

# Beacon Energy

## MARKET DATA

Bloomberg	ticker	BCE LN
Share price <sup>1</sup>	p/shr	3.90
Core NAV	p/shr	11.31
Upside	%	190.1%
Shares out <sup>2</sup>	Million	138.2
Fd shares <sup>2</sup>	Million	152.1
Mkt cap <sup>2</sup>	US\$m	7.3
EV <sup>2</sup>	US\$m	4.9

<sup>1</sup>BCE suspension price, adj. for consolidation

<sup>2</sup>Illustrative post-money estimates

## KEY CATALYSTS

- 1) Close project financing (H1 2026)
- 2) Production concession award (Mid 2026)
- 3) Colle Santo FID (Mid 2026)
- 4) Start of construction works (Q4 2026)
- 5) First gas (End 2027)

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## ITALIAN JOB

**Beacon Energy (BCE LN) has announced the purchase of an interest in a major development-ready gas field onshore Italy, through the acquisition of a stake in private E&P LN Energy from Reabold Resources (RBD LN). The transaction and proposed £3.75m (US\$5m) equity raise relaunches BCE as a European gas play with sufficient equity funding to reach first cash flow. By end 2027 the Colle Santo field will be throwing off annual EBITDA net to BCE of US\$10m on a production plateau of 7 mmscf/d (net) for 10 years. Like much of Europe, Government policy in Italy has turned in favor of traditional forms of energy and boosting domestic supplies making BCE's acquisition look particularly timely. The development has already gained environmental consent and will produce from two existing well so has no drill-risk. Advanced project finance talks with a major oil trader (pre-pay /debt facility) and Italian services firm Italfiuid (vendor financing) are expected to conclude in the near term. On BCE's readmission, we estimate a post-money MC for BCE of £5.4m (US\$7.3m) at the suspension price, against a risked Core NAV of £18m (US\$24m) implying significant room for a re-rating.**

**Figure 1: Summary financial forecasts (illustrative post-money)**

		2026E	2027E	2028E	2029E	2030E	SUM
<b>Production, gross</b>	<b>kboepd</b>	-	-	<b>7.0</b>	<b>7.0</b>	<b>7.0</b>	
Av. price	US\$/boe	-	-	6.54	6.54	6.54	
Revenue	US\$m	-	-	16.6	16.6	16.6	49.9
<b>EBITDA</b>	<b>US\$m</b>	<b>(1.6)</b>	<b>(0.8)</b>	<b>10.4</b>	<b>10.4</b>	<b>10.4</b>	<b>10.4</b>
<i>Cash margin</i>	%	-	-	62%	62%	62%	
FCF	US\$m	<b>(8.9)</b>	<b>(6.9)</b>	<b>4.3</b>	<b>4.3</b>	<b>4.3</b>	<b>(2.9)</b>
EV/EBITDA	x	-	-	2.6x	2.2x	1.8x	
FCF yield	%	-	-	59.4%	59.4%	59.4%	
Net debt/EBITDA	x	-	-	1.5x	1.1x	0.7x	

Source: Tennyson Securities.

**Reverse takeover of controlling stake in LN Energy:** BCE is acquiring Reabold's entire 48% interest in LN Energy, the operating company owning 90% of the Colle Santo gas field. This provides BCE with an initial 43% indirect interest in Colle Santo for an estimated consideration of US\$6.5m in BCE shares (US\$1.0m) and cash earnout (US\$5.5m). In parallel, BCE has committed to raising £3.75m (US\$5m) of fresh equity at the PLC level. Of this amount, £2m (US\$2.7m) is expected to be injected into LN Energy as fresh equity to fully fund remaining pre-development spend at the Colle Santo field in 2026. Using LN Energy's last capital raise as a valuation benchmark (£600k in Q4 2025 at £2.6m post-money), we expect BCE's stake in LN Energy to rise to 70% giving it an indirect holding in the underlying Colle Santo field of 63%.

In aggregate, we estimate that BCE is paying US\$9.2m in cash, shares and earnout for 7.7 mmboe of net 2P reserves, worth US\$45m (unrisked PV10 net to BCE's 63%, based on economic analysis by RPS Energy). This represents an attractive transaction multiple of just 0.2x intrinsic value. In support of the purchase, Reabold has committed to subscribe for £750k (US\$1m) in BCE's equity placing, such that on closing of the raise and acquisition, it will own 29% of BCE – becoming the company's largest shareholder (subject to 12 month lock up). For more information see deal summary in Figure 2, below and full transaction details on page 7, below.

**One of Western Europe's largest undeveloped onshore gas field:** the Colle Santo field contains 73 bcf (12 mmboe) of gross 2P reserves, most of which (>80%) is certified as low risk proven reserves. Former owner Forest Oil spent US\$25m on development in the 2000s, only for it to be blocked by local opposition over the onsite facilities. Two wells were successfully drilled, completed and tested in the 2000s at a combined rate of 20.5 mmscf/d; as such no further

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drilling is required to develop the field. The current owner LN Energy has devised a mini-LNG development concept with CO2 capture, which has a smaller facilities footprint, no export pipeline and lower carbon emissions. Gas will now be produced at the two wells, cooled and compressed into LNG, then trucked offsite into the local market. In January 2026, full environmental approval was granted for the revised approach validating LN Energy's strategy.

**Figure 2: Transaction summary**

	BCE shares <sup>1</sup>	Earn-out <sup>2</sup>	Cash <sup>3</sup>	Total
<b>Step 1: Reabold buy-out (US\$m)</b>	1.0	5.5	-	6.5
<i>BCE's stake in LN Energy stake (%)</i>				48%
<b>Step 2: LN equity injection (US\$m)</b>	-	-	2.7	2.7
<i>BCE's stake in LN Energy stake (%)</i>				22%
<b>Total acquisition price</b>	<b>1.0</b>	<b>5.5</b>	<b>2.7</b>	<b>9.2</b>
<i>BCE's stake in LN Energy stake (%)</i>				70%
BCE's indirect stake in Colle Santo (%)				63%
<b>Acquired net 2P (mmboe)</b>				7.7
RPS Energy PV10 (US\$m) – net to acquired interest <sup>4</sup>				45.2
<b>Implied value uplift</b>				<b>35.9</b>

Source: Tennyson Securities, RPS Energy.

<sup>1</sup>BCE vendor shares issued to Reabold as part of initial 48% acquisition of LN Energy.

<sup>2</sup>Discounted value (10%) of Reabold earnout as part of BCE's initial 48% acquisition of LN Energy.

<sup>3</sup>£2m (US\$2.7m) equity injection by BCE for further 22% interest in LN Energy lifting total stake to 70%.

<sup>4</sup>US\$71m gross PV10 after tax (inclusive of Avanti deferred payments), multiplied by BCE's 63% pro-rate share.

