UK: +44 (0)207 989 0813
NA: +1 646 896 3065
AU +61 2 9280 0700
action@proactiveinvestors.com

05:04 15 May 2012

# Afren, Archipelago, Caledonia, Cove Energy and others feature in Fox-Davies Capital Newsflash

## Mining News

**Comment**: Financing Risk Anglo Pacific's comment this morning that "The current difficult debt and equity markets have made the raising of mining finance much more challenging, thus creating increased royalty opportunities for the Group", has re-enforced our view that investors are shying away from small to mid-cap mining stocks due to "financing risk", and that companies will either be forced to raise equity at a deep discount in the current market or won't be able to raise equity at all. However, there is a risk of tarring all companies with the same brush and we feel there are companies which will not have to raise equity in the immediate future and are seeing their share prices suffering due to this sentiment. We have had a quick look through our research universe and have selected a few companies which we do not expect will have any immediate financing requirements and may represent a good opportunity to investin the current market. In no particular order these are:

• Sierra Rutile - $35.1m as at April 2012

• Kenmare Resources - $77m at Dec 11

• Gemfields - $32.4m cash at 31 Dec 11 with a $23m diamond inventory

• Frontier Mining - $29m loan facility and $37m from an asset sale last year

• Beacon Hill Resources- $20m debt facility

• Strategic Natural Resources - just started production, with coal pre-payment funding ramp up

• Continental Coal - Now has 2 operations in production and is funded through to production at Penumbra.

• Copper Development Corporation - funded through 2012 exploration programme

• Gem Diamonds - $109m in cash at 15 April 2012

• Afferro Mining - $55m for sale of assets to Severstal funds current development work

• Avocet - $100m at 31 March, although may need $120m for Inata expansion of which a significant proportion would be debt financed

• Centamin Egypt - US$175 million as at 31 March 2012, Centamin remains debt-free and unhedged

• Shanta Gold - $34m through recent placing and loan notes funds Shanta through to production in 2013 at New Luika Gold Mine

**Anglo Pacific Group (LON:APF)** has released its 1Q12 IMS. Royalty income was down to £1.5M compared to £9.9M for 1Q'12, or 1.9p per share compared to 9.12 in 1Q'11. The drop in revenue was principally caused by the drop in hard coking prices and lower production rates at Kestrel, due to bad weather and a protracted long wall changeover impacting the level of coal produced. Anglo Pacific believes the drop in production will be recovered in a later period. Total assets now stand at £366M down from £380.2M at the end of 2011, a better performance than the sector as a whole, and the Company's cash position stands at £20.9M compared to £32.2M at the end of CY'11.The Company announced the acquisition of the iron ore royalty at Mount Ida on the 1st May and given the state of the equity markets, the Company is receiving an increasing number of new enquiries for finance, and we expect further deals to be announced in due course.

**Archipelago Resources plc (LON:AR.)** was informed on 14 May that Mr Jeremy Ayre, a director of the Company, has disposed of 100k shares in two transactions. In the first transaction, 94,778 shares were sold at 58p on 10 May and in the second a further 5,222 shares were sold at 59p on 11 May. Mr Ayre now holds 500k shares in the Company, representing 0.09% of the total voting rights, and holds 600,000 Options with an exercise price of £0.258 and expiry date of 31 December 2012.

Balamara Resource**s Limited (ASX:BMB)** announced the appointment of experienced international mining executive, Mr Alastair Clayton, as a Non-Executive Director. Mr Clayton, who is based in London, has a wealth of experience in the resources sector, having held senior executive and board positions with a wide range of successful resources companies over a 16-year career.He is currently a Non-Executive Director of Uranex Limited **(ASX: UNX)**. Previously, Mr Clayton was a Non-Executive Director of Ortac PLC, a Slovakian-focused gold explorer and was commercial manager for Solo Oil PLC, a Tanzanian-focused oil explorer. Mr Clayton will play an integral role in managing and promoting the Company in Europe, particularly after Balamara completes its planned listing on the AIM exchange in London in mid-2012.

**Caledonia Mining Corporation (LON:CMCL)** has appointed Mr Richard Patricio as a Non-Executive Director of Caledonia with immediate effect. Mr Patricio is Vice President Legal and Corporate Affairs at Pinetree Capital Ltd, a Toronto-based resource-specialist investor and long-standing shareholder in Caledonia. Pinetree holds approximately 10.1% of the issued shares of Caledonia.

**Matra Petroleum (LON:MTA)**- New Phase?: The departure of Neil Hodgson so soon after the arrival of Maxim Barsky marks the end of the past period of development, and the start of what we believe will be a period of aggressive growth. However, the remaining management has an obligation to shareholders to manage this transition period. These are exciting times for Matra, and at this stage we are reiterating our BUY recommendation and 3.9p price target.

