

Small Caps

Spec Buy Rating On Raisama

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- Raisama to enjoy quick payback on Cadlao project
- Other prospects add to attraction
- DJ Carmichael initiates coverage with a Spec Buy rating

By Chris Shaw

Raisama Ltd (RAI) is a junior energy play with assets spread throughout the Asia Pacific and Central Asian regions. A flagship asset is the 50% owned Cadlao project, located in the Palawan Basin in the Philippines.

DJ Carmichael has initiated coverage on Raisama with a Speculative Buy rating, attracted by the fact global consultancy Gaffney, Cline and Associates (GCA) and KPMG Corporate Finance expect the Cadlao project to achieve payback within a two-month timeframe.

DJ Carmichael notes Raisama's share of Cadlao's gross project net present value is estimates to be US\$79 million, while the project itself is expected to generate net cashflow for Raisama of more than \$90 million.

As DJ Carmichael notes, there is some negative market sentiment towards Palawan Basin projects following what was a disappointing development at Tindalo. The Cadlao project should be different though, as the long production history of the field means higher confidence in the reservoir model and the ability to deliver on the project.

At present, Cadlao is estimated to hold gross proven reserves of 4.11 million barrels and gross proven and probable reserves of 6.05 million barrels, of which Raisama's entitlement is 2.13 million barrels.

DJ Carmichael notes these 2P reserves for Cadlao have been certified by GCA, while having ARV Group as contractor means reduced development risk for the project given that company's experience in such projects.

The plan is for a three phase development for the Cadlao field, stating with a floating storage and offloading vessel (FSO) and a floating hose set-up before a fixed platform is installed as the main production phase is reached. As the field goes into decline the FSO will be replaced by a barge to reduce costs. Such a set-up means production will need to be shut-in periodically during typhoon season.

What should help mitigate production risks according to DJ Carmichael is the oil at Cadlao has higher mobility than at Tindalo, meaning flow rates should be higher. As well, the development is simple and the Cadlao field lies in shallow water, meaning even in a lower reserves outcome case the project would still be economic.

Further exploration success could add to the project's economics, DJ Carmichael noting Raisama has an agreement to take a 32.2% stake in the adjacent Bonita Block, while Cadlao East also offers potential. Drilling at Cadlao East is expected to commence once the Cadlao development wells are completed.

Elsewhere, Raisama has entered an agreement with New Zealand Oil and Gas to take a 10% stake in permit 51311 in the Taranaki Basin. This permit includes the Kaupokonui prospect. DJ Carmichael views the Taranaki Basin as a prospective petroleum province given the existence of a number of producing fields such as Tui and Maari.

Raisama also has a 38.25% stake in the South Block A Production Sharing Contract in the onshore North Sumatra Basin in Indonesia. The basin has over 80 known oil and gas fields, so DJ Carmichael sees the region as offering scope for highly economic discoveries.

As well as its oil and gas assets Raisama has some uranium assets in both Australia and Kyrgyz Republic but given the current focus on oil and gas DJ Carmichael ascribes no value to these assets. The broker does however see some value if Raisama moves to monetise these assets as a recent independent expert report valued the uranium interests at \$19 million.

Using just the oil and gas assets, DJ Carmichael has generated a valuation driven price target for Raisama of \$0.21. The major risks to this include execution and funding risks, but DJ Carmichael sees enough potential catalysts to support the share price.

These catalysts include a project financing facility commitment and Cadlao Final Investment Decision in the September quarter of this year and exploration drilling at Kaupokonui, development drilling at Cadlao and first oil from Cadlao in the first quarter of next year.

At current levels Raisama has a market cap of close to \$35 million, so the company flies under the radar of many investors. As evidence, none of the brokers in the FNArena database provide research on the company.

Shares in Raisama today are weaker and as at 11.05am the stock was down 1.5c at \$0.10. This compares to a trading range over the past year of \$0.053 to \$0.265.

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