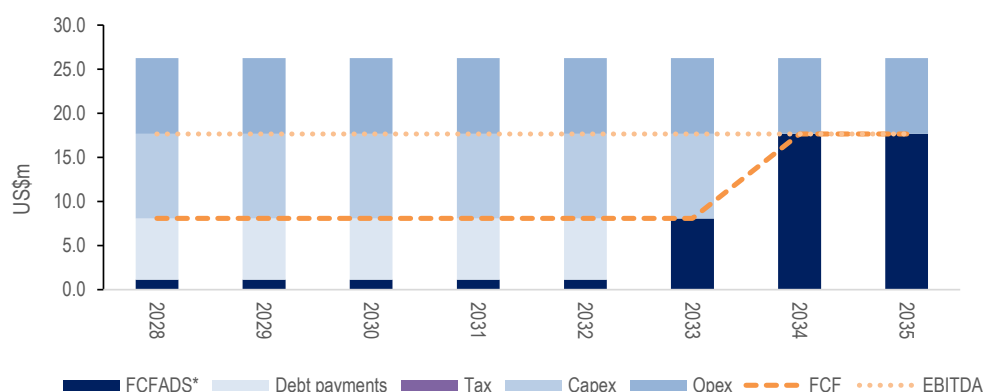
**De-risked, low-cost near-term development, funded entirely with debt/vendor finance:** Due to its onshore location and existing development wells, gross development costs for the Colle Santo project are relatively modest at US\$79m, or US\$6.5/boe (US\$1.1/mcf). Construction work is being led by Italfiuid, an established oil services firm which operates >300 kboepd on behalf of clients in Italy and the MENA region. They are responsible for building and operating the new LNG facility and have agreed with LN Energy to provide a vendor financing loan comprising payments of €8.3m/yr (US\$9.6m) over 8 years (2026-33). Taking this arrangement into account, BCE estimates a gross development funding requirement to first gas of €26m (US\$30m). This is intended to be covered by a €25-30m (US\$29-35m) pre-pay / debt facility from a large oil trader; the project also qualifies for an Italian Government grant of up to 20% of total capex amounting to €13m (US\$15m). The expectation is that once the FEED is complete these last project financing pieces (currently under MoU) will fall into place (mid-2026). At which point the production concession will be granted (considered a formality now environmental approval is in place) allowing for FID and construction work to start in H2 2026. First gas is seen end 2027 at a gross rate of 11 mmscf/d (1.8 kboepd) with a 10 years+ plateau.

**Improving Italian energy policy backdrop for hydrocarbons adds tailwind:** after years of tightening environmental policymaking in the West, the pendulum is swinging back in favor of traditional forms of energy – especially natural gas which is seen as a critical transitional fuel. Italian energy policy under the Meloni-led Government has followed the wider trend of easing regulation. A new Italian energy decree in February 2025 has explicitly called for more domestic gas supply and storage facilities; bans on drilling have been reversed and permitting streamlined. Given the country's gas import dependency (for 95% of demand) and lack of other traditional energy sources (coal or nuclear), this is arguably more of a priority for Italy than other major European economies such as Germany and France. Encouragingly, projects are now moving through the regulatory process. Italy's largest onshore gas development project in over a decade came online in May 2025 (Longanesi field, 50 mmscf/d) and some 30 exploration licences have been awarded in the past year. The marked improvement in the regulatory environment is a key driver behind Beacon's entry into Italy and bodes well for progress at the Colle Santo gas development.

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**Figure 3: Colle Santo project-level cash flows (100%) – 2028-35**

Source: Tennyson Securities. \*FCF after principal debt repayments & interest.

**Underpinned by stable, long term cash flows and attractive valuation:** Once onstream, we calculate that the Colle Santo field will generate ~US\$26m per annum of revenue at a TTF (European benchmark) gas price of US\$9/mmbtu and US\$18m of project-level EBITDA for more than 10 years (see Figure 3, above). Net to BCE PLC, we estimate US\$10m of annual EBITDA and US\$4m of FCF via its 70% shareholding in LN Energy (see BCE financial summary in Figure 7, below). Against an illustrative post-money for BCE of US\$7.3m (see share cap table in Figure 4, below), this equates to a healthy FCF yield of ~60%. Meanwhile, our DCF model values BCE's share of Colle Santo at US\$43m (unrisked) and supports a risked Core NAV for the company of US\$24m – equivalent to some 12p/shr (see NAV summary table in Figure 5, below).

**Figure 4: BCE illustrative share cap table – pre and post money**

			% of enlarged
Suspension price <sup>1</sup>	p/shr	3.9	
Pre-money shares <sup>1</sup>	Mill	18.5	13.4%
<b>Pre-money MC</b>	<b>£m</b>	<b>0.7</b>	
		<b>1.0</b>	
Settlement of existing liabilities	Mill	4.6	3.3%
Reabold vendor shares	Mill	19.0	13.7%
BCE equity raise (£3.75m @ 3.9p) <sup>2</sup>	Mill	96.2	69.6%
Post-money shares out	Mill	138.2	
<b>Post-money MC</b>	<b>£m</b>	<b>5.4</b>	
	<b>US\$m</b>	<b>7.3</b>	

Source: Tennyson Securities.

<sup>1</sup>Post 1000-1 share consolidation, Dec 2025.

<sup>2</sup>Illustrative £3.75m (US\$5m) BCE equity raise at suspension price of 3.9p (post-consolidation), including £750k (US\$1m) contribution by Reabold.

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**Figure 5: Illustrative valuation table (post-money)**

NET ASSET VALUE								
Asset	WI %	Net mmboe	US\$/boe	Unrisked US\$m	p/share	CoS	Risked US\$m	p/share
Colle Santo (base case) <sup>1</sup>	43%	5.3	5.2	27.4	13.4	90%	24.7	12.1
Colle Santo (incremental) <sup>2</sup>	20%	2.5	5.2	12.8	6.2	80%	10.2	5.0
Helium project	63%			2.8	1.4	70%	2.0	1.0
Avanti deferred payment <sup>3</sup>				(6.6)	(3.3)		(6.6)	(3.3)
Reabold earn-out <sup>4</sup>				(5.5)	(2.7)		(5.5)	(2.7)
<b>Total assets</b>		<b>7.7</b>		<b>30.8</b>	<b>15.1</b>		<b>24.7</b>	<b>12.1</b>
Add: BCE equity raise <sup>5</sup>				5.0	2.5		5.0	2.5
Add: Option proceeds				0.4	0.2		0.4	0.2
Less: LN Energy funding <sup>6</sup>				(2.7)	(1.3)		(2.7)	(1.3)
Less: Corp G&A				(3.1)	(1.5)		(3.1)	(1.5)
<b>Core NAV</b>				<b>30.4</b>	<b>14.9</b>		<b>24.3</b>	<b>11.9</b>

**Valuation assumptions:**

TTF gas price: US\$9/mmbtu flat.

Discount rate 10%.

1.35 US dollar / sterling; 1.16 US dollar / Euro.

138.2m basic shares (post £3.75m equity raise at 3.9p, post 1000-1 share consolidation), plus 13.8m dilutive options & warrants = 152.1m fully diluted.

Source: Tennyson Securities.

<sup>1</sup>Base value ascribed to BCE's initial 48% stake in LN Energy and 43% indirect stake in Colle Santo field.

<sup>2</sup>Incremental value ascribed to BCE's increased 70% stake in LN Energy and 63% indirect stake in Colle Santo.

