StockAnalysis

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January 25th 2012
AZZ Special Edition

By Peter Strachan

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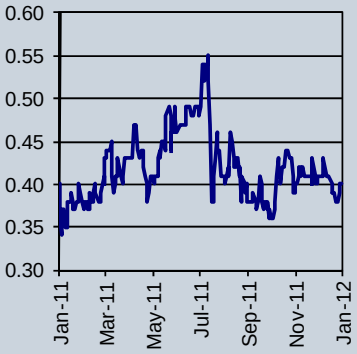
Antares Benchmarked (AZZ)

Antares is a buy ...

AZZ Price History



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Indices & Prices	
All Ordinaries	4,286.40
Energy Index	13,823.50
Brent AU$/bbl	105.02
AUS$/US$	1.0478

As at Close Jan 24th, 2012

Originally Published Wednesday, 25 January 2012

Antares Benchmarked AZZ

Recommendation: ***Antares is a buy.***

Steady build-up of oil production through 2012, combined with ongoing corporate activity in the Permian Basin surrounding Antares' leases, should boost the company's share price to at least 60 cents by mid 2012.

AZZ - Capital Structure		
Shares (est)	260.0	m.
Convertible notes	7.5	m.
Performance rights	8.2	m.
Total	268.2	m.
Net Cash (est) $m.	(19)	
Price	$0.395	
Market Cap $m.	$ 103	m.
EV $m.	$ 122	m.

Just one month ago on 22nd of December 2011, US listed gas producer **PCD Energy**, sold a parcel of 10,200 net acres of leases in the Permian Basin which were producing 1,100 BOEPD, for a sum of $175 million. PCD is predominantly a natural gas producer and may well have been feeling the pinch as US gas prices fell below $2.50/mmBtu, encouraging it to cash in on one of its better assets, so that it would have funds to buy bargains down the track from even more distressed sellers. StockAnalysis brings this comparative value to subscribers to illustrate how undervalued Antares is compared with both the current market value of its Permian assets and also, how even more undervalued it is compared with its risked exploration and development values.

Applying a rule of thumb value of $65,000 per barrel of PCD Energy's Permian Basin oil production per day breaks this sum up into $72 million for the production and $10,147 per acre. Valuing Antares' Permian interests on the same basis, produces a target value of $375 million or $1.44 per share for AZZ.

PCD Energy sale of 10,200 Permian acres for $175m with 1,100 BOEPD

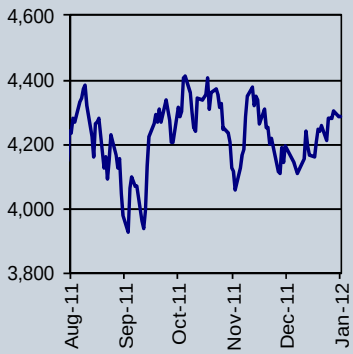
	$10,147	per acre	$ 103	m.
plus	$65,000	per BOEPD	$ 72	m.
			$ 175	m.

Look-through Value		AZZ $m.		
BOEPD ~	1,100	$ 72		
Net Acres	29,880	$ 303		
		$ 375	$ 1.44	per share

Source: Strachan Corporate Pty Ltd

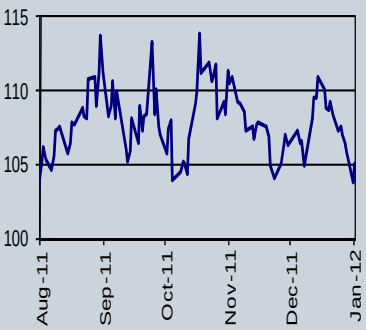
(Continued on page 2)

All Ordinaries

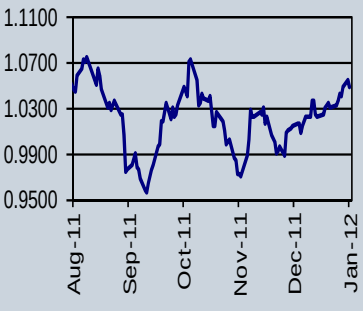


S&P ASX 200 Energy Index

Brent Crude Oil $A/barrel



A$/US$



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If Antares was to sell its Permian assets today, and there is no indication that this is currently the company's game plan, then some tax would be payable on any capital gain, unless the company was to take advantage of Section 1031 of the US tax code and defer the tax indefinitely by redeploying its capital into another asset in the Permian Basin within 12 months of the sale. For the purposes of this evaluation, StockAnalysis assumes that capital gains tax is paid leaving a value of $1.13 per share net of tax, which is well above the current level of 39 cents per share.

Antares Valuation Matrix

AZZ - Asset	Value Range $m		$ per Share		Comment
Gulf Coast production	6	8	0.02	0.03	Estimate
Permian Assets	293	392	1.13	1.51	@ PCD look-through
EFS Term Assignment	16	25	0.06	0.10	25% of $8K/acre
Cash (est)	6	6	0.02	0.02	Estimate
Debt	(10)	(10)	(0.04)	(0.04)	
Convertible note	(15)	(15)	(0.06)	(0.06)	
Other	(16)	(16)	(0.06)	(0.06)	Corporate
	280	390	1.08	1.50	
Exploration Value	50	50	0.19	0.19	Risk adj
Total Value	330	440	1.27	1.69	

Source: Strachan Corporate

Antares is building further on its asset valuation as production from Permian projects is boosted towards 2,500 BOEPD over the coming 12 months, following the addition of at least 24 and up to 30 new production wells. Assessing the risked exploration potential of the company's Permian tenements, lifts StockAnalysis' target value to $392 million, or $1.51 per share, prior to any tax consideration.

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