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Savannah Petroleum 'nimble in Niger', says broker

Savannah Petroleum (LON:SAVP) is described as 'nimble in Niger' by Panmure Gordon, which has initiated coverage of the junior oiler with a punchy 75p a share price target - more than double the current value.

The City broker points out that Savannah has been quick to licence 14,000 square kilometres right next blocks owned by Chinese oil firm CNPC that is host to 1bn barrels of oil reserves.

Based on the work done by the Chinese and independent consultants CGG Robertson, Panmure reckons Savannah's licence areas could hold up to 2bn barrels of oil.

The AIM-list explorer is currently looking to farm down 50% of its holding in the hydrocarbons-rich R1/R2 and R3/R4 blocks to fund an aggressive US\$250mIn exploration programme.

A deal on those terms would imply a sale price of just 50 cents a barrel.

"Analogous deals have been done at far higher levels albeit in more favourable industry circumstances," said analyst Colin Smith.

"We believe such a deal is credible and set a target price 75p per share, 160% above the current price.

"A farm?out should provide a key trigger event for valuation, in our view."

At 12.45pm, the shares were changing hands for 29p, valuing the business at £56mIn.

Share Information

Code:

Listing:

Sector:

Website:

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