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Reminder:

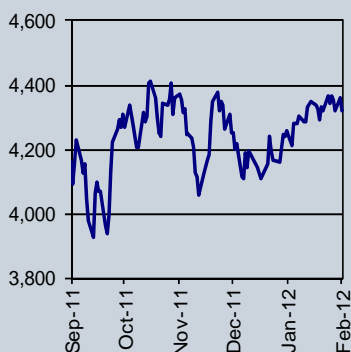
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Indices & Prices

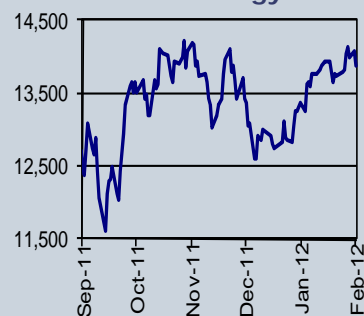
All Ordinaries	4,318.90
Energy Index	13,876.90
Brent AU\$/bbl	109.94
AUS\$/US\$	1.0682

As at Close Feb 14th, 2012

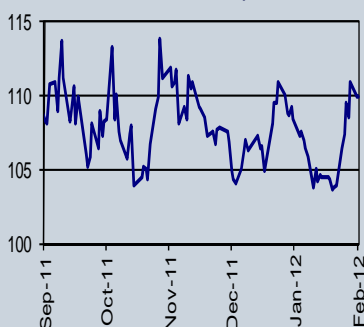
All Ordinaries



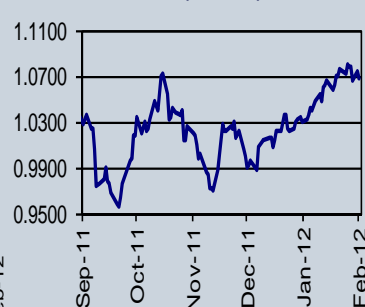
S&P ASX 200 Energy Index



Brent Crude Oil \$A/barrel



A\$/US\$



In this Issue

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Job losses show fragile market

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TUC Resources:

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Tap:

Cashes out of HJV drills Tallaganda

Otto:

Restarting oil production & cranking up the drill bit

Oilex:

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Market Moves

Australia's jobs market is looking decidedly soft, which has short to medium term ramifications for retail trade and the domestic housing market. More job insecurity means less demand for these goods and services. Banks and the broader finance sector, food processors (Heinz), auto makers, steel makers, retailers and tourism operators have all seen massive job loss over the past 6 months and StockAnalysis sees more to come. Counter-intuitively, high commodity prices and the resulting boom in mining investment in Australia is killing the rest of the economy while placing workers in trade exposed industries on the scrap heap. **A strong Australian dollar, boosted by mineral commodity prices, is making life extremely difficult for industries outside of the mining area that are not seeing commensurate price rises in AUD terms and that do not have pricing control.** Rural industries and processors, such as citrus growers, dairy product manufacturers and wine producers are all on their backs gasping for air. Fruit, which might have gone to market in Asia or the USA when the AUD was at 75 US cents, now rots on the tree. Manufacturers are calling out for help from the public purse.

StockAnalysis judges that by any sensible measure, the Aussie dollar is at least 20% overvalued against the USD, but sees little to turn the trend while commodity prices remain strong and sovereign debt insecurity plays negatively on the currencies of Australia's trading partners.

(Continued on page 2)

Short term-ism by politicians now, may destroy vast swaths of Australia's economy, which are unlikely to be resurrected after commodity prices do eventually decline (even if for a short period) and currencies realign. Imagine a scenario that StockAnalysis has painted, where after 20 years of over 8% pa GDP growth, China's economy slides into a slump, burdened as it is by overcapitalisation and the write-down of massive volumes of non-performing government loans. Commodity prices slump and the AUD returns to 80 US cents, but when you look around at what is left in local trade-exposed sectors, it's a wasteland! Jobs and more importantly skills, would be lost in the 'old' mining and manufacturing sectors, but the rising information and service sectors are still too new to take up the slack and employ the tens of thousands tossed out from a slumping commodities sector.

