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## Hardy Oil & Gas, Petro Matad, African Aura Mining, Patagonia Gold and others feature in Fox-Davies Capital Newsflash

**Hardy Oil & Gas (BUY, £3.00) (HDY, 213p, ? (5.44%))** has entered into a conditional share purchase agreement for the disposal of its wholly owned Nigerian business. The disposal is being undertaken by way of the sale of Hardy's entire investment in Hardy Oil (Africa) Limited for cash consideration of US\$4,550,001 to Inergia Petroleum Limited ("IPL"), a newly incorporated upstream energy company focused on Nigeria. HOA's wholly owned subsidiary, Hardy Oil Nigeria Limited ("HON"), has a 20% interest in each of the Oza and Atala marginal fields in Nigeria. The Oza Field is located on-land in the north western part of OML 11, near Port Harcourt, with three suspended wells in the field and a concession area of 20km<sup>2</sup>. The Atala Field is located within OML 46, which is situated within a mangrove swamp on the Dodo River, a coastal area of Bayelsa State with a concession area of 34 km<sup>2</sup>. HON has a project office located in Lagos Nigeria with 11 employees most of whom are anticipated to remain with the Nigerian operations. During 2009, HOA incurred a loss of US\$0.74m (2008: US\$0.50m) principally resulting from ongoing general and administrative and financing charges. As at 31 December 2009, HOA's gross assets were approximately US\$4.4m (2008: US\$4.2m). Completion is conditional on the approval of Hardy shareholders and is anticipated to occur immediately following shareholder approval at an extraordinary general meeting of shareholders. The sale of HOA is in line with the Company's stated strategy of focusing time and resources on developing its business in India, where it has a high impact exploration portfolio, valuable experience and strong relationships. The Board initiated the sale process in July 2010 and provided an independent and experienced consultant with a formal mandate to manage the sale process. A sales memorandum was circulated to a number of potential purchasers and as of 20 September 2010, the Company had received IPL's offer and has executed the agreement with IPL. Completion of the Disposal is anticipated before the end of October 2010.

**Comment:** Not unexpected and good news, the disposal is not material in itself but will enable management to focus purely on the Indian operations.

**Cairn Energy (CNE, 426.8p, ? (0.37%))** announced that the multiple-objective Alpha-1S1 well has reached an intermediate depth of 4,358m in volcanic sections. Following the conducting of extensive logging operations the well is now being deepened. The well has encountered gas shows in silty and volcanic sections over several hundreds of metres. Oil has also been observed intermittently over a 400m section in the volcanic and volcano-clastic intervals of the well which requires further evaluation. Initial geochemical analysis of various hydrocarbon samples recovered from the well, undertaken by independent UK laboratories, confirms the presence of two oil types which have different origins and levels of maturity and are the first oils encountered in the current exploration campaign. Further geochemical analyses are ongoing on a number of oil samples. The T8-1 well, which, as announced on 24th August 2010, encountered gas in thin sands, reached a TD of 3,250m. The well has been plugged and abandoned. The T8-1 well did not result in a commercial discovery, consequently the well costs of US\$84.2m excluding demobilisation costs, the majority of which were incurred after 30 June 2010, have been written off in accordance with Cairn's accounting policies. The T4-1 exploration well is located more than 100km north of Alpha and T8 and the well is currently drilling ahead at 1,900m. Cairn (77.5%) is the Operator of the Sigguk block, with joint venture partners, Nunoil and PETRONAS (10%). Nunoil is carried through the exploration phase but has a 12.5% stake in any development.

**Petro Matad (MATD, 184.5p, ? (1.93%))** announced that the drilling of Petro Matad's Davsan Tolgoi-2 well ("DT-2") is still in progress. Operations are progressing normally after delays due to mechanical problems, which have been resolved. Currently the well is at the intermediate casing point, matching the pre-drilling prognosis, of 1,091.5m below surface. The intermediate section will now be logged, cased and cemented before proceeding with the remainder of the well. A further announcement will be made when the Company has reached target depth and when initial findings are known. As previously announced, samples from Petro Matad's DT-1 well were forwarded to Weatherford International's

laboratories in the United States for reservoir and oil characterisation. This work is still ongoing and results are expected to be announced in the next 3 to 4 weeks. The 345km of 2D seismic survey on the Company's Blocks IV and V was completed on 17 September 2010. The data from the seismic acquisition has been forwarded for processing in the US after which it will undergo interpretation by Petro Matad's technical team. The infill gravity survey is ongoing.

**Ithaca Energy (IAE, 111.5p, ? (2.60%))** has received Field Development Plan approval from the UK Department for Energy and Climate Change ("DECC") for the Athena oil field. Gaining FDP approval is a very significant step towards securing first production from the field, which is planned for Q3 2011 at 22,000bopd (4,950bopd net to Ithaca) following an independent evaluation of the Company's petroleum and natural gas reserves by Sproule International Limited. The Athena field is operated by Ithaca.

**Resaca Exploitation (RSOX, 1.7p, ? (2.86%))** announced an updated reserve study as of 30 June 2010 for the Company's oil and gas properties and to provide an update on the Company's operations. As of 30 June 2010, Resaca's proved and probable ("2P") reserves were 27.2MMbbls of oil and 14.9Bcf of natural gas, for a total of 29.7MMboe. The Company's proved reserves represented 48% of the 2P reserves. Additionally, Resaca's possible reserves were 5.5MMbbls of oil and 3.5 Bcf of natural gas as of 30 June 2010 for total proved, probable and possible ("3P") reserves of 32.7MMbbls of oil and 18.4Bcf of natural gas (35.8 MMboe). All reserves are calculated on a net revenue interest basis (working interest volumes, less royalty).

