

31 July 2015

Equity Research

Brendan Long



BUY

(Remains Unchanged)

Target Price: 294p

Share Price: 87p

(Price at close 28 July 2015)

Stock Codes PMG.L / PMG LN

Market Cap £86m

Last Published Research: 19 May 2015

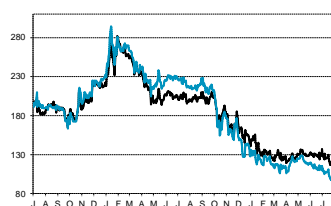
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Absolute & Relative Performance



— Absolute

— Relative to DS Oil & Gas

Source Datastream

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MORNING NOTE

PARKMEAD

Three licences awarded through the second tranche of the UK 28th Licensing Round

Parkmead has been awarded entry into three new licences, two of which are in the West of Shetland area and the third licence being in the Southern North Sea. The company currently enjoys a 100% drilling success record and the management and technical teams at Parkmead have a proven capacity to create shareholder value through the drill bit. We will review the prospectivity of the licences in detail and publish a comprehensive note in due course. We retain our high-conviction Buy recommendation on the stock and our 294p/share target price.

- ▶ Our preliminary assessment of the acreage awarded is that the licence areas are concentrated in high quality prospectivity.
- ▶ We have reviewed the Davaar prospect (operated and 30% held by Parkmead) in detail (please refer to the note published on 19 February 2014) and we believe this to be a particularly compelling prospect based on its geological setting and proximity to the nearby BP operated Schiehallion and Foinaven fields for which infrastructure has already been built. The company has been awarded the block (Block 205/13 – 56% held and operated by Parkmead) immediately to the east of Davaar (Block 205/12) which increases Parkmead’s acreage position in what we consider to be a core exploration fairway. The company is targeting prospects in the Paleocene Vaila Formation in the Flett Sub-Basin, which mirrors the successful Schiehallion and Foinaven discoveries.
- ▶ Parkmead also acquired acreage (Block 205/19b – operated and 43% held by Parkmead) situated to the north of the company’s existing West of Shetland blocks containing the large Cretaceous Eddystone prospect which is thought to extend into the newly acquired block. The prospect is surrounded by a number of nearby gas discoveries such as Victory and Edradour.
- ▶ Through its Block 48/8b award, Parkmead increased its acreage in the Southern Gas Basin (50% held by Parkmead, with Atlantic Petroleum acting as operator) where the company has had significant success with its gas discoveries at Platypus and Pharos. The block is located approximately 20km south east of the Babbage gas field, which was brought into production by Parkmead’s management team while at Dana Petroleum. Detailed geophysical and petrophysical analysis undertaken by the company stands to materially derisk targets in the block, in which seven prospects have already been identified.
- ▶ We surmise that the award of these licences reflects DECC’s belief that amongst its peer group, Parkmead’s management team has an unrivalled track record of combining its technical and commercial capabilities to successfully execute oil & gas projects in the UK North Sea.

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Distribution of investment ratings for equity research (as of 29 Jun 15)			Rating: GUIDELINE (return targets may be modified by risk or liquidity issues)	
Overall Global Distribution (Banking Client*)			Buy	Total return of >10% in next 12 months
Buy	Hold	Sell	Hold	Total return >-10% and <+10% in next 12 months
68% (38%)	24% (5%)	8% (0%)	Sell	Total return <-10% in next 12 months

* Indicates the percentage of each category in the overall distribution that were banking and/or corporate broking clients

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