

Views from the Trading Floor - Featuring The Dollar Index vs. The S&P 500, Sefton Resources, Range Resources, Xcite Energy and Bushveld Minerals 26th June

Saints & Sinners: Oil & Gas

Sefton Resources (LON:SER) pushed 10% to 1.8p during early trading after the company said it has signed a 15-million-pound (\$23.4 million) equity financing deal with Darwin Strategic Ltd., a subsidiary of fund management group Henderson Global Investors. To further improve its future financing alternatives, Sefton also said it is looking to put in place larger and more flexible debt facilities as well as industry-related financings such as joint venture financing or farm-out deals. "Moving ahead we expect a good news flow as in the coming months Sefton will be announcing the results of the Dr Farouq Ali's steam flood report on Tapia, the first revenues from Kansas and updated Competent Persons Reports on both California and Kansas," said Chairman Jim Ellerton.

Range Resources (LON:RRL) initially pushed 4% higher to 7.68p before settling back down at 7p after the company said its drilling programme along its Lower Forest trend in the Morne Diablo Block in Trinidad is continuing successfully. Has drilled 15 wells along the trend successfully completed all 15 positioning Range to reach 1,000 bopd in the coming weeks as well-tests and perforations are completed. Sees 60+ well program for the Lower Forest horizon, using shallow capacity rigs, that will look to bridge the gap between the existing wells and the QUN 16 well. Upward revisions to Trinidad P1 and P2 reserves expected to be certified in 3Q. Range will stage-in additional equipment throughout the year as it continues to add rigs with greater operating depth capabilities. First 6,500 ft. well to spud shortly, followed by two Herrera wells.

Falkland Oil & Gas (LON:FOGL) moved 6% higher to 95p during early trading after the company announced that the execution of a farm out agreement with Edison International S.p.a. ("Edison"). On 20 March 2012, the Board of FOGL announced that it had granted an option to enter into a Farm Out Agreement (FOA) to an industry counterparty. That counterparty was Edison which was unable to conclude the farm out agreement at that time as it was undertaking a corporate reorganisation which led to EDF becoming a controlling shareholder. Summary terms of the Farm Out Agreement - Edison will farm in and earn a 25% interest in FOGL's northern area licences. Edison will contribute its pro-rata share of the costs of the 2012 drilling programme, comprising two exploration wells. Edison will farm in and earn a 12.5% interest in FOGL's southern area licences and will contribute its pro-rata share of the 2012 work programme. Edison will also pay its pro-rata share of certain historical costs incurred by FOGL during 2011 related to the 2012 drilling programme. Edison's share of historical expenditures, together with their share of the 2012 drilling programme costs, are expected to be of the order of \$50 million. In addition Edison will make a separate cash contribution to FOGL of \$40 million; \$20 million on completion of the FOA and a further \$20 million in 2013. In order to obtain the option, Edison had already paid a \$3 million non-refundable fee. FOGL will retain operatorship of the northern and southern area licences.

Very strange goings on in **Xcite Energy (LON:XEL)** during early trading, with the stock going into auction after someone hit the bid side of the book for 10%, to send the stock into a limit down auction. During the auction some very unfortunate punter sold a scrap of stock at 35.84p while there was virtually nothing on the bid side of the book. Shortly after the auction had uncrossed at 71p down 8% the shares started to move slowly better, trading at 74p while I type. This kind of move is a common theme at the moment as people get stopped out of positions at market due to market conditions.

Salamander Energy (LON:SMDR) eased 3% to 165p during afternoon trading after the company said the Far East well located on the B8/38 license, Gulf of Thailand, has been drilled to a total vertical depth sub-sea (TVDSS) of 1,396 meters and is currently being prepared for a Drill Stem Test (DST). Well encountered a 25 meter section of excellent quality T5 Miocene sandstones. Following the acquisition of a

full suite of wireline logs, the sandstones were interpreted to be water-wet, with no evidence of hydrocarbon saturation. Well was then deepened to test the secondary objective. Well penetrated a conglomeratic section overlying the Ratburi carbonates from 1,348 meter TVDSS to current total depth (TD). Oil shows were observed at 1,366 meter TVDSS and severe mud losses were experienced from 1,370 meter TVDSS. Interpretation of logging while drilling data shows zones of potential oil pay in highly porous section from 1,365 meter to current TD.

Kea Petroleum (LON:KEA) slipped 8% to 9.375p at the mid-price during afternoon trading after the company said that New Zealand Petroleum and Minerals has extended the duration of its license PEP 381204 for a further five year period and that Kea is in an advanced stage of planning for drilling the Mauku 1 well in the PEP 381204. PEP 381204 straddles the coast line and covers an area of some 252 kilometers in the Northern Taranaki Basin. Planning is well underway for the drilling of Mauku 1, which is subject to a funding and offtake agreement with Methanex and which is located on the onshore portion of the permit. Engineering and design of the well has been completed and long lead items sourced. Local consents are in the process of being finalized with the local Maori Iwi and Waikato Regional Council having already consented to the well and associated construction works. Kea Petroleum currently has an option for a further well using the NRG rig which it intends to use for the Mauku 1 well. The rig successfully drilled the recent Douglas 1 well for Kea, which was completed ahead of schedule and under budget; Mauku well is anticipated to spud in late 4Q 2012. Jet pumping and swabbing operations have ceased at Douglas-1 and the well is currently suspended for a period of approximately 2 months prior to the recommencement of testing operations. Formation water, from extensive fractures within the Tikorangi, mixed with fluids lost down hole during drilling operations dominated flow during testing. Sourcing of the equipment to commence a longer term production testing of the Puka-1 well to establish production rates and reservoir characteristics continues and significant progress has been made in this regard. Kea anticipates the longer term testing program to start within the coming fortnight.

