



Natural Resources Industry

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Key Sectors



OIL & GAS SECTOR

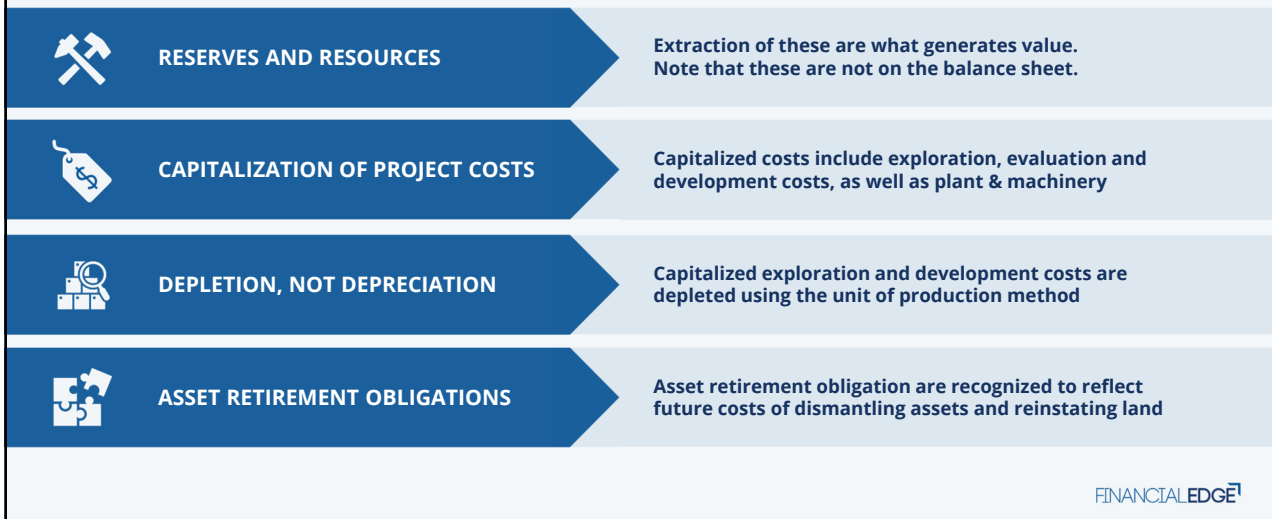


METALS & MINING SECTOR

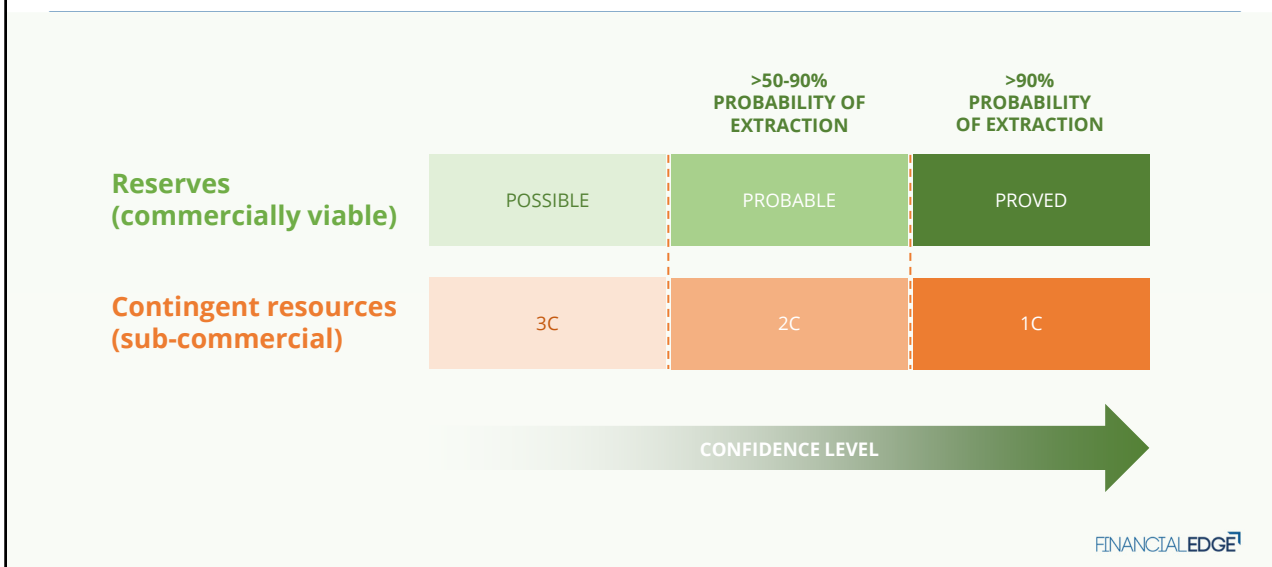


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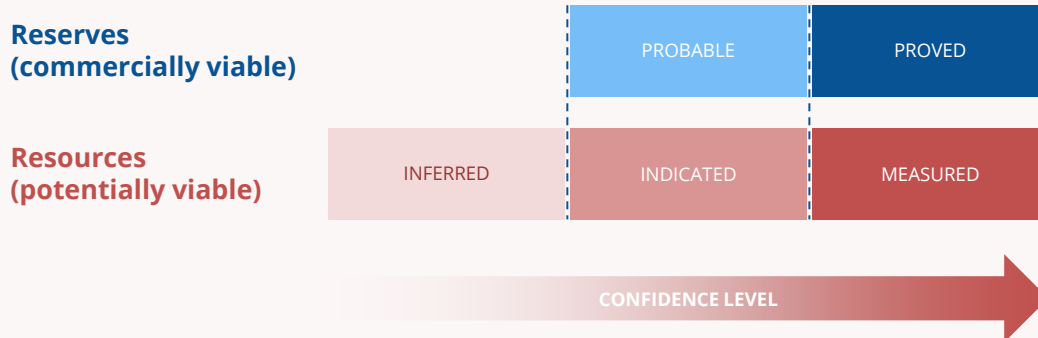
What Makes them Special?



Reserves and Resources – Oil & Gas



Reserves and Resources – Minerals



Reserves Disclosure

	Oil mmbbl	Gas bcf	Total mboe
Commercial reserves			
Start of year	272.1	189.7	303.7
Revisions	3.2	14.3	5.5
Transfer from contingent resources	-	79.0	13.2
Production	(29.6)	(14.1)	(31.9)
End of year	245.7	268.9	290.5
Contingent resources			
Start of year	760.6	773.2	890.1
Revisions	(0.2)	(186.4)	(31.3)
Additions	7.0	-	7.0
Disposals	(8.2)	-	(8.2)
Transfer to commercial reserves	-	(79.0)	(13.2)
End of year	759.1	507.8	844.4

★ Revisions arise from results of testing or introduction of new extraction techniques