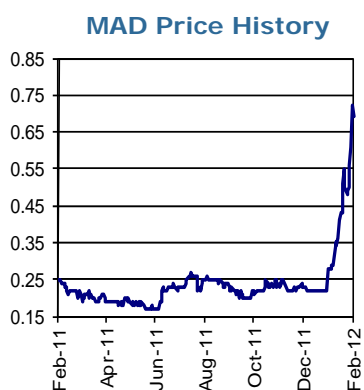
StockAnalysis suggests that investment strategy should be focused on growth stocks in the energy and gold sectors, while retaining a high degree of liquidity. Mining and resource services companies, such as Transfield Services (TSE), Neptune Marine (NMS), RCR Tomlinson (RCR), have at least three years of solid order books and ongoing client walk-in work to look forward to, even if the wheels do fall off or even become a little wobbly. However, some share prices are starting to show full appreciation of the profit outlook, while over at Leighton, a new Iraq bribery scandal appears to have hit the scene and the stock is to be avoided.

StockAnalysis recommended **Maverick Drilling (MAD)** in June 2011 at 17 cents per share and again in January 2012 at 22 cents per share. The stock has recently traded as high as 83.5 cents, delivering solid returns to those subscribers who have followed that recommendation. The company is rapidly being re-rated by a market that is hungry for oil producers (rather than gas), following a string of solid reports on new acreage acquisition, production success and an upgrade to its 1P and 2P oil reserves. At 69 cents per share, the company trades with a market capitalisation of \$9.0 per barrel of 1P (28 mmbbls) and \$3.5 per barrel of 2P reserves (72.8 mmbbls).

StockAnalysis continues to see fair value at between \$0.93 and \$2.20 per share based on current oil reserves. However, expected resource/reserve upgrades by Q3 '12, resulting from a flurry of new drilling, combined with incorporation of assessed oil from the Nash and Boling Domes, should lift MAD's underlying asset base and provide a boost to Maverick's price. By year's end, StockAnalysis would not be surprised to see 2P oil reserves rise to over 100 million barrels while 1P reserves look set to reach 35-40 mmbbls, setting a share price target of around \$1 per share. The company has been spending money at a prodigious rate on acquisitions and is cranking up spending on drilling, so it will need ongoing financial support, currently being supplied by its bankers. Don't be surprised to see a smallish new issue of \$5 to \$10 million by mid-year. Cash outflow this year should be in the order of \$3 million, after generating an estimated operating surplus of \$12.4 million. But net profit looks set to rise from \$6.9 million or 1.6 cps this year towards \$14.8 million or 4 cps in FY 2013, enabling a free cash flow of around \$2.6 million after estimated ongoing capital spending on drilling of around \$15 million in FY '13.

Following Maverick's huge run in just 4 weeks and despite a valuation target above current share price, it would be prudent to take part-profits as insurance against unfavourable macro market impacts, ahead of further positive news from additional corporate activity by the company and production expansion.

Subscribers looking for the 'next' Maverick might like to look at **Antares Energy (AZZ)**. Antares currently holds about 27 mmbbls of 2P reserves, mostly on its Southern Star oilfields in the Permian Basin around Midland, Texas and produces about 1,300 BOEPD, consisting of about 80% oil. With lease holdings approaching 30,000 net acres in three project areas, StockAnalysis estimates that Antares has potential to expand its Contingent oil reserve to over 78 mmBOE in the Midland area, which would place it up there with 2P at Maverick's salt dome fields south of Houston, Texas. Maverick is producing around 950 BOPD and has 2P reserves of 72.8 million barrels of oil. MAD's EV is presently about \$295 million, while Antares has an EV of around \$135 million.



