

22 April 2021

**CRYSTAL AMBER FUND LIMITED**  
("Crystal Amber Fund" or the "Fund")

**Monthly Net Asset Value**

Crystal Amber Fund announces that its unaudited net asset value ("NAV") per share at 31 March 2021 was 139.24 pence (28 Feb 2021: 132.51 pence per share).

The proportion of the Fund's NAV at 31 March 2021 represented by the five largest shareholdings, other investments and cash (including accruals), was as follows:

| Five largest shareholdings          | Pence per share | Percentage of investee equity held |
|-------------------------------------|-----------------|------------------------------------|
| **De La Rue plc                     | 68.8            | 14.4%                              |
| Equals Group plc                    | 19.2            | 25.0%                              |
| *GI Dynamics Inc.                   | 16.6            | *                                  |
| **Allied Minds plc                  | 13.7            | 21.4%                              |
| Hurricane Energy plc                | 8.8             | 11.9%                              |
| Total of five largest shareholdings | 127.1           |                                    |
| Other investments                   | 13.6            |                                    |
| Loan Facility                       | -1.0            |                                    |
| Cash and accruals                   | -0.5            |                                    |
| Total NAV                           | 139.2           |                                    |

\* GI Dynamics Inc. is a private company and their shares are not listed on a stock exchange. Therefore, the percentage held is not disclosed.

\*\*Within the percentage of investee company held in Allied Minds plc and De La Rue plc, contracts for difference were held amounting to 3.1% and 0.3%, respectively, of such holdings.

**Investment Adviser's commentary on the portfolio**

Over the quarter to 31 March 2021, NAV per share grew by 8.3%, or 10.2% after adjusting for the 2.5p per share dividend paid in February.

The top two positive contributors to NAV over the quarter to 31 March 2021 were De La Rue (9.8%) and Equals (3.4%). Top detractors were Allied Minds (-0.8%) and Board Intelligence (-0.3%).

**De La Rue plc ("De la Rue")**

As stated in Crystal Amber Fund's interim results announced on 4 March 2021, the Fund believes that De La Rue enjoys a combination of strong competitive positions in high return businesses and attractive growth opportunities, and that its current equity valuation is significantly mispriced.

Last week, De La Rue issued a positive trading update for its year ended 27 March 2021, stating that after repaying all furlough payments, adjusted operating profits for the financial year 2020/21 are expected to be around the top end of the £36 million to £37 million range previously indicated in the company's trading update announced on 28 January 2021.

With the shares currently trading at less than 12 times current year earnings, the Fund believes that this valuation fails to reflect either its growth prospects or its operational upside. The Fund strongly believes that its strategic value is far in excess of its current market capitalisation.

Over the period, shares in De La Rue were up by 22%.

**Allied Minds plc ("Allied Minds")**

During the quarter, following the resignation of its Chief Executive, Allied Minds continued its practice of poor communications and the unacceptable lack of provision of financial information. This included a botched Capital Markets Day, to which invitations were only sent to analysts and not to investors. The Fund is aware of two (paid for) analysts who cover Allied Minds. Subsequently, investors were made aware of the Capital Markets Day, with only a few days' notice. The company's broker subsequently apologised to the Fund for this error.

During the Capital Markets Day, important financial information was provided. The Chief Executive of Federated Wireless (which represents 26p of Allied Minds' house broker's estimated net asset value of 46p), reported actual Q1 revenues for 2021 and a financial forecast for the full year.

Revenue forecasts were also provided by other portfolio companies. The Fund believes that this information should be provided to all market participants and not just to those that were able to access the Capital Markets Day. More than a week ago, the Fund requested that Allied Minds release this information without delay to all market participants. This afternoon, this information has finally been made available.

Separately, earlier this month, paid-for research from Edison for Allied Minds was withdrawn, after the Fund highlighted an error with the percentage holding in a portfolio company. Earlier in the year, Edison apologised for a previous error: for several months, estimated net asset value had been materially overstated, as a result of not deducting the 12.6p special dividend paid to shareholders in February 2020.

The Fund believes that responsibility lies with the Chairman of Allied Minds. In light of this, the Fund has written to Harry Rein to ask him not to seek re-election at next month's Annual General Meeting. If he decides to seek re-election, the Fund (an owner of more than 18%, of the issued share capital) will vote against his re-election and write to other shareholders to explain its reasoning. The Fund believes that Mark Lerdal, a non-executive director of Allied Minds, should replace Harry Rein as Chairman. Following his appointment as Executive Chairman of Leaf Clean Energy ("Leaf") in 2014 with support from the Fund, Mark Lerdal achieved an excellent outcome for all shareholders in the company. Like Allied Minds, Leaf was a London listed, US based closed end investment fund trading at a 50% discount to net asset value.

Over the period, Allied Minds' shares fell by 31%.

**Equals Group plc ("Equals")**

Equals had a strong end to 2020. This continued into 2021. Several system improvements have been delivered that widen the service proposition for SMEs and retail clients. These have increased efficiencies and delivered cost reductions. New sales processes have accelerated the growth in international payments transactions. The business is now a cash generative fintech company.