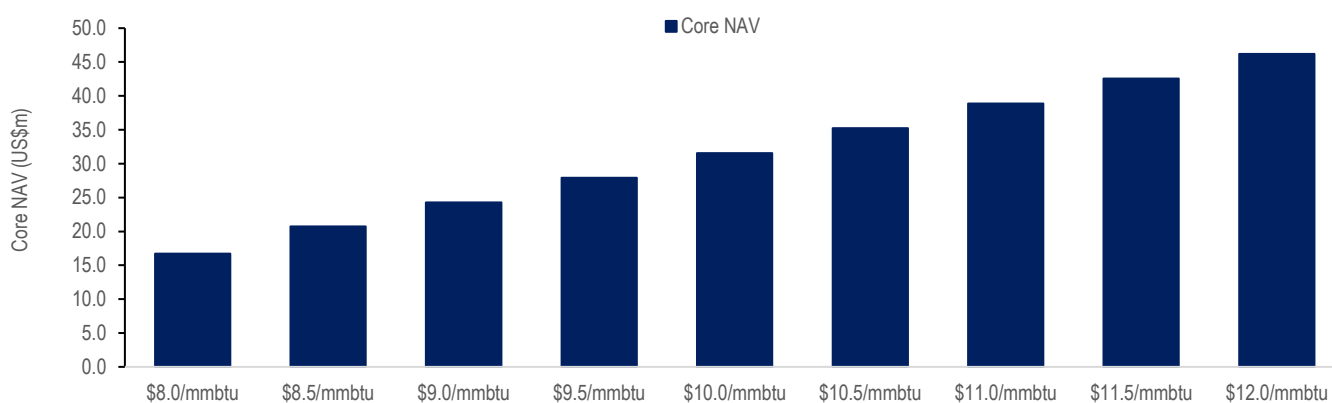
<sup>3</sup>BCE's pro-rata share of US\$10.5m deferred acquisition costs payable by LN Energy to Avanti within 60 days of production concession being awarded.

<sup>4</sup>Earnout payable by BCE to Reabold for acquisition of initial 48% of LN Energy.

<sup>5</sup>Proposed £3.75m (US\$5m) equity raise by BCE in January 2026.

<sup>6</sup>Proposed £2m (US\$2.7m) equity investment by BCE into LN Energy at pre-money valuation of £2.6m to fund pre-development spend in 2026.

**Figure 6: Valuation sensitivity to LT gas price assumption**



Source: Tennyson Securities.

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Figure 7: Illustrative financial summary – BCE P&amp;L and cash flow (post-money – assuming BCE's has 70% of LN Energy / 63% of Colle Santo)

FYE 31ST DEC		2026E	2027E	2028E	2029E	2030E
<b>Gross field production</b>	<b>mmscf/d</b>	-	-	11.0	11.0	11.0
BCE indirect interest in Colle Canto <sup>1</sup>	%	63.3%	63.3%	63.3%	63.3%	63.3%
<b>BCE working interest production</b>	<b>mmscf/d</b>	-	-	<b>7.0</b>	<b>7.0</b>	<b>7.0</b>
TTF gas price	US\$/mmbtu	9.00	9.00	9.00	9.00	9.00
Average realised price	US\$/mcf	-	-	6.54	6.54	6.54
<b>Revenue</b>	<b>US\$m</b>	-	-	<b>16.6</b>	<b>16.6</b>	<b>16.6</b>
Royalty costs	US\$m	-	-	(1.7)	(1.7)	(1.7)
	US\$/mcf	-	-	(0.66)	(0.66)	(0.66)
Operating costs	US\$m	-	-	(3.8)	(3.8)	(3.8)
	US\$/mcf	-	-	(1.49)	(1.49)	(1.49)
G&A costs	US\$m	(1.6)	(0.8)	(0.8)	(0.8)	(0.8)
	US\$/mcf	-	-	(0.31)	(0.31)	(0.31)
<b>EBITDA</b>	<b>US\$m</b>	<b>(1.6)</b>	<b>(0.8)</b>	<b>10.4</b>	<b>10.4</b>	<b>10.4</b>
<b>Adj. EBITDA (43% of Colle Santo)<sup>2</sup></b>	<b>US\$m</b>	<b>(1.6)</b>	<b>(0.8)</b>	<b>6.8</b>	<b>6.8</b>	<b>6.8</b>
EBITDA margin	US\$/mcf	-	-	4.08	4.08	4.08
DD&A	US\$m	-	-	(3.8)	(3.8)	(3.8)
	US\$/mcf	-	-	(1.50)	(1.50)	(1.50)
Other	US\$m	-	-	-	-	-
<b>Profit before interest &amp; tax</b>	<b>US\$m</b>	<b>(1.6)</b>	<b>(0.8)</b>	<b>6.6</b>	<b>6.6</b>	<b>6.6</b>
Interest	US\$m	-	-	-	-	-
Income tax	US\$m	-	-	-	-	-
<b>Net income</b>	<b>US\$m</b>	<b>(1.6)</b>	<b>(0.8)</b>	<b>6.6</b>	<b>6.6</b>	<b>6.6</b>
Adjusted EPS (fully diluted) <sup>3</sup>	c/shr	(1.0)	(0.5)	4.3	4.3	4.3
<b>Profit before interest &amp; tax</b>	<b>US\$m</b>	<b>(1.6)</b>	<b>(0.8)</b>	<b>6.6</b>	<b>6.6</b>	<b>6.6</b>
Cash flow reconciliation	US\$m	-	-	3.8	3.8	3.8
Interest paid, net	US\$m	-	-	-	-	-
Tax paid	US\$m	-	-	-	-	-
<b>Net operating cash flow</b>	<b>US\$m</b>	<b>(1.6)</b>	<b>(0.8)</b>	<b>10.4</b>	<b>10.4</b>	<b>10.4</b>
Cash flow margin	US\$/mcf	-	-	4.08	4.08	4.08
Capex	US\$m	(7.4)	(6.1)	(6.1)	(6.1)	(6.1)
<b>Free cash flow</b>	<b>US\$m</b>	<b>(8.9)</b>	<b>(6.9)</b>	<b>4.3</b>	<b>4.3</b>	<b>4.3</b>
<b>Adj. FCF (43% of Colle Santo)<sup>2</sup></b>	<b>US\$m</b>	<b>(6.6)</b>	<b>(4.9)</b>	<b>2.7</b>	<b>2.7</b>	<b>2.7</b>
Avanti deferred acquisition payment	US\$m	(6.6)	-	-	-	-
Reabold earn-out	US\$m	-	-	(0.1)	(0.1)	(0.1)
BCE equity investment in LN Energy	US\$m	(2.7)	-	-	-	-
Grant funding	US\$m	-	-	-	-	-
Debt movements	US\$m	22.0	-	(4.4)	(4.4)	(4.4)
Share issuance	US\$m	5.0	-	-	-	-
<b>Net increase (decrease) in cash</b>	<b>US\$m</b>	<b>8.7</b>	<b>(6.9)</b>	<b>(0.2)</b>	<b>(0.2)</b>	<b>(0.2)</b>
Closing net cash (debt)	US\$m	<b>(13.2)</b>	<b>(20.1)</b>	<b>(15.9)</b>	<b>(11.7)</b>	<b>(7.5)</b>
Debt	US\$m	(22.0)	(22.0)	(17.6)	(13.2)	(8.8)
Cash	US\$m	8.7	1.8	1.6	1.4	1.2
Adjusted P/E	x	-	-	1.2x	1.2x	1.2x
FCF yield	%	-	-	59.4%	59.4%	59.4%
EV/EBITDA	x	-	-	2.6x	2.2x	1.8x
Net debt/EBITDA	x	-	-	1.5x	1.1x	0.7x
Post-money MC of BCE	US\$m	<b>7.3</b>	<b>7.3</b>	<b>7.3</b>	<b>7.3</b>	<b>7.3</b>
Post-money EV of BCE	US\$m	20.5	27.4	23.2	19.0	14.8

Source: Tennyson Securities.