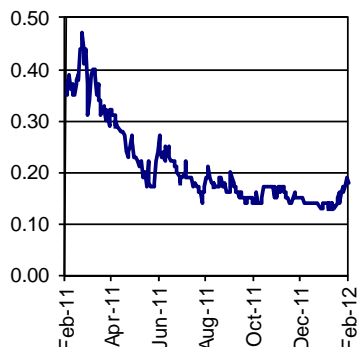
ASX Code	MAD
Shares	373.6 m.
Price	\$0.69
Market Cap	\$ 258 m
Net Cash (est)	\$ 5 m
EV/2P	\$ 3.5 per bbl
EV/1P	\$ 9.0 per bbl



(Continued on page 3)

Maverick still looks cheaper than Antares on current EV/2P multiples (\$3.5/bbl vs \$5/bbl), but Antares' 24-30 well drilling programme during CY 2012 holds promise to lift production towards 2,500 BOEPD while expanding 1P reserves from 12.6 mmbbls to 28 mmbbls and 2P reserves could rise from 27 mmbbls towards 55 mmbbls. After allowing for the addition of a further \$60 million of debt draw-down, this would place the company on a prospective EV/2P of \$3.50 per bbl of oil equivalent, which might be considered to be half-price if a rating of \$7/bbl is a fair market multiple. Growth in Antares may not be quite as explosive as Maverick's has been, but this type of metric supports the StockAnalysis valuation for Antares of close to \$1 per share, prior to any exploration upside.

TUC Price History

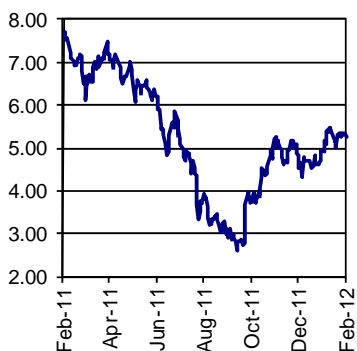


After multiple market hits from weaker prices for uranium in early 2011 and rare earth oxides (REO) late in that year, uranium and rare earth exploration company **TUC Resources** (TUC) appears to be in the process of breaking a 12 month downtrend. Beyond TUC's extensive exploration portfolio in the Northern Territory, which contains several un-drilled geochemical and geophysical anomalies, its advantage and main point of difference along with its neighbour Northern Minerals (NTU), is seen as the favourable metallurgical processing route associated with the xenotime mineralogy of its deposits. Xenotime, which is the main mineral species at the company's shallow Stromberg deposit, can easily be separated and concentrated, carrying with it a suite of valuable, heavy rare earth oxides. Xenotime concentrate is a marketable product, which can be produced by a simple mining and low cost processing plant, for sale to existing REO processors, much like base metal concentrate is sold to smelters. Other projects, such as Alkane's Dubbo Zirconia project and Arafura's Nolans deposit, cannot be significantly concentrated or upgraded for sale prior to chemical processing, resulting in the need for a process route involving the treatment of the whole orebody in an expensive, bespoke chemical plant, where each orebody is quite different. Other REO mineralisation is often associated with uranium and/or thorium, leading to radioactivity issues, which is not the case for TUC.

Over the wet season when drilling activity is curtailed, TUC has been busy developing a concentrate process route while examining the market for product. While TUC will not achieve a price representative of the underlying imbedded value of contained REO's in its concentrate, the capital and operating cost barriers will be a fraction of its peers and it will not face a five year process of wrangling with chemistry, followed by a +\$0.6 billion capital project which has been the fate of the likes of Arafura and Alkane.

