Aminex 13/04/2010

Update - potential new Tanzanian oil play, solid financials

Just before Easter Aminex announced results from its Likonde-1 exploration well in Tanzania together with preliminary financials for 2009. Although Likonde-1 was terminated for technical reasons it established the first presence of oil onshore in the Ruvuma Basin of Tanzania and is likely to have provided a wealth of data in advance of a second well on the Ruvuma PSA, expected to be drilled late 2010/early 2011. This, together with a solid balance sheet and an active exploration programme throughout 2010, looks set to underpin our revised risked NAV of $238m or 36p/share over the coming months.

Likonde-1 - a potential new Tanzanian oil play

Aminex's recent Likonde-1 well encountered 820 feet of sandstone intervals with hydrocarbon shows including, most importantly, light crude oil. Although the company was unable to report this as a commercial discovery this first well in the Ruvuma Basin is an encouraging result since it opens up the potential for a new oil play in onshore Tanzania. We expect this to be followed up with a second well drilled starting late this year/early next year.

Narrowing losses, strong cash position

Aminex posted a net loss of $2.9m in 2009, down from $9.6m in 2008 due to higher production (gas up 56% and oil up 17%) and the absence of a large impairment charge and loss on disposal in 2008. The company ended the year with a strong net cash position of $11.4m, following the $15.3m (net) fund raising in summer 2009. We expect this to be sufficient to fund Aminex's busy 2010 exploration programme.

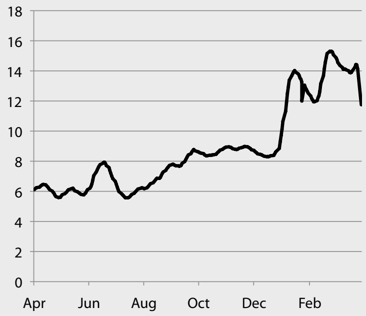
Resource update, operational progress

With its preliminary results Aminex updated resource estimates for its US and African assets, including an estimated 40 bcf at Kiliwani North-1 and a serious upgrading of the other prospects which are licensed to Aminex adjacent to the Kiliwani North discovery. Aminex also mentioned that progress has been made in its other assets, including in North Korea where the company is at the final stage of agreeing PSC terms and has brought in an investment partner, Chosun Energy.

Valuation update

Following the resource updates, we have revisited our valuation of Aminex and calculate our core net asset value (NAV) at $79m or 12p/share. Our updated total risked NAV is $238m or 36p/share. With Aminex's shares currently trading just below our core NAV investors are getting the results of its entire busy exploration programme free.

Share performance (p)



Share information

Price	11.25p
Shares	412.7m
Market capitalisation	£58.77m
Ticker	LSE: AEX
Sector	Oil and Gas Producers

Financial analysis

($m)	2009	2010e
Revenue	7.85	12.25
Profit after tax	(2.89)	(2.36)
Net debt/(cash)	(11.45)	(1.03)
Capex	(7.28)	(4.07)

Valuation metrics

Core NAV	$79m
Upside NAV	$159m
Total NAV	$238m

Company description

Aminex is an established upstream oil and gas company listed on the London and Irish Stock Exchanges with interests in the USA, Tanzania, Egypt and North Korea.

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Potential new Tanzanian oil play, solid financials

Likonde-1- potential new Tanzanian oil play

Just before Easter Aminex announced results for its Likonde-1 well in the Lindi Block in the Ruvuma Basin in Tanzania alongside partners Tullow Oil and Solo Oil. Tullow and Aminex are currently 50-50 holders of the Ruvuma PSA but Solo has earned an option to acquire 12.5% from Aminex by farming into Likonde-1. If Solo exercises its option the Aminex interest will be reduced to 12.5%. The Ruvuma PSA comprises two adjacent licences known as Lindi and Mtwara. Although Likonde-1 was terminated for technical reasons (high gas influx at its deepest point) it could prove to be the well that opens up Tanzania's first onshore oil play. The results were positive for Aminex for several reasons:

