

## Alto Energy (AOI)

**Current Share Price** **\$0.058**

**Recommendation** **SPECULATIVE BUY**

### Market Statistics

ASX Code	AOI
Sector	Energy
Ordinary Shares (post cap. raising)	297.6m
Capitalisation (post cap. raising)	\$17.3m
Cash (post cap.raising)	~\$6.5m
Year High	11.5cps
Year Low	4.3cps

### Directors

Charles Morgan	Chairman
James Trimble	Managing
Tony Grist	Non-Executive
Stephen Keenihan	Non-Executive
Allan Boss	Non-Executive

### Major Shareholders

James Trimble	13.1%
Charles Morgan	8.1%
Macquarie Bank	7.2%
Argonaut	6.2%

## CAPITAL RAISING

- AOI have announced a 1-for-4 non-renounceable Entitlements Issue and Placement at \$0.05 per share to raise a total of \$5.6m.
- The Entitlements Issue:
  - Is underwritten by Argonaut
  - Will raise \$2.3m before costs through the issue of 46.3m shares
- The Placement:
  - Will raise up to \$3.3m through the issue of up to 66.0m shares
  - Will be completed in two tranches:
    - 25.0m shares under the 15% limit
    - 41.0m shares conditional on s/holder approval
- The directors (who collectively hold ~25% of AOI) intend to subscribe for their entitlements, while Macquarie will also take up its entitlements and subscribe for a further \$0.8m under the Placement.
- Funds raised will be used to fund operations in Louisiana and Oklahoma, where AOI's recent 3 well programme has already delivered positive results (see table below).
- In addition to the current drilling programme, AOI is currently interpreting 24 sq miles of 3D seismic data in Oklahoma, is acquiring 52 sq m of 3D at Napoleonville, and expects to drill up to 10 more wells this year.
- Our **Speculative Buy** recommendation is based on management's experience and associations in the US, a focus on less risky conventional projects, a significant drilling portfolio, and support from solid shareholders.

### Drilling Summary

Well	Interest	Location	TD	Current Depth	Comments
Pate #5-18	25% (BP back in for 22% after 200% payout)	Oklahoma	11,800ft	9,315ft	Drilling ahead
Reed #4-8	8%	Oklahoma	9,724ft	9,724ft	Has reached TD. Logs were runs - initial analysis 50ft of net pay. Flare observed while drilling. Gas contract signed. Well will be completed and connected.
ConocoPhillips #4	7.5% (AOI paying 10%)	Louisiana	11,962ft	11,962ft	Has reached TD. Log results confirmed pay at 11,650ft. Well will be completed for production. Flow rates to be determined after completion.

### Important Disclosures

Argonaut is underwriting the Entitlements Issue and previously acted as manager to the placement of 50m AOI shares at \$0.05 per share in December 2006 and has and will receive fees commensurate with these services. Argonaut has an interest in and / or controls 11,414,062 (6.16%) AOI shares and 1,342,385 AOI unlisted options. For further important disclosures, please see page 2.

## **Disclosures & Disclaimer**

### **Important Disclosures:**

- *Argonaut is underwriting the Entitlements Issue and previously acted as manager to the placement of 50.0 million AOI fully paid shares at \$0.05 per share in December 2006 and has and will receive fees commensurate with these services.*
- *Argonaut Capital has acted as Corporate Advisor to AOI and received fees commensurate with this service.*
- *The Argonaut Group has an interest and / or controls 11,414,062 (6.16%) AOI fully paid Shares and 1,342,385 AOI unlisted options.*
- *Argonaut Securities may receive brokerage income from clients who wish to buy or sell securities subject to this report.*
- *This report was produced by Ian Christie, CFA and Director of Research, Argonaut Securities Pty Limited. Ian has an immaterial interest in AOI shares.*

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