In the meantime, TUC will need to reload its balance sheet to support dry season drilling, so shareholders can expect to be offered some cheap stock in coming months. **TUC has recovered from around 13.5 cents per share and remains a speculative buy for the long term appeal of its Stromberg and Quantum REO projects, as well as the blue sky appeal on some nice looking exploration targets.**

KAR Price History



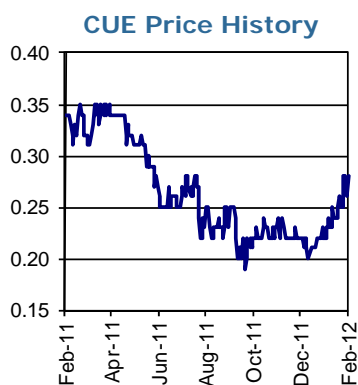
Karoon Gas (KAR) has made a spectacular recovery from sub \$3 per share last October to trade around \$5.50 per share since it was recommended by StockAnalysis on October 26th at \$4 per share with a price target of \$5 per share. Karoon's recent mood reflects an imminent drilling campaign in the Browse Basin, on which StockAnalysis assesses a risked value of \$1.40 per share. Drilling at the Boreas (Greek god of north wind) prospect offers an upside for success of over \$4 per share to the highly leveraged Karoon Gas. The company expects drilling to commence this month when the "Transocean Legend" drilling rig is mobilised by the Karoon/ConocoPhillips Joint Venture to the Boreas-1 exploration well location in WA-315-P.

Capital Structure

Code		KAR
Shares		221.4
Options		5.3 Av. \$11.44
Price		\$ 5.25
Market Cap		\$ 1,162
Cash (est)		\$ 255
EV		\$ 907

Karoon is well-funded and looking to have a busy period of exploration this year in Brazil's offshore Santos Basin and onshore in Peru later in the year. **Most likely, the hot money is already set in Karoon, so it is even more risky to chase this stock, but traders can still profit if you can pick a weak day when the stock trades closer to \$5 per share.**

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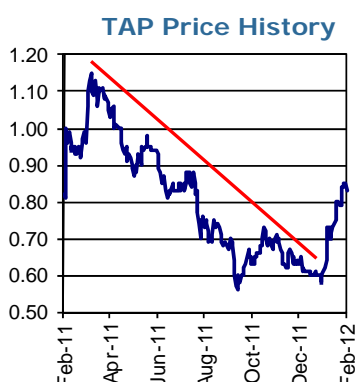


Cue Energy Resources (CUE) saw what happens to a share price if there is a delay to activity while 'hot money' is onboard. The company got its drill bit stuck in the Naga Utara gas exploration well, about 620 feet above targeted total depth. After flaring gas from shallower gas zones, the troublesome stuck drilling assemblage has been sacrificed to the gods of geology, while the well is plugged backed to the 3,000 foot level, from where a sidetrack well will be undertaken, once the drilling gear is onsite in about 3 weeks, but let's say 5! Promptly the stock gave up much of its recent gain as hot money headed for more exciting pastures. Cue's mini price slump represented a great buying opportunity for subscribers (as tweeted by StockAnalysis). The evidence from Naga Utara suggests that it will be a gas discovery. What we don't know is how strongly it will flow and how much condensate might be associated. StockAnalysis estimates that discovery will be worth 3-4 cents per share to Cue and that production should be achieved rapidly into existing markets.

Cue will then drill an oil prospect in the south of its Kalimantan permit, where discovery could add over 10 cps to the company's value. The stock has an underlying value of 28 cps, or 31 cps if Naga Utara is as good as we expect. Risked exploration adds 28 cps, taking Cue's current target value to 50 cps, but upcoming drilling by Woodside in WA-389-P on behalf of Cue, has potential to add value of over 50 cps on success, lifting target value towards \$1 in the case of discovery by Woodside.

Costs and fiscal terms are moving against miners everywhere, which is likely to restrict equity performance in the global sphere. Maybe its better the devil you know, since it's not just Australia's mining resource rent tax (MRRT) and carbon pricing that is having an impact on profitability. African miners are also facing higher costs. In South Africa, inflation was up 6.1% in December and food inflation was up 11.1% with parallel wage pressures hitting miners. The Zambian government is studying a mining windfall tax if copper prices move over US\$10,000 per tonne, following a doubling of its copper royalty to 6%, while auditing the country's mining houses as it attempts to get back up to \$1 billion in back taxes it estimates it is owed. Over in Ghana, plans are afoot to raise the corporate mining tax to 35% from 25% and introduce a 10% windfall on super profits. Meanwhile, the US government wants to start charging royalties of 5% on the production of gold, silver and copper in the US. The new budget plan also includes billions of dollars of new fees for oil and natural gas companies.