- The well encountered a combined thickness of over 820 feet. For comparison these potentially reservoir quality sands are nearly double the thickness of those encountered in the recent Windjammer gas discovery made by Anadarko in deep water on the Mozambique side of the same basin. The Ruvuma basin lies partly in Tanzania and partly in Mozambique, the Ruvuma river forming the frontier between the two countries. Aminex and Tullow hold the rights to the onshore Tanzanian part of the basin.
- Although the well was plugged and abandoned Aminex's partner and operator, Tullow Oil, regards the results sufficiently promising that it could open up for them a third important African oil play following major discoveries in Uganda and Ghana. Tullow's strong technical team will now be incorporating the data into its regional geological model further to evaluate the potential it sees in the basin.
- Although the wealth of information received from the Likonde-1 well will take a little time to absorb, a follow up well is likely to be fast tracked, given the likely potential.
- The encouraging results of Likonde-1 are likely to strengthen interest in East Africa from larger oil companies including the super-majors, demonstrated by Exxon's farm-in deal with Statoil for a 35% stake in one of its deep-water Tanzania blocks.

Solid financials

Aminex narrowed losses in 2009, recording a loss of $2.9m for the 12 months to 31 December 2009 compared with a $9.6m loss for the same period in 2008. This reflected higher production (gas up 56% and oil up 17%) and the absence of a large impairment charge and loss on disposal which depressed 2008 results. Overall, revenue fell in 2009 due to lower commodity prices.

More importantly for Aminex is its strong net cash position at the end of 2009 of $11.4m, which we believe to be sufficient to fund its aggressive firm exploration programme for 2010. With farm-out options granted at both Ruvuma and Shoats Creek, the investment by Chosun in North Korea and a carry in Egypt, Aminex has taken steps to lay off significant parts of its cash commitments for the next year. This could be important since Aminex will need to fund the development of the Kiliwani North gas discovery once planning consent is given for the expansion of the Songo-Songo gas plant.

Operational update

Aminex used the announcement of its preliminary financial results for 2009 to update the market on key operations, including:

- **Nyuni -** ISIS undertook a resource evaluations at Nyuni Block, with 40 bcf of contingent mean resources estimated at the Kiliwani North-1 well and an exploration upside of 1390 bcf consisting of both contingent and prospective resources attributed to other prospects on the Nyuni PSA.

- **Shoats Creek -** following the success of Olympia Minerals-1 at Shoats Creek which targeted the Cockfield sands and penetrated several hydrocarbon bearing intervals, this well is currently being tested. To alleviate costs and risks for further drilling on the property Aminex has announced that it has granted a 90 day farm-in option to Ninox Petroleum either to fund 2 deep wells and 1 shallow, or alternatively 1 deep well and 4 shallow wells, in return for a 50% interest in Shoats Creek. It is also in discussions with a neighbouring lease holder regarding unitising the deep rights to some of the Wilcox sands identified by seismic, by drilling a joint exploration well. Further progress is pending the outcome of these negotiations.
- **WEEM-2 -** partners in the South Malak-1 well in Egypt, which was drilled last year and encountered both gas and oil, have elected to extend the licence at WEEM-2 into the second period, with commitments for two further exploration wells. The South Malak-1 well is currently pumping limited amounts of crude oil to surface from the Matulla sandstones. Further potential lies in the Nubian sandstones.
- **North Korea -** progress is finally being made and a revised PSC with updated terms is expected to be formally signed in the first half of 2010. Aminex also announced that it has brought in Chosun Energy from Singapore to assist it with its work in North Korea. Chosun has acquired 50% of Aminex's SPV Korex for a consideration of $500k and provides the company with a carry for the first $500k of licence costs.

Valuation

Following resource updates which Aminex included with the company's preliminary results we have revisited our valuation, calculating core NAV at $79m or 12p/share and total risked NAV at $238m or 36p/share. With Aminex's shares currently trading just below our core NAV investors are effectively getting the results of the entire exploration programme free.

Exhibit 1 - Valuation summary

Asset	Net 2P mmboe	Unrisked $m	Risk %	Risked $m	Risked p/sh
Alta Loma	1.0	21.5	100%	21.5	3
Shoats Creek	4.5	95.4	80%	76.3	12
S Weslaco	0.3	5.1	100%	5.1	1
Somerset	0.1	-1.0	100%	-1.0	0
Oil Services		2.0	100%	2.0	0
Net cash		11.4	100%	11.4	2
G&A		-36.3	100%	-36.3	-5
Core NAV	**5.9**	**98.1**		**79**	**12**
Nyuni		247	30%	74.1	11
Ruvuma		339.8	25%	84.9	13
Upside		**586.8**		**159**	**24**
TOTAL		**684.9**		**238**	**36**

Source: Aminex, OPC, Isis, Omni Investment Research

Upcoming news flow

Aminex has a busy exploration programme for 2010 which we see as underpinning our valuation and likely to provide further upside going forward. Aminex's provisional work programme is set out in exhibit 2 below.