<sup>1</sup>Assumes 63% direct interest in Colle Santo via increased 70% holding in LN Energy which holds 90% of Colle Santo.<sup>2</sup>Adjusted to reflect initial 43% indirect interest in Colle Santo via base 48% holding in LN Energy which holds 90% of Colle Santo.<sup>3</sup>Calculated using enlarged share count stipulated in NAV table in Figure 5.

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COMPANY BACKGROUND/OVERVIEW:

**Beacon Energy (BCE LN)** was originally incorporated in 2006 and launched under its current name in 2022. The company is listed on AIM in London.

Beacon previously held oil production assets in Germany, through private company Rhein Petroleum. These were divested in early 2025 leaving Beacon as a cash shell.

In October 2025 Beacon announced the acquisition of a 48% stake in LN Energy adding a near term gas development project in Italy which is now the core focus.

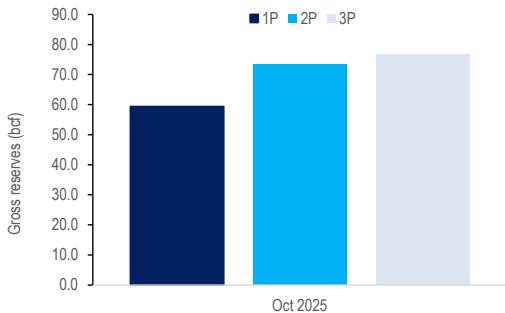
LN Energy holds a 90% interest in the Colle Santo gas field in Italy's Abruzzo region. It is the largest onshore proven undeveloped gas field in mainland Western Europe.

SWOT ANALYSIS:

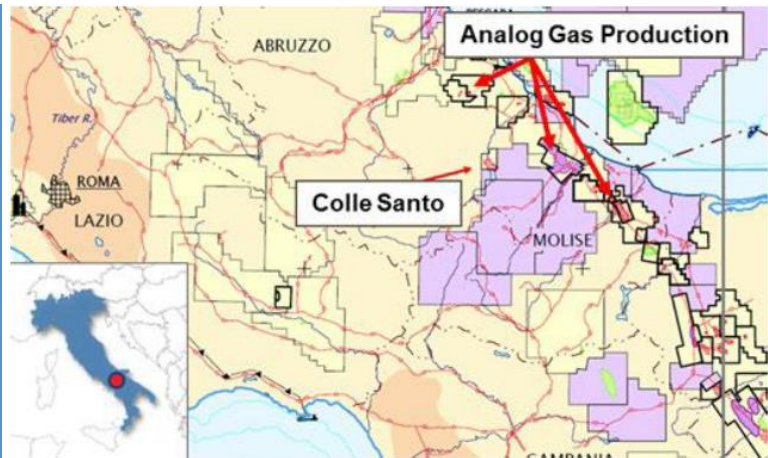
<b>Strengths</b> Proven management, Italian experience Low-cost operating environment Equity funded through to first gas Exposure to high EU gas prices Low G&A cost structure	<b>Weaknesses</b> Dependent on single asset No current production
<b>Opportunities</b> Production concession award Project finance closing First gas production Acquisition of additional LN Energy stake	<b>Threats</b> Italian bureaucracy Development delays Commodity price cycles

PRODUCTION & RESERVES:

Gross [net] production (at first gas): 11 [7] mmscf/d  
Gross [net] 1P reserves: 59 [52] bcf  
Gross [net] 2P reserves: 73 [52] bcf



ASSET MAP:



SHAREHOLDERS:

Top shareholders\*:

Tulip Oil Holdings 23.0%

MANAGEMENT & BOARD:

**Mark Rollins, Chairman:** Until recently Chairman & CEO of Ukranafta, the publicly listed Ukraine oil firm. Started career as Petroleum Engineer with Shell.

**Stewart MacDonald, CEO & Director:** 20 years of energy industry & banking experience. Former CFO of Rockhopper Exploration, ex Rothschild.

**Ross Warner, NED:** Lawyer and experienced public company director. Held senior roles at Mallesons Stephen Jaques and Clifford Chance. Exec. Chairman of Blue Star Helium.

**Leo Koot, NED:** 35 years' experience in energy and power. Exec. Chair of Beacon's largest investor Tulip Oil. Former senior roles at Shell, TAQA, Columbus Energy Resource.

Source: Tennyson Securities, RPS Energy. \*1 January 2025 (pre-money).

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## TRANSACTION DETAILS

In October 2025, Beacon Energy announced the acquisition of Reabold Resources PLC's entire 48% stake in LN Energy and a proposed equity raise to support LN Energy's near-term funding needs and further consolidate its holding in LN Energy.

On completion, the transaction will result in Reabold becoming Beacon's largest shareholder (29%) and Beacon taking a majority indirect position in the Colle Santo development project.

### Acquisition step 1: Beacon to buy-out Reabold stake in LN Energy

Beacon will purchase Reabold Resources PLC's entire 48% holding in LN Energy for an aggregate estimated consideration of US\$6.5m in Beacon shares (US\$1.0m at suspension price) and cash earn-out (worth US\$5.5m discounted at 10%).

- Beacon will acquire an initial 24% in LN Energy on closing of the transaction, anticipated in Q1 2026. A further 24% will be acquired upon award of the Colle Santo production concession (anticipated mid-2026).
- In return, Reabold will receive Beacon shares equivalent to 14% of the enlarged Beacon (post proposed equity raise, discussed below), plus an earn-out equivalent to 11.55% of LN Energy's 90% share of FCF from Colle Santo (capped at €16.17m).

### Acquisition step 2: Beacon to raise £3.75m, inject funding into LN Energy

Beacon intends to raise £3.75m (US\$5m) of fresh equity at PLC level to cover LN Energy's near term funding needs and its own corporate overheads for next 15 months (see Figure 8, below, for use of proceeds summary).

- Up to £2m (US\$2.7m) of the proceeds will be made available to LN Energy to progress Colle Santo towards Final Investment Decision (FID).
- Assuming fresh equity is injected in LN Energy at the last placing price (£2.6m post-money valuation in Q4 2025), Beacon's shareholding will rise to 70%.
- Reabold intends to invest £750k (US\$1m) in Beacon's proposed equity raise, giving it a further 15% shareholding in the enlarged company (issued at 3.9p suspension price).

