

Solo Oil PLC

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Solo Oil reassures and acquires

Solo Oil (LON:SOLO) shares advanced over 7% on Tuesday as it completed a deal to buy new assets in West Africa, and reassured over its ongoing farm out process in Tanzania.

It has now taken a 15% in Pan Minerals & Oil, a Swiss special purpose investment vehicle that is in talks to acquire production sharing contracts in West Africa.

The plan is to acquire projects with proven reserves and can be brought into production relatively quickly; it is targeting 2,000 barrels per day within one year.

Earlier, Solo told investors that it expects a farm-out deal will be concluded for its Tanzanian assets once the government has approved revised contract terms.

The company was responding to the share price fall on Monday, which followed joint venture partner Aminex's (LON:AEX) revelation that there would be a delay to the farm out process on their Tanzanian assets.

Solo said that revisions to the production sharing agreement have been agreed in principle with the Tanzanian government, and it expects a farm out deal will be done once this agreement has been formally approved. It revealed that talks are ongoing with more than five interested parties.

Speaking with Proactive Investors in the wake of the sell off, Shore Capital analyst Craig Howie highlighted the need for patience.

"Farming out can be quite a slow process, and often it takes longer than expected," he said.

"So whilst it is disappointing for the company and investors that they haven't reached an agreement thus far, these things do take time.

"It is a good asset. It is in an onshore location. They've drilled a discovery well, which had good flow rates, and it is in a very exciting basin. So, hopefully they can get something agreed as soon as possible."

"It is difficult market to do these kinds of deals just now, but I'd like to think it is just a matter of time."

The analyst, meanwhile, believes yesterday's sell off in the two exploration stocks was an overreaction, particularly the 30+% snip off the Aminex price.

"In this type of 'risk off' market all stocks tend to overreact to bad news."

"But, I think it is clear what Aminex needs to achieve for its shares to perform –

Price: 2.425

Market Cap: 0

1 Year Share Price Graph



February 2019 June 2019 October 2019

Share Information

Code: SOLO

Listing: AIM

Sector: Oil & Gas

Website: www.solooil.co.uk

Company Synopsis:

Solo's Investing Policy is to acquire a diverse global portfolio of direct and indirect interests in exploration, development and production oil and gas assets, with an on-shore focus in politically stable countries.

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it needs to agree a farm-out for Tanzania and it needs to dispose of its US assets.

"And if it can achieve those objectives in the short-to-medium term I think the outlook is good."

"Clearly there are issues that be addressed, including a strengthening of the management team, and we look forward to that happening as soon as possible."

The analyst also points out that Aminex in a good position to secure a revised production sharing agreement (PSA), as it has been in-country for a number of years and has very good local relationships.

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