TAP Oil sells HJV Interest (TAP) & TALLAGANDA TO DRILL!



Recommendation: *Tap is a speculative buy with underlying value of \$1 per share and risked exploration appeal to a total of \$1.78 per share.*

Tap Oil has removed a troublesome litigation liability shading investment in the whole company and clouding its involvement with the Harriet Joint Venture (HJV), by selling its interest to Apache Energy for US\$10 million. The net effect of this sale is strongly positive for Tap.

StockAnalysis eliminates \$30 million of value for Tap's HJV reserves and risked exploration upside and a countervailing potential litigation liability of \$30 million, while adding \$10 million to Tap's net cash position, resulting in a net value gain of \$10 million or 4 cps. Apache is the natural owner of Tap's 12.2% interest in the HJV. Apache now has equity in the HJV's major gas customer, the Burrup fertiliser plant and has negotiated a fourfold increase in the gas price it supplies from HJV. Tap's position was less clear. It still faced ongoing litigation which could have run for years and may not have been able to negotiate a better price of gas for its portion of HJV production, so the best position for Tap was to withdraw and sell its interest.

ASC Code	TAP
Shares	241 m.
Options	5.7
Fully Diluted	247 m.
Price	\$0.840
Market Capitalisation	\$ 161 m.
Net Cash (est)	\$ 100 m.

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There is however a credible view that Apache was sandbagging exploration and development at the HJV until the coast was a little clearer, so it will be interesting to watch Apache at the HJV over coming years.

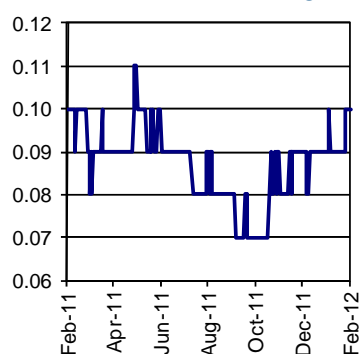
Valuation	Holding %	TAP % mmBoe	Value \$m.	\$/share
Oil Reserves		0.1	1	0.00
Zola + Antiope	10%	8	27	0.11
Zola Upside	10%	16	31	0.12
Gas contract			60	0.24
Manora	30%	7.2	67	0.27
Corporate			(32)	(0.13)
Cash (est)			100	0.41
Hard Value			253	1.03
Other Exploration			184	0.74
Option Exercise			4	0.01
Total Value		31.8	440	1.78

Source: Strachan Corporate

Tap is now focused on monetising its interest in the Zola dirty gas field, farming-out its interest in the Accra Block offshore Ghana and moving into production at the 24-30 mmbbl Manora oilfield development in the Gulf of Thailand. All together, these assets and net cash, value the company at just over \$1 per share. Drilling is about to get underway at the BHP led Tallaganda prospect in WA-351-P, where discovery of 800 Bcf of gas plus associated condensate is estimated to be worth 19 cps to Tap's 20% interest. WA-351-P holds several look-a-like prospects with potential to yield several Tcf of gas. Evaluating total upside of 2.3 Tcf plus about 12 mmbbls of condensate, provides an estimated upside value target of nearly 60 cents per share to Tap's interest.

Tap's major exploration appeal lies in its 40.5% net interest in offshore Ghana exploration, where several +100 mmbbl structures have been mapped for drill testing. StockAnalysis estimates that discovery at any one of these prospects would be worth well over \$1 per share to Tap on a reasonable post farm-out basis, which might see Tap retain a 22% WI.