**Figure 8: BCE equity raise use of proceeds from**

	£m	US\$m
Funding LN Energy to project FID, 2026	2.0	2.7
Beacon G&A	1.0	1.3
Deal costs	0.75	1.0
<b>Total raise</b>	<b>3.75</b>	<b>5.0</b>

Source: Beacon Energy

### Beacon capital reorganization, Reabold relationship agreement & lock up

Alongside the acquisition and proposed equity raise, Beacon is carrying out a re-organisation of its share capital structure and entering into a relationship agreement with Reabold.

- Beacon has enacted a share consolidation, at a ratio of 1000-1, which became effective on 30 December 2025.
- Reabold will sign a relationship with Beacon and enter into a lock up on its 14% vendor shares, such that no shares can be sold for first 12 months and a soft lock up for 12-24 months. Reabold will have a Board seat whilst its holding is above 20%.

The transaction is classified as a reverse takeover under AIM rules with Beacon shares remaining suspended pending publication of an admission document.

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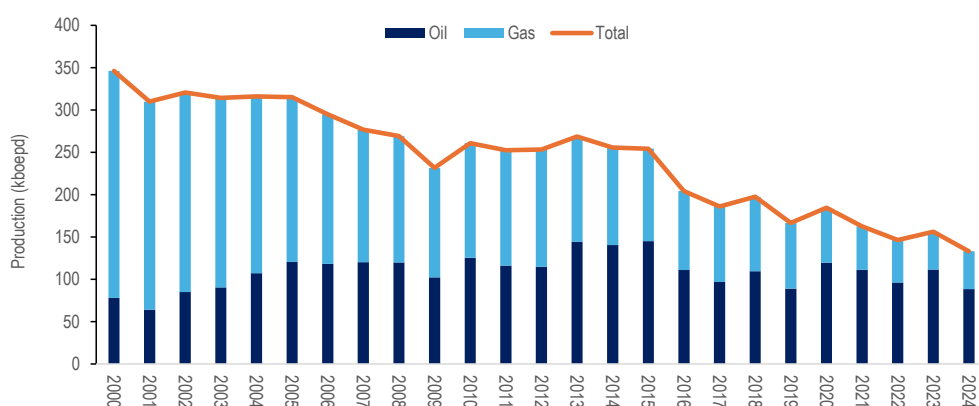
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## ITALY'S OIL & GAS INDUSTRY

Italy is blessed with considerable hydrocarbon wealth. It is the third largest oil producer in Europe, behind Norway and the UK, and benefits from significant existing infrastructure, human capital and an established services industry. According to the EIA, daily oil and gas production in 2024 averaged ~130 kboepd, roughly two thirds oil and one third gas. As Figure 9 shows, below, gas production has declined steadily since 2000 due to depletion in mature fields and a lack of fresh exploration and development activity; conversely oil production has proven more resilient, holding flat for most of the last 20 years. The industry is dominated by ENI, the Italian Oil Major, which is by far the largest producer accounting for half of domestic supply. Other upstream players include Total, Shell and Mitsui and listed independent E&Ps such as Energean (UK), AleAnna (US) and Gas Plus (Italy).

**Figure 9: Italy daily oil and gas production (2000-24)**



Source: EIA.

Since the 2010s development of Italy's hydrocarbon sector has been hampered by anti-fossil fuel policies. In the wake of BP's deepwater horizon disaster, Italian lawmakers introduced a moratorium on offshore drilling. The ban was subsequently lifted and then re-introduced by various Governments creating an uncertain industry backdrop and stifling investor sentiment. A lengthy ICSID arbitration battle between Rockhopper Exploration and the Italian state over the stalled Ombrina Mare oil development has not helped matters. Some 5 years after taking legal action, Rockhopper was eventually awarded €190m in damages in 2022 for being denied a production concession, only for the ruling to be annulled in 2025 and the case rumbles on.

**Figure 10: Italy hydrocarbon policy timeline**

<b>Aug '10</b>	Italy bans offshore drilling in wake of BP's Gulf of Mexico Macondo oil spill
<b>Jul '12</b>	Italian parliament lifts ban for certain pending drilling projects
<b>Mar '13</b>	Italy sets out its National Energy Strategy to boost domestic hydrocarbon production
<b>May '15</b>	Environmental Impact Assessment of Ombrina Mare project approved, Rockhopper
<b>Jul '15</b>	Reinforced ban prohibiting all new drilling projects
<b>Mar '17</b>	Rockhopper file arbitration claim against the Italian Republic
<b>Feb '19</b>	Italian Parliament approves an 18-month moratorium on offshore exploration
<b>Dec '21</b>	PITESAI plan identified areas where exploration/production would be restricted
<b>Aug '22</b>	Rockhopper awarded €190m + interest in compensation
<b>Feb '24</b>	PITESAI plan was annulled, re-opening restricted areas
<b>Feb '25</b>	New energy decree commits to boosting domestic gas supplies and storage
<b>Jun '25</b>	Italy successfully nullify Rockhopper's compensation award

Source: Company reports.

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US elections in 2024 have ushered in a more constructive backdrop for the global oil & gas industry, as the realities of the energy transition take hold across the democratic world. Italy's so-called PiTESAI directive (Plan for the Sustainable Energy Transition of Eligible Areas) was annulled in 2024, opening up previously restricted drilling areas. A new energy decree, introduced by the Meloni Government in Feb 2025, explicitly commits to boosting domestic gas production and storage. Heightened security of supply concerns following Russia's invasion of Ukraine provide further impetus to boost domestic supplies. Italy remains a significant importer of gas with domestic supply satisfying just ~5% of demand. The biggest chunk of imports come from Algeria which accounts for ~40% of the total; whilst once dominant Russian supplies (~40% of total in 2021) have been replaced by LNG imported from US, Qatar and Egypt.

**Figure 11: Key Italian oil & gas project regulatory milestones**

Project	Partners	Milestone	Date	2P mmboe	Prod kboepd
Selva field	Po Valley (63%), Prospex (37%)	First gas	Jul-23	2.2	0.4
Cassiopea	ENI (60%), Energean (40%)	First gas	Aug-24	77.5	25.8
Longanesi	Gas Plus (67%), AleAnna (33%)	First gas	May-25	13.9	8.3
Gradizza	AleAnna (100%)	Dev. approval	Aug-25	0.2	0
Colle Santo	LN Energy (90%), Intergie (10%)	EIA approval	Jan-26	12.2	0

Source: Company reports.

The policy shift is already starting to take hold on the ground. Over 30 exploration licences have been issued in Italy in the last 12 months. Meanwhile, several new development projects have entered production – including the Cassiopea gas field (26 kboepd) offshore Sicily and the Longanesi gas field (8 kboepd) in the Po Valley – and a number of others are successfully working their way through the regulatory system, including LN Energy's Colle Santo gas field.

