the TL-SO-19-16 production sharing contract at Chuditch, offshore Timor-Leste, to a subsidiary of the Timor-Leste National Oil and Gas Company TIMOR GAP.

The AIM-traded firm's subsidiary SundaGas had entered into a memorandum of understanding with TIMOR GAP outlining the terms of the proposed farm-up.

On completion of the farm-up, SundaGas would retain operatorship and a 60% working interest in the Chuditch PSC, while TIMOR GAP would hold a 40% interest, consisting of a new paying 15% interest and its original 25% interest carried to first gas.

TIMOR GAP would be responsible for 20% of all costs, including drilling expenses for the Chuditch-2 appraisal well, estimated at \$7.5m in 2024.

SundaGas would also receive \$1m in cash payments from TIMOR GAP to cover back costs.

The farm-up agreements were contingent on approval from the board of TIMOR GAP and Timor-Leste's National Petroleum Authority (ANP).

Baron said the transfer of the 15% working interest would only take place after the execution of the farm-up agreements and satisfaction of those conditions.

Its directors estimated that the farm-up with TIMOR GAP would be a streamlined transaction, given TIMOR GAP's existing involvement in the PSC and positive relationships with Timor-Leste's petroleum authorities.

The company did not expect it to require significant additional due diligence, adding that the plan remained to drill and flow test the Chuditch-2 appraisal well late next year, subject to financing and the availability of rig and drilling services.

Regarding the Chuditch-2 appraisal drilling, Baron said a location had been selected, and significant preparation had taken place.

The expected cost was \$32m, reflecting updated market rates and inflationary pressures.

TIMOR GAP's commitment through the new agreement would aid discussions and assessing suitable rigs, equipment, and personnel.

The company said it aimed to fulfil its commitment to drill an appraisal well within 12 months of entering contract year three of the PSC.

"We are delighted with, and greatly appreciate, TIMOR GAP's decision to increase its participation in the Chuditch PSC through a paying interest," said Baron Oil chief executive officer Andy Yeo.

"The proposed farm-up is a major step forward, as it provides validation of the project as well as bringing in an early funding partner for the appraisal programme.

"It also reflects the Timor-Leste government's commitment to the development of the country's petroleum resources and its support for our efforts."

Yeo said the company would now advance its drilling planning for the appraisal well, including discussions with other potential funding partners.

"With this proposed farm-up, we move a long way forward towards drilling Chuditch-2, whilst retaining operatorship and a majority interest in the production sharing contract."

At 1342 GMT, shares in Baron Oil were up 0.85% at 0.08p.

## **Timor-Leste government strengthens support for offshore Chuditch well**

Baron Oil has provisionally entered an arrangement to assign a 15% interest in the TL-SO-19-16 (Chuditch) PSC offshore Timor-Leste to TIMOR GAP Chuditch Unipessoal.

*Offshore 7 January 2024*

**HASTINGS, UK** — [Baron Oil](#) has provisionally entered an arrangement to assign a 15% interest in the TL-SO-19-16 ([Chuditch](#)) [production sharing contract \(PSC\)](#) offshore Timor-Leste to TIMOR GAP Chuditch Unipessoal, according to a Dec. 18 update from Baron.

The latter, already a partner to operator Baron subsidiary SundaGas Banda Unipessoal, is a subsidiary of state oil and gas company TIMOR GAP E.P.

Barons stands to receive about \$8.5 million in reimbursement for prior costs and an offset of future spending. And the company believes the government's validation will help advance preparations for the planned Chuditch-2 appraisal well and associated financing, with discussions continuing with other potential partners.

Upon completion of the proposed transfer, SundaGas will retain operatorship with a 60% interest in the PSC, and TIMOR GAP 40% interest, some of which is carried to first gas.

Thereafter, TIMOR GAP will be responsible for paying 20% of all costs, including the Chuditch-2 well.

**Baron Oil Plc**  
**("Baron", or the "Company")**

**Memorandum of Understanding signed for Chuditch Farm-Up with Timor Gap**

Baron Oil Plc (AIM: BOIL) is pleased to announce a proposed assignment (the "Farm-Up") of a 15% working interest in the TL-SO-19-16 Production Sharing Contract (the "Chuditch PSC" or the "PSC"), offshore Democratic Republic of Timor-Leste to TIMOR GAP Chuditch Unipessoal Lda. ("TIMOR GAP"), the existing Joint Venture partner on the PSC and a wholly owned subsidiary of TIMOR GAP E.P. the Timor-Leste National Oil and Gas Company.

Baron's wholly owned subsidiary, SundaGas Banda Unipessoal Lda. ("SundaGas") has entered into a Memorandum of Understanding (the "MOU") with TIMOR GAP, which details the proposed Farm-Up. The terms of the MOU constitute a binding obligation on the Parties to enter into the Farm-Up, subject to and conditional on the satisfaction of two Conditions Precedent, as described below.