**Amerisur Resources (AMER, 13.25p, ? (0.0%))** provided an update on operations in Colombia and Paraguay. In the Platanillo Block, Colombia, commercial production from the Platanillo-2 and Alea-1 wells has benefited from the Company's production enhancement programme and is currently at approximately 550bopd. As a result, the Company is generating positive operating monthly cashflow. The current processing and storage system will be expanded by the addition of a further 3,000bbl of storage capacity complete with treatment and transfer equipment. It is expected that the new facilities will be commissioned within the next 2 months without impact on existing production. The contract for the acquisition and field processing of 125km<sup>2</sup> 3 Component / 3 Dimensional seismic data over the Platanillo field has been awarded to Compañía Geofísica Latinoamericana S.A. The survey design has been optimised to ensure that all zones of interest within the Platanillo field are illuminated with precision and high resolution in order to further understand physical attributes of the reservoirs and to help ascertain pore fluid characteristics. The survey preparation work will begin over the next few days, with completion planned within 16 weeks, depending on operating conditions. Initial results will be available in 2011. It is expected that the first new well of the planned six well 2011 drilling programme will be spudded early in the New Year. Planning and procurement work for those drilling operations is well advanced.

In the Fenix Block, Colombia, a number of chemical treatments on the reservoir intervals under test in Iguasa-1 have been performed. Those treatments indicated a reduction in formation damage and an improvement in near-wellbore permeability. Subsequently the Company performed a sustained drawdown test with a Hydraulic Pumping system. The Company is now analysing the results of that test. The well has produced approximately 2,300bbl of oil to date, which is sold, together with Iguasa production, to Ecopetrol.

In the San Pedro block, Paraguay, the Company has made significant progress with new mapping and the design of the proposed 2D acquisition programme has been completed. The complete programme envisages up to 280km of new data acquisition. This may be expanded or reduced in accordance with conditions on the ground. The Company has now begun work to establish rights of access on the land where the lines will be acquired, and will shortly begin the bidding process for the acquisition. Given success in those processes, it is expected to begin the acquisition programme during mid 2011.

**Volga Gas (VGAS, 188.5p, ? (2.33%))** provided an update on testing operations on its Grafovskaya #1 sub-salt exploration well in the Karpenskiy Licence Area. As announced on 29 April 2010, the G1 well reached a total depth of 5,379m and a full string of casing was set. The drilling rig was demobilized and a lower cost workover rig mobilised to the well site, to undertake a series of tests on the well. The testing programme involved perforation, acid treatment and flow testing in a sequence of four horizons starting from the deepest and working up to the shallowest. Test results on Grafovskaya #1 were negative. However, the data from this well will be used to re-evaluate the prospectivity of the sub-salt in the licence. In the short term Volga Gas will concentrate its exploration on the supra-salt horizons where it had some success and where there remain further low to moderate risk growth opportunities.

**EMED Mining (BUY, £0.34) (EMED, 9.25p, ? (2.78%))** announced that it has acquired an option over the exploration permit covering the Regua Tungsten Deposit in Portugal, subject to approval by EMED Mining shareholders. The Regua deposit previously reported Indicated resources of 1.26Mt at 0.39% tungsten trioxide (WO<sub>3</sub>) and Inferred resources of 2.16Mt at 0.36% WO<sub>3</sub>. The option acquisition price is 2.5 million EMED Mining shares and a commitment to spend EUR250,000 on the project before the option expiry date of 31 December 2011. If exercised, EMED Mining would pay EUR750,000 to Iberian Portugal either as cash or in EMED Mining shares as well as committing to spend EUR1,500,000 on the project within three years. The vendor would retain a Net Smelter Royalty of 3% to 4%, dependent upon the product selling price. EMED Mining will call a shareholder meeting soon to consider approval of the option acquisition.

**Eurasian Natural Resources (ENRC, 914.5p, ? (1.44%))** announced that it has completed the purchase of the outstanding 50% of the common shares of Bahia Minerals (BMBV) from Ardila Investments, a subsidiary of Zamin. BMBV is the sole shareholder of two Brazilian companies: Bahia Mineracao Limitada and Eire Mineracao Limitada, iron assets in the Caetite region in the State of Bahia in Brazil. BMBV has a JORC compliant iron ore resource base of 1,808 million tonnes with an average iron content of 32.0%. The 50% interest in BMBV is being acquired for a net cash consideration of US\$670 million, after assuming net debt of approximately US\$65 million. Payment of US\$167.5 million was made at completion, from existing cash resources. The remaining US\$502.5 million will be payable in two instalments, of US\$167.5 million and US\$335 million respectively.

**African Aura Mining (AAAM, 106.5p, ? (2.90%))** announced that drilling at the Company's 100% owned Nkout iron ore project in southern Cameroon has intersected significant widths of banded iron formation (BIF). Up to 75m of hematite BIF and 195m of magnetite BIF intersected to date, and the first four drillholes have been completed for 950m of a 4,200m programme.

**Patagonia Gold (PGD, 22p, ? (3.53%))** announced a mineral resource estimate for the La Manchuria gold and silver deposit in Argentina. In the Indicated category, there is a total of 425.7Kt, at grades of 2.95g/t gold and 135g/t silver, for 55,684oz of gold equivalent. In the Inferred category, there are 1.47Mt at grades of 1.53g/t gold and 49.4g/t silver for 90,682oz gold equivalent.

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