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## ASSET OVERVIEW

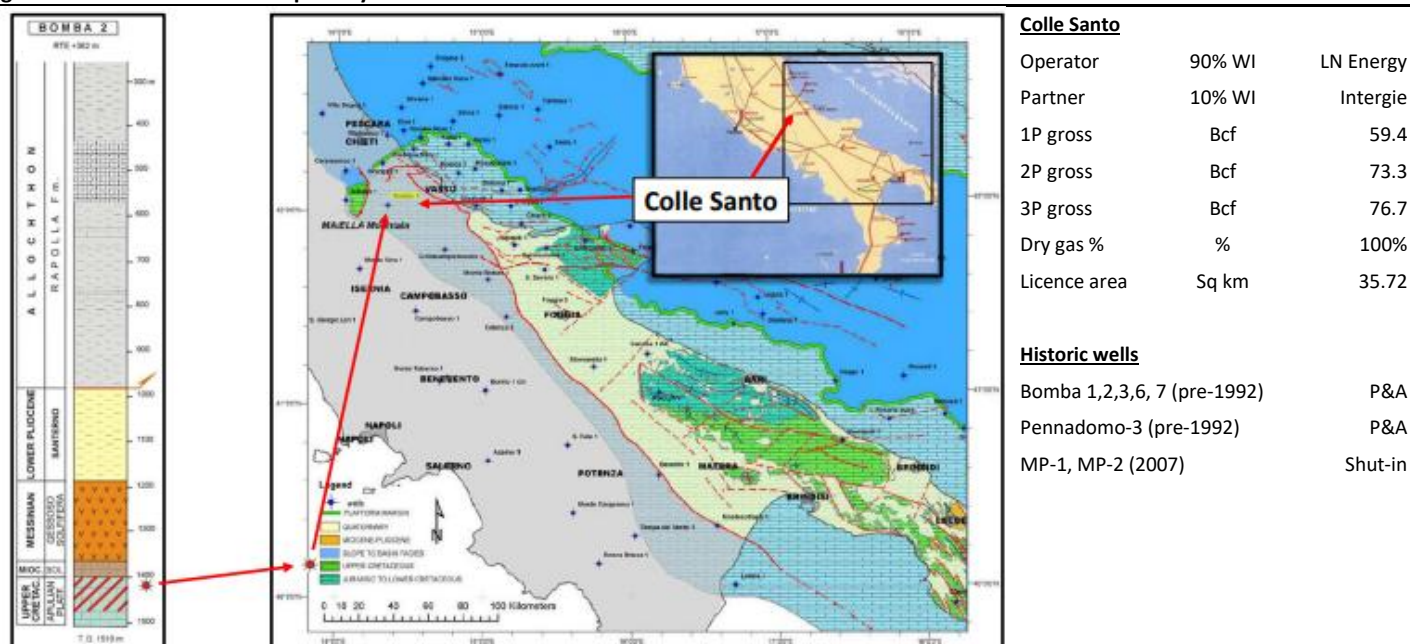
The Colle Santo field is one of Western Europe's largest undeveloped onshore gas fields. It is located in the province of Chieti in the Abruzzo region of central Italy (see map in Figure 12, below) to the east of the Apennines. Discovered in the 1960s and extensively appraised, field development attempts over the years have been frustrated by environmental opposition. A revised development scheme involving trucking the gas (mini-LNG) and a smaller facilities footprint is set to unlock the potential at a time of growing Government support for domestic gas supplies.

## Historical context

The Colle Santo gas field was discovered by AGIP in 1966. The first phase of exploration and appraisal (1960-90s) saw the drilling of six wells (Bomba 1, 2, 3, 6 & 7 and Pennadomo-3), five of which tested at rates of 1-6 mmscf/d. Due to the gas composition (presence of inert gases, discussed later) and lack of regional infrastructure, the wells were plugged and abandoned in the mid-1990s and the development taken no further.

In 2003 private E&P firm Forest Oil acquired the concession, spending over US\$25m on project development. A further two wells (MP-1 & 2) were successfully drilled, completed and tested in 2007 (at a cost of US\$16m) flowing at combined rates of 20.5 mmscf/d. These wells remain shut-in and available for production. Forest's development plan for the field was opposed by the Abruzzo Region authorities, amid local unease over the location of the proposed gas processing plant and pipeline. This prevented Forest from obtaining the necessary production permit and the project ran into the ground.

**Figure 12: Colle Santo asset map & key statistics**



Source: Beacon Energy, RPS Energy.

Canadian-listed firm Avanti acquired a licence over the field in 2015. Three third party engineering reports were commissioned by Bello, D&M and Chapman during its tenure. A marketing agreement was signed with Shell for the offtake. Avanti filed a new development plan and full environment impact assessment which was rejected by the authorities in 2018. The primary reason was the potential risk of induced seismic activity that might result from the production of gas from the field. Avanti noted at the time that to their knowledge this was the

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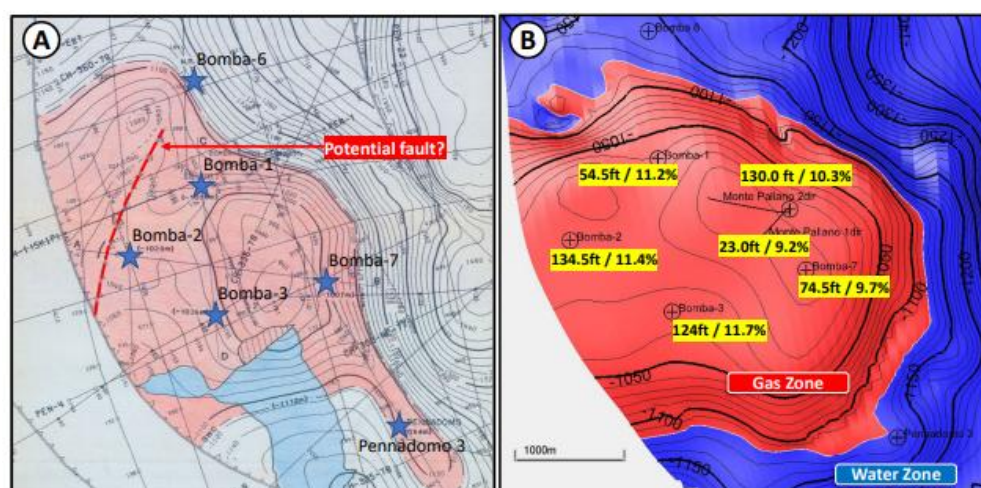
first instance in oil & gas industry history that such a concern has been used by a Government body to deny development.

LN Energy, the current owner and operator of the Colle Santo field, acquired 90% from Avanti. The consideration comprised a deferred component of US\$10.5m, payable in cash upon award of a production concession (within 60 days), plus a 4% share of profits in the field. A minority 10% of the field remains held by private Italian E&P firm Intergie.

### Field geology, reserves and gas composition

The Colle Santo field is located in the foreland region of the central Apennine fold belt, a geological trend associated with much of Italy's oil and gas production. The field itself comprises a north-south orientated anticline with a bounding fault to the west (as shown in Figure 13, below). The accumulation is defined by eight well penetrations and covered by various vintages of 2D seismic from the 1960s and 80s. The gas is trapped in Miocene to Cretaceous-age limestone formations, lying beneath a cap rock comprising shaly marls. Reservoir thickness varies across the structure (23-135ft), with the best well productivity expected in the thickest pay zones; reservoir porosity is relatively uniform (9-12%). The gas water contact is interpreted at around 1,100m TVDSS from log data in several legacy wells.

**Figure 13: Colle Santo field structure map (A) and gas-water contact, pay thickness & porosity map (B)**



Source: RPS Group.