Exhibit 2 - 2010 provisional exploration programme

Quarter	Well	Comments
Q2 starts	New well at Shoats Creek, Louisiana	
	Sunny Ernst-3, Alta Loma, Texas	Q2 or Q3
Q3 starts	Wilcox well at Shoats Creek	
	Possible further Cockfield/Frio drilling at Shoats Creek	
Q4 starts	Provisional follow-up well at Ruvuma	Pending technical results of Likonde

Source: Aminex, Omni Investment Research

Financial forecasts

Aminex

Year end 31 December	2006	2007	2008	2009	2010e
USDm	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS					
Revenue	**5.019**	**9.304**	**10.177**	**7.848**	**12.250**
Cost of Sales	-3.401	-7.363	-6.486	-5.387	-7.963
Gross Profit	**1.618**	**1.941**	**3.691**	**2.461**	**4.288**
SG&A	-3.974	-4.970	-4.455	-3.586	-4.620
DD&A	-0.431	-0.539	-0.837	-1.640	-2.216
Other	-0.228	-0.177	-0.139	-0.124	-0.150
Operating Income	**-3.015**	**-3.745**	**-1.740**	**-2.889**	**-2.699**
Exceptionals	-0.011	-0.017	-0.013	-0.012	-0.020
Other			-8.107		
Net Interest	0.164	0.493	0.198	0.006	0.187
Profit Before Tax	**-2.862**	**-3.269**	**-9.662**	**-2.895**	**-2.532**
Tax					
Profit After Tax	**-2.862**	**-3.269**	**-9.662**	**-2.895**	**-2.532**
Weighted average shares o/s	164.3	206.8	242.1	315.2	412.7
Basic EPS	**-0.017**	**-0.016**	**-0.040**	**-0.009**	**-0.006**
Diluted EPS	**-0.017**	**-0.016**	**-0.040**	**-0.009**	**-0.006**
Dividend per share					
BALANCE SHEET					
Fixed Assets	**26.907**	**37.046**	**41.312**	**45.774**	**47.628**
Gross PP&E	30.149	40.435	45.636	51.849	55.919
Accumulated Depreciation	-3.660	-4.202	-4.809	-6.449	-8.665
Other LT assets	0.418	0.813	0.485	0.374	0.374
Current Assets	**5.180**	**23.952**	**8.392**	**14.317**	**6.094**
Stocks		0.098	0.385		0.410
Debtors	1.532	5.212	3.910	2.628	4.520
Cash	3.648	18.642	4.097	11.689	1.164
Other Current Assets					
Current Liabilities	**-1.353**	**-6.338**	**-5.351**	**-2.688**	**-5.941**
Creditors	-0.662	-5.618	-4.774	-2.515	-5.810
Current Portion of Long Term Borrowings					
Other Short Term Liabilities	-0.691	-0.720	-0.577	-0.173	-0.131
Long Term Liabilities	**-2.285**	**-1.544**	**-1.367**	**-1.636**	**-1.611**
Long Term Borrowings	-0.102	-0.146	-0.123	-0.071	
Other Long Term Liabilities	-2.183	-1.398	-1.244	-1.565	-1.611
Net Assets	**28.449**	**53.116**	**42.986**	**55.767**	**46.170**
Equity	**28.449**	**53.116**	**42.986**	**55.767**	**46.170**
Net Debt/(cash)	**-3.503**	**-18.401**	**-3.914**	**-11.445**	**-1.033**
CASH FLOW					
Cash From Operations	**-2.378**	**-2.119**	**-0.142**	**-1.680**	**-6.455**
Capex	-3.534	-10.131	-15.040	-7.278	-4.070
Acquisitions/disposals	0.045	0.288	0.152	1.250	
Financing	5.631	26.956	0.485	15.300	
Other/forex					
Dividends					
Other Cash Flow items					
Net Cash Flow	**-0.236**	**14.994**	**-14.545**	**7.592**	**-10.525**
Opening cash	3.884	3.648	18.642	4.097	11.689
HP finance leases initiated					
Other/forex					
Closing cash	**3.648**	**18.642**	**4.097**	**11.689**	**1.164**

Source: Aminex, Omni Investment Research

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