OEL Price History



Recommendation: *Otto is a speculative BUY, with underlying value of 8.1 cps but risked upside to 42 cps. Discovery at its upcoming Cinco prospects could add 36 cps to value, taking underlying value to over 40 cps.*

Otto Energy (OEL)

Capital Structure	m.
Code	OEL
No of shares	1,135
Performance rights	10
Total Options	48.0 Av 15.9 cts
Total potential Shares	1,193
Share Price	0.099
Market Cap \$m.	112
Net Cash & Receivables (est)	\$ 38 m.

OEL – Valuation Matrix

Asset	Value \$m	\$ per Share
Galoc PI	40	\$0.033
Galoc PII	27	\$0.023
Unissued equity	5	\$0.004
Net Cash + (est)	38	\$0.032
Corporate	(14)	-\$0.012
Sub total	95	\$0.081
Risked Exploration upside	405	\$0.342
Total value	501	\$ 0.42

Source: Strachan Corporate Pty Ltd

Otto is rapidly moving to reinstate oil production from its refitted FPSO over the 33% owned and operated Galoc oilfield in the Philippines. Post this capital expenditure and loss of revenue during refitting, Otto's cash balance is likely to have sunk from \$38 million to around \$30 million, but will rapidly be replenished as early flush production begins in March '12. Otto is moving towards an FID by mid 2012 for phase II field redevelopment at Galoc, which aims to unlock an additional 3.9 mmbbls to the company's account from Galoc and possibly a further 3-4 mmbbls from the adjacent Galoc North prospect. Phase II development, which involves two or three horizontal wells at Galoc and an initial exploration/production well into Galoc North, should be complete in Q3 '13, extending project life by 3 to 7 years.

At the SC55 permit, BHP Petroleum plans to drill at the Cinco prospect, once it has located a suitable rig. Cinco has an analogue in the form of Shell's Malampaya field, located to the north of SC55. Malampaya, with an estimated initial resource of 2.5 Tcf of gas plus 81 mmbbls of oil has become the mainstay of energy supply, via a long pipeline to Manila, but a replacement source is now required. If BHP earns its full interest by drilling two exploration wells, Otto will retain a 28.2% interest, assuming that a 5% option is exercised by third parties. StockAnalysis estimates that discovery of 2.1 Tcf of gas plus 74 mmbbls of oil at Cinco holds upside value of 36 cps for Otto. Gas from a Cinco discovery could be piped onshore where it could supply local power needs, or it could form the basis of LNG or CNG production, for delivery to markets in and around Manila.

(Continued on page 6)

The company estimates that all Nido Carbonate targets in SC55 hold combined potential for 19 Tcf of gas plus 670 million barrels of oil/condensate. StockAnalysis values an upside target of 5 Tcf plus 200 bbls of liquids at around 95 cps to Otto. The Hawkeye prospect is a totally different play type, supported by 3D seismic data with direct hydrocarbon indicators. This target has potential for a large oil discovery which would be worth about 70 cps to Otto.

Risked Exploration Matrix

Well	Equity	Prospect Size		POS %	Disc'y Value \$/shr	Risked NPV \$m	Drill Cost \$m	Risked NPV \$m
		Pj	mmbbl					
SC 55 Hawkeye	28.2%	400	190	25%	0.69	733	4.9	202
Cinco SC 55	28.2%	2100	74	28%	0.36	428	4.9	116
Nido targets SC 55	28.2%	5000	200	7%	0.95	286	4.9	76
Lamos SC 69	39.5%	70	35	17%	0.23	114	2	43
Lamos Sth SC 69	39.5%	40	16	17%	0.11	53	2	19
SC 51 Duhat	40.0%	0	12	20%	0.07	43	2.8	14
Galoc North	33%	0	9	40%	0.04	65	10.6	11

Source: Strachan Corporate Pty Ltd.