The reserve base at the Colle Santo field is well delineated by historic drilling and seismic activity. RPS Energy estimates gross proven reserves of 59 bcf and probable reserves of 14 bcf aggregating to 2P reserves of 73 bcf (see summary of reserves in Figure 14, below). The high proportion of proven reserves (81% of 2P) affirms the low-risk nature of the accumulation and high degree of confidence in volumes.

**Figure 14: Colle Santo gross field reserves – RPS Energy**

	Gas	Liquids	Total	PV10 value*
	bcf	mmbbls	mmboe	US\$m
Proven	59.4	-	9.9	44.0
Probable	13.9	-	2.3	27.3
<b>2P</b>	<b>73.3</b>	-	<b>12.2</b>	<b>71.3</b>
Possible	3.4	-	0.6	3.2
<b>3P</b>	<b>76.7</b>	-	<b>12.8</b>	<b>74.6</b>

Source: RPS Energy. \*Net present value after tax using 10% discount rate

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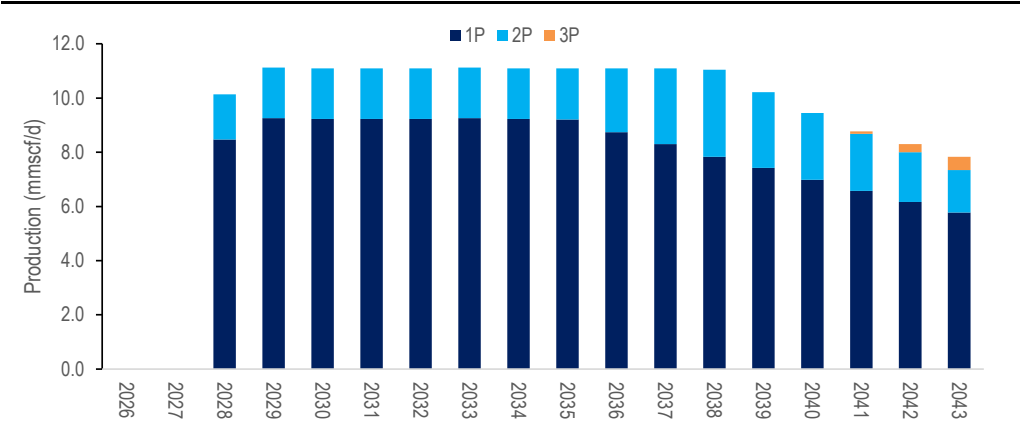
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The gas stream at the Colle Santo field has been analysed multiple times since its discovery. The raw produced gas contains approximately 69% methane and 4% natural gas liquids (collectively the sales gas), with inert gases comprising the balance (21% nitrogen, 0.7% CO<sub>2</sub>, 0.3% sulphur and 0.1% helium). The calorific value (or energy content) of the sales gas is 700 btu/scf which is slightly less than the Italian benchmark (PSV) reflecting a lower liquids content.

Development plan & funding

LN Energy is pursuing a modified development plan at Colle Santo focused around a mini-LNG concept, with CO<sub>2</sub> capture and possible Helium extraction. This has several key advantages over historic approaches. Firstly, by compressing and freezing the gas into liquid form on site, it can be transported offsite in specialist trucks. This avoids the need for pipeline construction and reduces the facilities footprint on site. Secondly, the CO<sub>2</sub> capture and helium component positions the project for access to grant funding and reduces carbon emissions.

Figure 15: Colle Santo gross production profiles (1P, 2P, 3P cases) – RPS Energy



Source: RPS Energy.

The development plan intends to utilise the two existing wells drilled by Forest Oil to drain the field, with no additional wells or future drilling capex envisaged at this stage. The 2P scenario (shown in Figure 15, above) delivers a gross production plateau of ~11 mmscf/d (based on sales gas) for around 10 years, before tailing off thereafter. By comparison, the 1P scenario delivers a slightly shorter and lower plateau of ~9 mmscf/d for 7 years. The 3P case is essentially the same as the 2P. A photograph of the existing wellsite in the field is shown in Figure 16, below.

Figure 16: Colle Santo field MP-1 & 2 wellsite



Source: Avanti



The development plan involves converting the produced gas on site into LNG using a small-scale facility with nameplate capacity of ~48,000 tonnes per year. Produced LNG will be trucked to various local markets within 10km of the field and likely sold to end users in the transportation and shipping sectors. Additional equipment is required for the recovery and purification of associated CO<sub>2</sub>, yielding ~1,400 tonnes per year of CO<sub>2</sub> sales into the local food market (~US\$0.8m revenue per year). In the medium term, there is also potential to commercialise the helium volumes utilising organic cash flows from the core gas operation.

Full cycle capex is estimated at €69m (US\$79m) in the 2P scenario, the vast majority of which relates to the purchase and installation of the mini-LNG facilities. This will be undertaken by Italfiuid, an established oil services business which operates >300 kboepd of production on behalf of clients in Italy and the MENA region. As part of the arrangement, Italfiuid has agreed (under non-binding MoU with LN Energy) to provide a vendor financing package comprising €8.3m (US\$10m) per annum for 8 years – totaling €66m (US\$77m). They will also operate and maintain the plant once it is constructed. The current development schedule (summarised in Figure 17, below) is based on the facility being operational for first gas by end of 2027-2028.

**Figure 17: Project timeline**

VIA (environmental) commission approval	Granted, Aug 2025
Full EIA environmental approval	Granted, Jan 2026
Transaction close	Jan 2026
FEED	Q1 2026
Finalise funding	H1 2026
Production concession award	Mid-2026
<b>Final Investment Decision</b>	<b>Mid-2026</b>
Civil works	H1 2026
Construction phase	Q4 2026-2027
<b>First gas</b>	<b>End 2027-28</b>

Source: RPS Energy.

The vendor financing deal spreads capex over the field life and keeps upfront funding to a minimum. LN Energy estimates funding to first gas of €26m (US\$30m), inclusive of a €9m (US\$10.5m) deferred acquisition payment to the former owner of Colle Santo, Avanti (due within 60 days of production concession award). To satisfy this, LN Energy has signed an MoU with a large oil trader for the provision of a €25-30m (US\$29-35m) off-take loan. Under the terms of the agreement, the trader will purchase 100% of field production at a marketing discount reflecting cost of finance (€1.7m per annum of effective interest) for a minimum of 5 years. The MoU is expected to be matured into a binding agreement ahead of FID in mid-2026.

**Figure 18: Development funding to first gas**

Sources	€m	Uses	€m
Gunvor pre-pay	25 - 30	Acquisition payment	9.0
Grant funding	0 - 13	LNG plant inc CO <sub>2</sub>	15.3
		Land acquisition	0.9
		Personnel	1.1
<b>TOTAL</b>	<b>25 - 43</b>		<b>26.3</b>

Source: Beacon.

Separately, the Italian Ministry of Environment and Energy Security has confirmed the Colle Santo project fits within Italian energy transition directives, including the CO<sub>2</sub> capture and Helium production. As such, it is eligible for up to 20% capex grant funding (€13m). LN Energy is actively engaging with relevant authorities and hopes grant funding will form part of the overall funding package to first gas – thereby reducing the size of the pre-pay loan.

