



Alkane Energy PLC

Notice of Results and Trading Update

RNS Number : 5568L

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07 July 2014

7 July 2014

Alkane Energy plc ("Alkane" or "the Group")

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Notice of Results

Alkane Energy plc (AIM: ALK) the independent gas to power producer, today announces an update on trading ahead of the half year results for the six months ended 30 June 2014 (the "period"), which Alkane will publish on 10 September 2014.

Trading Update

On 10 June 2014 we announced the completion of the transfer of our shale rights in certain licences to Egdon Resources plc. This transaction gave the Group an 18% shareholding in the UK's third largest shale operator and allowed Alkane to concentrate its resources on our core electricity generation business. This transaction will be reflected in the half year accounts and will lead to a one off exceptional, after costs, pre tax profit of circa £9m.

Trading for the period ended 30 June 2014 has seen electricity output of circa 85GWh (H1 2013: 94GWh). The Maltby site was off-line for the majority of the spring period as the planned closure of the colliery was being completed. However we have now returned to production at Maltby and the Group as a whole has generated record weekly baseload output in recent weeks. The Wheldale site we acquired in February 2014 has made its first time contribution to our power response output and we would expect the site to be fully commissioned during Q3 this year. These improvements and the progress in increasing our power response capacity over recent months means that we expect H2 production to be substantially ahead of H1 2014.

As at 30 June 2014, approximately 74% of the Group's expected 2014 base load output is contracted at an average price of £53/MWh (2013: £53/MWh). In addition, we have contracted 50% of the expected output for 2015 at £54/MWh.

The project pipeline is progressing with drilling due to commence in Q3 at Markham Main in South Yorkshire. We continue to appraise and gain planning and permits on a range of sites for 2015 and beyond.

DECC and Ofgem have recently announced new initiatives to address the tightening supply of electricity to the UK that is forecast for the next few years. These capacity initiatives include Demand Side Balancing Reserve starting from November 2014 in advance of the full capacity mechanism due to be introduced in 2018. Alkane's embedded generation sites can bid into both capacity programmes and we are in the process of determining our approach to this additional income stream.

Commenting on the update, Chief Executive Officer, Neil O'Brien, said:

"We note Ofgem's capacity appraisal for the UK electricity market and we believe that our growing fleet of embedded power plant is well placed to benefit from current market trends. We are pleased to see progress in the overhaul of the power response fleet and in the work we have been doing at Maltby and we have been rewarded in recent weeks with record production for the Group. We look forward to a strong second half of the year".

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Background information

Alkane is one of the UK's fastest growing independent power generators. The Company operates mid-sized "gas to power" electricity plants providing both base load and fast response capacity to the grid. Following the acquisition of the Wheldale power response assets, Alkane now has a total of 90MW of installed generating capacity and an electricity grid capacity of 110MW.

Alkane's base load operations, where power is generated 24/7, are centred on a portfolio of coal mine methane ("CMM") sites. Alkane has the UK's leading portfolio of CMM licences, enabling the Company to extract gas from abandoned coal mines.

As CMM declines at any one site, Alkane retains valuable generating capacity and a grid connection which can be redeployed to power response. Power response sites are connected to mains gas and produce electricity at times of high electrical demand through peak running, or in order to balance the electricity grid through participation in the National Grid's short term operating reserve programme ("STOR"). Participants in STOR are paid premium rates when called upon by the Grid to meet temporary supply shortages. Alkane now operates 43MW of power response on mains gas.

The Group operates from 24 mid-size (up to 10MW) power plants across the UK, 15 CMM only, 6 mains gas only, and 3 using both fuel sources. Alkane uses standard modular reciprocating engines to generate the electricity and sells this power through the electricity network. The engine units and other plant are designed to be flexible and transportable allowing additional capacity to be brought onto growing sites and underutilised plant to be moved to new sites to maximise efficiency.

Alkane has a range of core skills encompassing the entire project development cycle including planning and permitting, sourcing plant and managing the build and commissioning stage. This has enabled Alkane to establish a design, build and operate ("DBO") business for third party clients in the biogas and oil & gas industries.

The Group has circa 800km² of acreage under various onshore Petroleum Exploration and Development Licences ("PEDLs").

More information is available on our website www.alkane.co.uk

This information is provided by RNS
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