The Directors consider that the Farm-Up by TIMOR GAP will have a value to Baron of approximately US\$8.5 million in reimbursement for prior costs and in the offset of future spend. Furthermore, the Directors believe that the Timor-Leste Government's validation and commitment will both support and progress our preparations for the planned Chuditch-2 appraisal well as well as advance our financing plans for Chuditch-2, where discussions continue with other potential funding partners.

**The Proposed Farm-Up**

Pursuant to the MOU, on completion of the Farm-Up ("Completion"), SundaGas, will retain operatorship and hold a 60% working interest in the Chuditch PSC, while TIMOR GAP will have a 40% interest, made up of a new paying 15% interest, plus its original 25% interest which is carried to first gas. Therefore, from Completion, TIMOR GAP will be responsible for paying 20% of all costs, including the drilling of the planned Chuditch-2 appraisal well. In 2024, this contribution is estimated to be around US\$7.5 million.

Under the MOU, on Completion SundaGas will also receive cash payments from TIMOR GAP which are estimated to be approximately US\$1 million relating to back costs covering the period from the signing of the PSC to the anticipated date of Completion.

The Farm-Up Agreements will be subject to two conditions precedent ("Conditions Precedent") of (i) approval of the Farm-Up by the Board of Directors of TIMOR GAP E.P. and (ii) approval of the Farm-Up by Timor-Leste's National Petroleum Authority (Autoridade Nacional do Petróleo or "ANP").

The transfer of the 15% working interest from SundaGas to TIMOR GAP will not occur until the Farm-Up Agreements have been executed and the Conditions Precedent have been fulfilled.

The MOU is governed by the laws of Timor-Leste.

The MOU shall terminate with immediate effect on the execution of the Farm-Up Agreements or midnight on 31 January 2024 (whichever is the earlier to occur), unless extended by the parties.

**Transaction and Timing**

The Directors anticipate that the Farm-Up should be a more straightforward transaction than a farm-in from external partners, given that TIMOR GAP is already party to the PSC and its Joint Operating Agreement and Baron has a good **working relationship with the various Timor-Leste petroleum authorities, all of whom** are supportive and have been involved in the Farm-Up discussions. In addition, as TIMOR GAP already has full access to all PSC documentation and data applicable, it is not expected that there will be a requirement for significant additional due diligence in relation to the Farm-Up.

The operational plan remains to drill and flow test the Chuditch-2 appraisal well in late 2024, subject to rig and drilling services availability and the completion of drill financing.

## Planning for Chuditch-2 Appraisal Drilling

As the Company highlighted in its announcements of 11 October 2023 and 30 November 2023, a location has been selected for the drilling of the Chuditch-2 appraisal well and significant progress has been made in preparation for the drilling campaign.

Subsequent to those announcements, a further drilling planning workshop has been held with ANP and SundaGas continues to develop its full operational plans. The cost of the Chuditch-2 appraisal well is anticipated to be approximately US\$32 million, including the costs of a full production flow test. The updated well cost is based on up-to-date market intelligence on contractual rates for drilling rigs, logistics, fuel, testing equipment and all services and personnel requirements for the execution of the appraisal campaign. It also includes mobilisation and demobilisation costs for the rig and equipment. The previously indicated drilling cost estimate of US\$24 million was prepared in late 2021, prior to recent inflationary pressures and in a looser market for drilling services in the region. Earlier indications of costing also excluded mobilisation and certain other costs.

With TIMOR GAP's commitment via the MOU for the Farm-Up, SundaGas will seek to advance discussions and assessments of suitable rigs, equipment and personnel. On entry into Contract Year 3 of the PSC, the commitment will be to drill an appraisal well within a 12-month period.

### **Rui Maria Alves Soares, President and CEO of TIMOR GAP, E.P. commented:**

"I am pleased that TIMOR GAP is able to deepen its involvement in PSC TL-SO-19-16 in close collaboration with our partner SundaGas. All the technical efforts to date are encouraging for successful appraisal drilling of the Chuditch field and for the exciting potential to come from the adjacent exploration prospects. As partner, we support SundaGas in moving ahead with the appraisal well and will take part in the necessary services that TIMOR GAP can offer during the drilling campaign as well as encouraging participation of other local service providers throughout operations in the Chuditch PSC. We look forward to developing our strong partnership as we mature the Chuditch gas resources for the benefit of Timor-Leste."

### **Andy Yeo, Chief Executive of Baron Oil Plc, added:**

"We are delighted with, and greatly appreciate, TIMOR GAP's decision to increase its participation in the Chuditch PSC through a paying interest. The proposed Farm-Up is a major step forward, as it provides validation of the project as well as bringing in an early funding partner for the appraisal programme. It also reflects the Timor-Leste Government's commitment to the development of the country's petroleum resources and its support for our efforts."

"From here, we will advance our drilling planning for the appraisal well which will include discussions with other potential funding partners. With this proposed Farm-Up, we move a long way forward towards drilling Chuditch-2, whilst retaining operatorship and a majority interest in the PSC."

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