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## COLLE SANTO MODEL ASSUMPTIONS

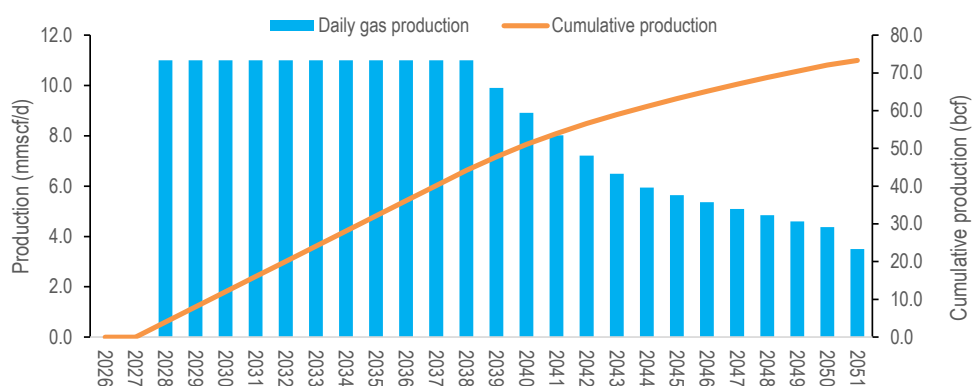
We have compiled a discounted cash flow model for the Colle Santo gas development which forms the basis of our valuation for Beacon Energy.

The model is directed by inputs from the RPS Energy competent persons report on the asset and the relevant fiscal terms applicable to the licence.

### Sales assumptions

The production profile is based on RPS's 2P reserve calculations, from which LNG sales are derived. Our model assumes first gas in Jan 2028 with a gross production plateau of 11 mmscf/d lasting around 10 years. Cumulative gross recovery over life of field (24 years) is 73 bcf (see Figure 19, below).

**Figure 19: Colle Santo gross production assumptions**



Source: Tennysen Securities.

Pricing of the LNG sales product is linked to the prevailing Italian gas price, which in turn is linked to the European benchmark TTF. Due to the lower calorific value (energy content) of Colle Santo dry gas and third party LNG trucking and marketing expenses, the effective LNG sales price (in mcf terms) at the wellhead is a discount to the prevailing TTF benchmark price. Our model assumes a flat TTF price of US\$9.0mmbtu which translates to a realised price of US\$6.5/mcf (and is equivalent to an LNG price of US\$442/t).

### Cost assumptions

The cost deck used in our model is similar to those in RPS's economic evaluation:

- **Opex:** we assume fixed opex of US\$5.8m per annum and variable opex of US\$0.05 per mcf. At plateau rates, overall opex is around US\$6m per annum, equivalent to US\$1.5/mcf.
- **Capex:** we assume US\$9.6m per annum for 8 years for the supply and setup of the LNG facilities by Italfiuid which comprises the lion's share of spend. Total capex is assumed at US\$79m over life of field, equivalent to US\$1.1/mcf. In addition, we have provided for US\$3m of abandonment costs on cessation of production.

### Fiscal terms

The tax terms governing the Colle Santo field comprise a favourable royalty-tax regime common to other licences in Italy. The key mechanics are as follows:

- **Government royalties:** onshore gas production in Italy attracts a 7% base royalty on the first 0.88 bcf per year of production and an incremental 3% on any volumes above this amount. The blended royalty rate for Colle Santo is around 9% at plateau.

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- **Income tax:** income tax is due on profits at a cumulative rate of 28.8%, of which 24% is for corporate income tax and 4.8% for regional taxes. Colle Santo is expected to qualify for a tax credit for “special economic zones” in Italy which means we do not expect any tax to be payable for at least the first 10 years.

### Deferred consideration & earn-out

Beyond the base fiscal terms, the cash flows from Colle Santo are subject to a number of payaways to former owners of the field, as part of historic arrangements:

- **Avanti net profit share:** 4% of field revenue, after Government royalties and opex payable by LN Energy to Avanti.
- **Avanti deferred consideration:** a US\$10.5m cash consideration is due to Avanti by LN Energy, payable within 60 days of a production concession being awarded.
- **Reabold earn-out:** Beacon has agreed to pay Reabold 11.5% of LN Energy’s 90% share of FCF from Colle Santo over life of field, up to a cap of €16.17m.

### Helium project

We have modelled the development of the Helium potential in the Colle Santo field. Capital costs for the extraction equipment is assumed at US\$7m, payable out of field cash flow with first production in 2030. Total helium reserves are assumed at a modest 0.1 bcf.

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## BOARD & MANAGEMENT

Beacon benefits from an experienced Board and management team, with a mix of industry, financial and legal backgrounds and direct experience of operating in Italy's oil & gas sector.

### **Mark Rollins, Non-Executive Chairman**

Mark was until recently Chairman and CEO of Ukrnafta, the publicly-listed company responsible for a significant proportion of oil production in Ukraine, with over 20,000 employees. Between 2008 and 2015, he was a senior executive at BG Group plc, the former international E&P company; his final positions being Senior Vice President within the COO's office and managing BG's interests in Kazakhstan. His other experiences have included senior leadership positions across international E&P, midstream and downstream oil and gas, and deregulated utility sectors. Beginning his career as a Petroleum Engineer with Shell International, Mark holds a doctorate in Engineering Science from Oxford University, as well as a Masters in Mathematics from Cambridge University.

### **Stewart MacDonald, CEO & Director**

Stewart has over 20 years of energy industry and investment banking experience. Stewart was until May 2024 the CFO of Beacon Energy plc having supported the re-launched of the business from an AIM cash shell through to the acquisition of Rhein Petroleum and re-admission to AIM in April 2023. Previously, Stewart was an Executive Director and Chief Financial Officer of Rockhopper Exploration plc for 8 years. Prior to joining Rockhopper, Stewart was an Executive Director of Rothschild's global Energy and Power investment banking group where he spent 12 years advising clients in the sector on a range of M&A transactions as well as debt and equity financings. He was previously a non-executive Director of United Oil & Gas plc.

### **Ross Warner, Non-Executive Director**

Ross is a lawyer and experienced company director of both private and public resource companies listed on AIM and the Australian Securities Exchange. He has also held senior corporate roles with Mallesons Stephen Jaques in Australia and Clifford Chance in the UK. He is currently Executive Chairman of Blue Star Helium Limited.

He holds a Bachelor of Laws from University of Western Australia, and Master of Laws, University of Melbourne.

### **Leo Koot, Non-Executive Director**

Leo is a Dutch national with over 35 years of international experience in the Energy & Power sector. Previous roles include Drilling Engineer at Shell, Managing Director UK then President Iraq for TAQA, Executive Chairman of Columbus Energy Resource, Senior INED for Sterling Energy plc. Leo is currently Executive Chairman of Tulip Oil Holdings, Joint MD at Rhein Petroleum and partner at Concordia Capital Partners (MENA GULF).

### **Francesco Di Luca, MD of LNEnergy Srl**

Francesco has over 18 years of experience in the energy sector. He is Technical Director and R&D Innovation Manager at Italfiuid, the Italian oil services firm. Previously Technical and Project Manager at Saipem. Francesco started his career as a Process Engineer at Technip KTI SpA and holds a Master's degree in Chemical Engineering.

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