

SMALLER COMPANIES UK

OIL & GAS

Equator issue raises £143m to fund Nigerian exploration

By Lucy Warwick-Ching

Equator Exploration, the oil and gas exploration company, has successfully raised £143m to fund the exploration of a large oil discovery off the coast of Nigeria.

Equator plans to use the funds to pay for four new wells in the territorial waters of Nigeria and Sao Tome and Principe in the Gulf of Guinea.

It also plans to use some of the money to pay for new licences that it is negotiating with governments in the region.

The region has become one of the largest deep-water exploration and production sites in the world in recent years as oil companies have sought to diversify from the politically sensitive Middle East.

The Gulf of Guinea produces about 10 per cent of the world's oil and this is

expected to rise in the next 10 years.

ChevronTexaco and ExxonMobil, the global oil companies, already drill in the area, and Shell and TotalFina Elf also have operations there. Equator will be competing against these much larger participants for the business.

Equator's market capitalisation following the fundraising will be £630m, pushing it into the top-10 listed companies on Aim. It has placed 41m new shares with institutional investors at a slightly discounted price per share of 350p, which are expected to be admitted to trading on Thursday.

The shares were trading at 353p at the close on Friday. Shares in the company closed at 355p yesterday.

Wade Cherwayko, Equator's chief executive, said: "The funds raised will support the company's aggres-

sive exploration, appraisal and development drilling programme for 2006 as well as the possible acquisition of additional exploration."

Tony Alves, analyst at KBC Peel Hunt, said: "It is a very ambitious, high-risk strategy for the company but if it works it should pay off rapidly."

The company, which floated on Aim in December 2004 when it placed 60m shares at 100p each, wants to expand its portfolio of exploration, appraisal and production assets in the Gulf of Guinea. It identified its two blocks through the assessment of seismic data and is in negotiations on sharing production with the government of Sao Tome.

Nabarro Wells is the company's nominated adviser and ODL Securities its broker.