Over 2020, the company continued to refocus on business customers, with B2B revenues up by 10%. This included 51% international payments revenue growth. The company also generated revenue from new partnerships including Homesend, a subsidiary of Mastercard. Retail revenues were down 30%, impacted by the Covid-19 related reduction in international travel. With a common infrastructure across B2B and B2C, the company can continue to focus on business customers and deliver improvements to its retail user base. We expect revenues from the latter to recover when Covid-19 restrictions to travel are lifted.

The company has also announced an initial venture to allow its customers access to decentralised finance ("DeFi") payment solutions.

Over the period, Equal's shares were up by 29%. Despite this, the shares trade on an equivalent enterprise value of just two times current year's forecast sales.

**Hurricane Energy plc ("Hurricane")**

During the quarter, Hurricane delivered average production of 11,200 barrels of oil per day. Production efficiency of 95% exceeded the company's planned assumption of 90%. Encouragingly, during the quarter, the average water cut was unchanged from the previous quarter at 25%. Net free cash at 31 March 2021 was \$127 million as against \$106 million at 31 December 2020 and \$87 million at 30 November 2020.

Early in April 2021, Hurricane published a summary of the yet to be published full CPR (Competent Person's Report). The summary CPR was broadly consistent with management's estimates for Lancaster and Lincoln presented in September 2020. The Fund believes these estimates are very cautious and pessimistic in the critical issue of oil-water contact. Logs and sampling demonstrate the occurrence of oil below the 'new' oil water contact. The Fund, as well as all market participants, only have visibility over the limited published data. The Fund awaits publication of the full CPR in order to comment further. The Fund also notes the company's failure to update market participants on the positive financial impact of the oil price, which has doubled over the last year and since 31 December 2020 has increased by \$15 a barrel. Nor has the company commented on the financial impact of the \$40 million increase in free cash over the four months to 31 March 2021.

In September 2020, Hurricane stated that it would be engaging with all key stakeholders regarding its work programme and financial arrangements. The company guided that more definitive estimates of the range of reserves and resources would be made available in an updated CPR in Q1 2021.

As reported in our interim results announced on 4 March 2021, the Fund is extremely concerned with the company's failure to engage. On the same date the Fund wrote to Hurricane asking for responses on matters including bondholder consent and the Fund's request to nominate a director. The Fund also requested that market participants be made aware of the quantum of financial commitments that the board has contracted with professional advisers, including Evercore.

On 22 March 2021, having had neither a response nor an acknowledgment, the Fund wrote again asking for these points to be answered.

Hurricane's website states that: "the board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place. It believes that shareholder dialogue is key to developing an understanding of the views of shareholders and encourages two-way communication, providing prompt responses to queries received orally or in writing."

The Fund's experience with the board of Hurricane is contrary to the above assertion. Moreover, it makes a mockery of such a statement. It is now more than two months since its Chief Executive wrote that he would have a telephone call and since the Fund requested to nominate a director to the board of Hurricane. The Fund regards it as both astonishing and appalling that the board of Hurricane purports to value shareholder dialogue, yet fails to respond to a long-term supporter and provider of substantial capital that has been a shareholder for eight years and owns more than 14% of the equity.

In total, the summary CPR recognises 2C contingent resources of 125.7 million barrels of oil. Whilst this is a small fraction of previous estimates, it nonetheless represents a commercially significant volume of good quality oil at accessible depths with the availability of floating production facilities. Previously, the Fund had expressed its concerns around the proposed side-tracking of the Lancaster 7z well, and in March 2021 the company backtracked from its intention to drill it this summer.

The Fund believes that Hurricane's assets are valuable but are still at the exploratory stage of characterisation. Further investment in well stock together with a plan for gas disposal agreed with the Oil and Gas Authority is likely. The Fund believes that management's current focus on production from existing wells will fail to maximise shareholder returns from Hurricane's west of Shetlands portfolio. Crystal Amber believes that Hurricane's focus should be on its fractured basement assets. This could involve a farm out or a strategic partnership.

The lack of communication with market participants in general and with the Fund in particular is indicative of a board that has failed to provide evidence that it is acting in the interests of all stakeholders. As a result, the Fund has lost confidence in the board of Hurricane. As soon as Hurricane provides overdue operational and technical information, the Fund intends to assess this and provide its comments accordingly, in order to protect shareholders' interests, restore investor confidence and fully capitalise on the opportunities from this potentially significant UK strategic asset.

Over the period, Hurricane's shares were up by 24%.

#### **Transactions in Own Shares**

Over the quarter to 31 March 2021, the Fund bought back 533,000 of its own ordinary shares at an average price of 102.38p per share as part of its buyback programme.

For further enquiries please contact:

#### **Crystal Amber Fund Limited**

Chris Waldron (Chairman)  
Tel: 01481 742 742  
[www.crystalamber.com](http://www.crystalamber.com)

#### **Allenby Capital Limited - Nominated Adviser**

David Worlidge/Liz Kirchner  
Tel: 020 3328 5656

#### **Winterflood Investment Trusts - Broker**

Joe Winkley/Neil Langford  
Tel: 020 3100 0160

#### **Crystal Amber Advisers (UK) LLP - Investment Adviser**

Richard Bernstein  
Tel: 020 7478 9080

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