★ 6,000 cubic ft of gas = 1 boe

★ Additions from acquisition or exploration activity

Project Assets: Capitalization of Costs



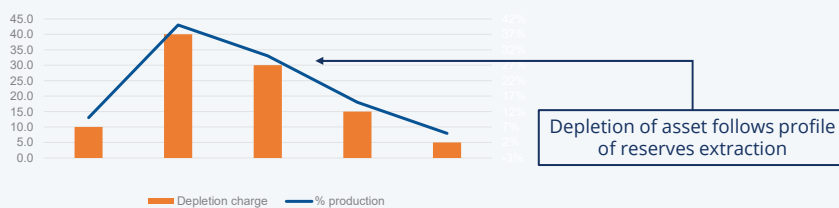
Asset Depletion

UNIT OF PRODUCTION METHOD

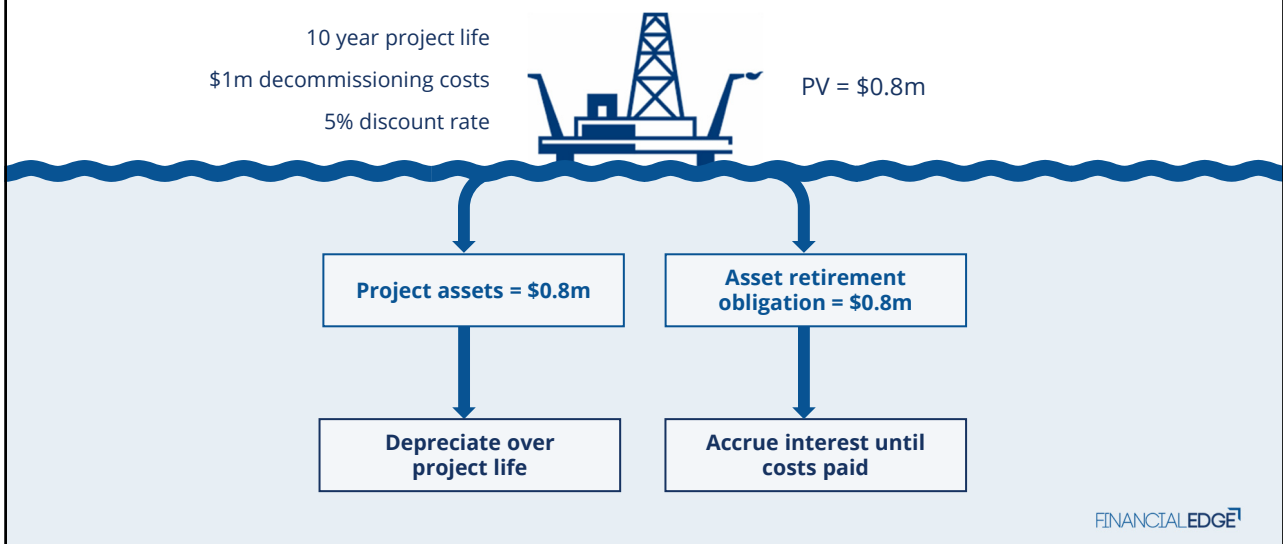
$$\text{Depletion Charge} = \frac{\text{Book value of assets}}{\text{Estimated opening reserves}} \times \text{Units produced}$$

Reserves basis can be proved developed or total proved
DEPLETION RATE
Barrels of oil or tons of material produced not sold

DEPLETION OF PROJECT ASSET



Asset Retirement Obligations



Understanding the Financial Statements

Extracts From Tullow Oil Plc Balance Sheet

Amounts in \$m	2019	2018
Intangible exploration and evaluation assets	1,764.4	1,898.6
Property, plant and equipment	3,891.7	4,916.4
Other non-current assets	1,143.8	1,397.0
Total non-current assets	6,799.9	8,212.0
Inventories	191.5	134.8
Trade & other receivables	1,010.3	2,029.1
Derivative financial instruments	0.7	79.7
Cash & cash equivalents	288.8	179.8
Total assets	8,291.2	10,635.4
Trade and other payables	1,127.6	1,204.3
Other current liabilities	347.2	284.2
Current liabilities	1,474.8	1,488.5
Debt	3,071.7	3,219.1
Decommissioning & other provisions	753.6	677.0
Other non-current liabilities	2,007.5	2,357.6
Total liabilities	7,307.6	7,742.2

Understanding the Financial Statements

Extracts from Tullow Oil plc Income Statement

Amounts in \$m	2019	2018
Revenue	1,682.6	1,859.2
Other income	42.7	188.4
Production costs	(270.6)	(398.3)
Depletion and depreciation	(696.1)	(567.7)
Gross profit	758.6	1,081.6
Administrative expenses	(111.5)	(91.6)
Exploration costs written off	(1,253.4)	(295.2)
Non-recurring operating expenses	(778.8)	(166.4)
Operating (loss)/profit	(1,385.1)	528.4
Interest expense	(268.3)	(267.9)
(Loss)/income before tax	(1,653.4)	260.5
Tax charge	(40.7)	(175.1)
Net (loss)/income	(1,694.1)	85.4

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Analyzing Natural Resources Companies



KPI

Financial KPIs

Production growth %

Net income / EPS

Dividends / DPS

Return on invested capital

Net debt to equity %



P/E

EV/EBITDA (& EV/EBIDA for oil & gas)

FCF yield

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