

Weekly Research Notes

Tuesday 8th April, 2008

These notes are compiled in good faith based on information in the public domain. They are intended to identify possible opportunities in the market and to offer possible strategic rationales for certain aspects of current market activity. The accuracy of information herein has not been verified. Recommendations make no allowance for individual investment objectives. The author accepts no liability for any investment decision based on the information contained in these notes.

Otto Energy Ltd

OEL Last \$0.305 52wk Hi-Lo: \$0.400-\$0.220 441M fpo

Speculative Buy

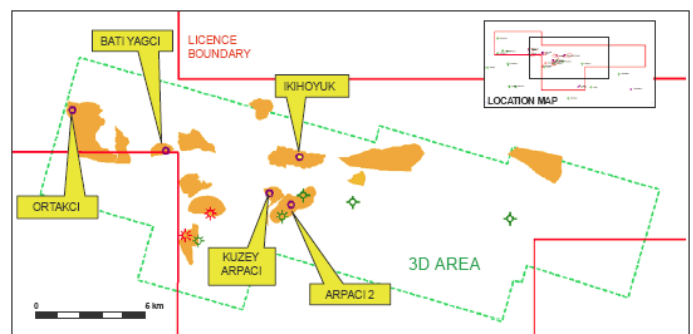
Market Cap: \$135M

- Ottoman Energy listed on 22-Dec-2004 after raising \$3M to explore gas potential of 3 onshore licences in the Thrace Basin, Turkey.
- It subsequently expanded its areas of activity to include exploration in Argentina and the Philippines and so simplified its name to Otto.
- At 31-Dec-07 the company's cash balance stood at A\$15.4M.
- With ~A\$7.2M exploration, development and corporate admin costs forecast for the Mar2008 quarter, estimated current cash is ~\$8M.
- Otto's 18.28% beneficial interest in the Galoc offshore Filipino oil field came from buying a 31.38% interest in GPC (Galoc Production Company), operator and 58.29% stakeholder in the Galoc Field.
- GPC recently reported that installation of subsea equipment for the FPSO (Floating Production Storage and Offloading) facility is complete and hook-up and commissioning is about to commence.
- Gross 2P reserves at the Galoc Field were certified at 23.4MMbbls of oil by independent reserves assessor, Gaffney Cline. First oil production is anticipated by late April with the first cargo in May.



- The gross production rate is forecast to be about 18,000 bopd (barrels of oil per day), which equates to a beneficial share to Otto of approximately 3,300 bopd.
- Otto has stated that it anticipates its share of profits from Galoc to exceed US\$30M in 2008.
- Barring commissioning delays OEL will start generating significant cashflow from June 2008 to fund its extensive exploration program.
- OEL has four more Filipino prospects with oil and gas potential:
 - SC50 (OEL 98%): gross 2P reserves 5.9MMbbls;
 - SC51 (OEL 80%): 2 targets ready to drill;
 - SC55 (OEL 85%): targetting <3.6 TCFgas, <1.1 Bnbbls oil;
 - Area 8 (OEL 70%): new block with 20 target structures.
- Otto recently confirmed a farm-in (50% working interest) into two Exploration Permits in Italy's gas-prospective Po Valley.
- Otto's other current activity is its gas drilling campaign in Turkey.

- OEL (35%) with partners Incremental (55%) and Petraco (10%) will spud the second well in the Edirne gas project tomorrow.
- The first well, Ikihooyuk-1, encountered 28m of net gas last week. The discovery zone was three times larger than prognosed.
- This is part of a five well program scheduled to take about six weeks overall to complete.
- Otto has potential for a market re-rating with strong newsflow over the next few months when production begins from Galoc and results come in from the drilling in Turkey.



Speculative Buy for potential re-rating with start of production and active drilling program.