**Cove (LON:COV)** - Golfinho find 3 months too late?: News of a second significant discovery at Golfino is good news, and further validates the Company's hypothesis of the regional geology. But one can't help but think it is 3 months too late, especially as the current Shell bid has been recommended, and Greece looks to be falling out of the Euro taking the equity markets with it. In this environment, I believe investors are more likely to hold on to the certainty of the cash offer from Shell, than risk a high price potential sometime in the future. As such, Golfino's arrival will do more to comfort Shell's investment decision than increase the prospect of a high offer. The only way we see this changing is if there is a firm hostile counterbid made directly to investors.

**JKX (LON:JKX)** - Increasing Exposure: Today's news that JKX has commenced production at Koshekhablskoye makes the start of the next phase of development within the Company, and earns management significant kudos; its outlined its plans and delivered against them. Furthermore, the fact that JKX has secured the Giorgievskoye exploration licence, adjacent to its existing Koshekhablskoye production licence, further evidence of the steps that management is taking to rehabilitate the Company's battered image, as it raises the prospect that not only will further reserves be added to the current reserves base, but that once delineated, they will be monetised, all of it quickly.

**Afren (LON:AFR)** - Interim Management Statement: The Company has made excellent progress year to date across its production and exploration portfolio. Q1 net production is up 327% y/y to 41,308 boed, led by a steep rise in production from the Ebok field. Commencement of oil production from the highly prospective Barda Rash field in Kurdistan by the end of the current year would be another significant achievement for the company. Barda Rash net 2P reserves are estimated at 860mm bbl. The Company's exploration programme so far has met with tremendous success: successful drilling of an exploration well in the Ebok North Fault Block proved commerciality of the entire Ebok field and significantly reduced technical risk associated with the exploration and development of the block; successful testing of the Okoro East oil discovery, offshore south east Nigeria, confirmed the presence of high quality (38° - 40 API) crude oil; in the Ain Sifni (20% WI) block, Kurdistan, the Simrit-2 exploration well discovered significant oil accumulation. We believe Afren has a quality portfolio of production and exploration assets spread across different regions. With the aggressive exploration and development programme, we believe Afren should be on every investors watch list. In this news:

• Q1 net production of 41,308 boepd in line with expectations for the period (+327% year-on-year)

o Early production wells on Okoro East to be drilled shortly

o Further development of Ebok field ongoing (four production wells)

o On track for full year net production guidance (42,000 boepd to 46,000 boepd)

o Development work underway at Barda Rash field. On track for first oil in August 2012.

o Ongoing prospect maturation in East Africa with significant data acquisition; 1,570 km total 2D seismic, 9,000 km gravity and magnetic data

o 2012 exploration targeting mean resources of 630 mmboe (net to Afren)

• Significantly cash generative portfolio

o Turnover US$386.7 mm (Q1 2011: US$73.4 mm); profit after tax US$53.2 mm (Q1 2011: US$11.1 mm loss)

o Net operating cash flow generated of US$300.2 mm (Q1 2011: US$12.8 mm net operating cash flow used); US$153.1 mm net cash flow generated post capex (Q1 2011: US$147.2 mm net cash flow used post capex)

o Cash at bank US$399.0 mm (Q1 2011: US$333.0 mm)

• Diversified sources of funding; maturing capital structure

o Successfully completed US$300 mm bond issue; majority of debt long dated (2016-2019)

o Net debt US$639.4 mm (Q1 2011: US$291.6 mm)

**Ophir Energy (LON:OPHR)** - Interim Management Statement: We believe the remaining period of 2012 will be critical for the Company as its exploration programme gathers pace with the completion of Mzia-1 well in Block 1 expected later in May, the commencement of a three-well drilling programme in Equatorial Guinea scheduled for late June,and spudding of Papa-1 well in Block 3 (Tanzania) expected in June 2012. The liquidity position of the Company is very strong with the end April cash balance of $529mm. We will be looking out for the updates on the above activities. In this news:

**Tanzania**

• Jodari-1 finds 4.6 TCF gross recoverable resources in the Tertiary intraslope play

• Drilling programme on the deeper Upper Cretaceous intraslope play continues

o Completion of Mzia-1 well in Block 1 expected later in May 2012 o Spud of Papa-1 well in Block 3 expected in June 2012

• Commenced 3D seismic acquisition programme to explore the outboard potential of Block 1

• Completion of seismic acquisition programmes in East Pande and Block 7

**Equatorial Guinea**

• Three-well drilling programme in Equatorial Guinea expected to commence in late June 2012