Saints & Sinners: Mining

Bushveld Minerals (LON:BMN) were unchanged on the day at 18p after the company said that drilling is progressing well at its Mokopane iron ore project. Drilling progressing well on the Mokopane Iron Ore Project - 1,522 meters drilled between April 23, 2012 and May 31, 2012 to upgrade inferred resource to indicated resource and to extend resource Work program on the Zaaiplaats tin target making steady progress. High-resolution airborne geophysical survey to commence over both iron and tin licenses in July 2012. Company on track to deliver a revised JORC resource in 4Q 2012 following the current drilling campaign that is underway. Company now on target to deliver the scoping study on the Mokopane iron ore project by 1Q 2013 following the recent appointment of consultants to advise on the work streams.

Herencia Resources (LON:HER) today we met with management of Herencia Resources who updated us on their Paguanta project in Chile. We like the story a lot. Herencia is progressing a Feasibility Study into the proposed Patricia Mine (zinc, silver, lead) within the Paguanta Project due to be completed towards the end of the year. With Nyrstar International BV - the world's biggest Zinc smelter - on board as a strategic investor and operating in a stable political environment in good proximity to infrastructure, mining services, ports, transport, and water, we believe the company has a nice little project on their hands. The Mineral Resource Estimate Update on Friday (increasing the combined Measured and Indicated Resource categories by 244%) barely moved the share price, despite the company revisiting the possibility of initial production from an open pit which should reduce initial capex costs. At £18million MCap the stock is looking particularly cheap

Caspian Holdings (LON:CSH) tried to push during afternoon trading after the company said it completed 1,000 meters of a 3,000-meter reverse circulation drilling program at the recently-purchased Portalegre gold exploration licence in Portugal, and said assays from the first 5 of 11 holes yielded good results. Project comprises two adjacent exploration licences - Sao Martinho and Crato-Assumar-Arronches - covering an area of approximately 500 square km. True width has not yet been determined. Program should be completed over next five months.

Affero Mining (LON:AFF) jumped 6% to 41.625p at the mid-price during early trading after the company said it is pleased to announce the appointment of Mr Ousmane Kane (57) as a Non-Executive Director of the Company with immediate effect. Mr Kane has had an established and diverse career with leading Mauritanian and pan-African public and financial institutions. During pivotal periods over the last few decades, he served as Minister of Finance and Governor of the Central Bank of Mauritania, as Director General of Mauritania's state-owned iron ore company Societe Nationale Industrielle et Miniere ("SNIM"), and as Senior Adviser to Mauritania's Head of State. Whilst holding these positions, Mr Kane initiated and managed major official reform, restructuring and investment programmes, including at SNIM (Africa's second-largest iron ore exporter), with the successful implementation of a \$1bn financing for the modernisation and the development of the company, whilst concurrently addressing challenges related to

the 2008-09 global economic crisis.

Continental Coal (LON:COOL) slipped 4% to 6.125p after the company said sales from Penumbra Coal Mine is expected to commence in early fourth quarter. Sales of 500,000 tons per annum of a high quality export thermal coal RB1 specification coal product are forecast to commence in early fourth quarter. Planned production of 750,000 tons per annum of ROM coal will be benefited through the existing and adjacent Delta Processing Operations. Mine is forecast to generate annual free cash flow of between 15 million dollars and \$20 million. During the month of May 2012, Murray & Roberts advanced the twin decline development a further 98 meters, an increase on the 58 meter achieved in April. As at the end of May, the twin declines had been advanced to a combined total length of 233 meters. Conveyor road has advanced down 126 meters and the travelling road down 107 meter.

Oracle Coalfields (LON:ORCP) pushed 3% to 4p during early trading after the company said its 80%-owned unit Sindh Carbon Energy Ltd. signed a Joint Development Agreement with Karachi Electric Supply Company Ltd. to provide KESC with a long-term supply of coal and water. Agreement supersedes the MoU signed between the respective parties on December 12 2009. The coal and water will be used initially by a 300MW coal-fired power plant (with potential to be increased to 1,100MW) which will be constructed by KESC adjacent to Oracle's planned coal mine in Block VI of the Thar Coalfield in Pakistan, in an area that will be sub-let by SCEL to KESC as part of the JDA agreement. SCEL reserves the right to enter into discussions with other third parties to supply coal.

From the trading floor

Dollar index (DXY - Red Line) Vs. S&P 500 Index (SPX - White Line) (Source = Bloomberg)

As you can see the dollar index has been edging higher over the last few weeks, and looks to be on course to retest the recent highs. If the DXY breaks out again we could possibly see another 3% to 5% move easier on the S&P 500. We will be watching the DXY very closely over the next few sessions for any clues on the next move.



Dollar Index (DXY) (Source = Bloomberg)

As you can see the DXY did slip a touch to test the support of the 50 day moving average, we will be looking for a retest of the highs seen back on the 1st of June at 83.54. Any break of this level would not be good for global markets and commodity prices.



Commodities Corner

Gold - ↓Trading at \$1575, down \$11 (-0.71%)

Silver - ↓Trading at \$27.25, down 28c (-1.04%)

Copper - ↓Trading at \$7360, down \$43 (-0.58%)

Zinc - ↓Trading at \$1795, down \$4 (-0.19%)

WTI Crude - ↑Trading at \$79.34, up 16c (+0.18%)

Brent Crude - ↑Trading at \$92.08, up 99c (+1.13%)

Any questions please don't hesitate to contact me at steve.asfour@fox-davies.com or visit www.viewsfromthetradingfloor.com or www.fox-davies.com

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