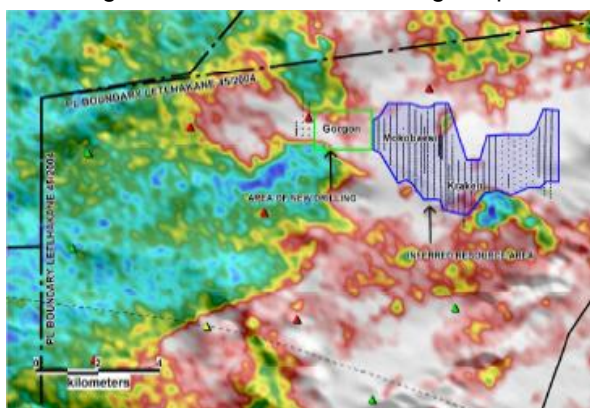
A-Cap Resources Ltd

ACB Last \$0.290 52wk Hi-Lo: \$2.214-\$0.190 110M fpo

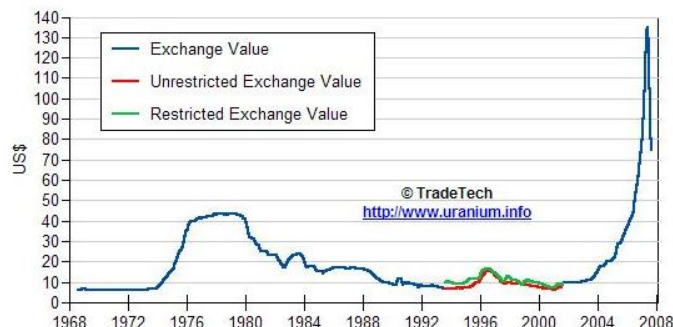
Speculative Buy

Market Cap: \$32M

- A-Cap is a uranium explorer with advanced African projects.
- As the share price graph at right clearly shows, it has suffered a similar fate to the rest of the junior uranium sector over the past 12 months.
- This shake-out is positive for the sector as a whole, as there were a great many companies whose prospects were materially overvalued.
- The prevailing bearish market sentiment suggests that the time is right to start seeking out investment opportunities with solid fundamentals.
- At 31-Dec-07 A-Cap's cash balance stood at A\$11.1M.
- With ~\$2.2M forecast to be spent in the Mar2008 quarter on exploration and corporate administration costs, current cash is estimated at ~\$9M.
- A-Cap's main activity is advanced exploration at its Letlhakane / Mokobaesi project in Botswana.
- Botswana consistently ranks near the top of international tables for lack of corruption and public governance in Africa, making it a preferred destination for international investment capital.



- It is Africa's wealthiest country in terms of GDP per capita. It has healthy foreign exchange reserves, negligible government debt and, generally, a strongly growing economy.
- Letlhakane is Botswana's first uranium resource. Independent consultants Hellman and Schofield calculated a JORC-compliant inferred resource.
- A 100ppm (0.01%) U₃O₈ cutoff gives 65Mt at 140ppm for 9,100t (20.1Mlbs) contained U₃O₈.
- Although relatively low grade, recent drilling at Gorgon prospect intersected zones >1000ppm.
- Planned infill drilling will test if these zones represent a higher grade "rollfront" style deposit.
- Blue is the resource; green the Gorgon prospect.
- A scoping study, due for completion in June, is underway to assess relevant project characteristics.
- A-Cap has identified extensive mineralisation with exploration upside in a mining-friendly country.
- The long term monthly spot price of uranium (in US\$/lb U₃O₈) has retraced significantly from the June 2007 high of US\$135/lb.
- It appears the main drivers were speculative purchases by commodity funds who have since sold out, removing a lot of volatility.
- The US\$71/lb current price is well above the long term price and seems to be stabilising.
- Physical demand over coming years is forecast to be robust with nuclear power stations being built in several countries – most notably China, with India to follow.
- Activity in coming months means A-Cap offers a comparatively inexpensive entry into a uranium explorer: the current share price is underpinned by just 2% of the notional in-ground resource value.



Speculative Buy for results of infill resource drilling and scoping study currently underway.

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