Additional seismic data is being acquired as Otto prepares to redrill the Duhat prospect, where drilling early last year failed to penetrate to the target depth. With improved engineering and planning, Otto aims to drill a 1,000 metre well, targeting 10 mmbbls of oil at this onshore location. StockAnalysis estimates that a Duhat discovery would be worth 7 cps to Otto.

The company has acquired 3D seismic data over the Lamos structures in SC69, where early mapping has shown promise for substantial oil & gas accumulations. Assuming that Otto farms the prospects down to drill in shallow water, discoveries hold combined upside of over 30 cps to Otto.

Oilex's Indian gas trick (OEX)

SUMMARY OF STRACHAN CORPORATE COMMISSIONED WORK

Recommendation: *Oilex looks like a high risk speculative play. Engineering problems with a milling bit stuck in the first horizontal well in India have prevented proper testing, but do not diminish the project's potential as a gas producer in a high value market.*

The stock could easily bounce to 40 cents on resolution of down-hole issues and demonstration of a nice gas flow of over 5 mmcuft per day.

As soon as Oilex has demonstrated flow rates from the Cambay-76-H well, it will be in a position to book gas and oil reserves at its tight gas project in Gujarat, India. This significant event will open the way for a re-rating of the company and rapid field development through 2013 and beyond.

Oilex will require fresh capital support by mid 2012 if it is to rapidly progress development plans in India. Sale of one of its other assets could assist this process. The stock appears cheap in comparison with a risked value of \$202 million for the upper zones alone and total risked value of \$405 million.

Oilex's 45% equity in estimated P50, recoverable Contingent and Prospective Reserves/Resources at the Cambay permit in the Indian State of Gujarat is 643 Bcf of gas plus 100 million barrels of oil/condensate.

The company trades with a market capitalisation of less than \$1 per barrel of oil equivalent in Contingent reserves.

(Continued on page 7)



OEX - Capital Structure	
Shares	253 m.
Options	33 m. av \$0.32
Performance Rts	1.0 m.
Total	287 m.
Price	\$ 0.195
Market Cap'n	\$ 49 m.
Net Cash (est)	\$ 7 m.
M'cap/Contingent bbl	\$ 0.66 per bbl

Valuation Matrix	\$m.	\$/share
Cambay	202	0.35
Indonesia (sale)	8	0.01
Cash (est post drilling)	7	0.01
New capital (est)	80	0.14
Options	11	0.02
Corporate	(20)	(0.03)
Sub-total	288	0.50
JPDA 06-103	9	0.01
Cambay Deep	108	0.19
WA-388-P	1	0.00
Total	405	0.71

StockAnalysis calculates that Oilex's Cambay tight gas project has an underlying risked value of ~\$202 million for estimated Contingent gas and oil reserves in the X & Y zones, rising to ~\$310 million when risking Prospective resources in deeper target reservoirs. This assessed risked value compares favourably with the company's current market capitalisation of just \$49 million, offering potential for substantial capital appreciation, even after the addition of substantial new equity.

Drilling, logging and hydraulic fracture stimulation work at the Cambay 76H well has proven substantial volumes of petroleum in tight reservoirs, but with good quality for this type of production technique. Gas pressure and influx into the well prior to final cleanup operations provides a positive indicator for strong commercial gas flows when testing is undertaken. Full testing awaits final well completion work, which should be ready in late February.

Several leads and play types with a combined potential to hold over 5 Tcf of recoverable gas have been outlined in Carnarvon Basin permit WA-388-P by 3D seismic data. Based on the value revealed for the recent deal between Shell & Nexus over Crux, StockAnalysis calculates discovery of 1,100 Bcf of gas plus 37 mmbbls of condensate would be worth ~\$157 million for Oilex's 8.4% interest.

JPDA 06-103 holds untested play types in an oily part of the Timor Sea. The permit holds risked potential which StockAnalysis values at \$9 million for Oilex's 10% interest.

On-line book Link

http://sleepwalking-to-catastrophe.com/sleepwalking_to_catastrophe.html

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