



**Stock:** Alto Energy (AOI) / Name to be Changed to Grand Gulf Energy (GGE)  
**Recommendation:** **SPECULATIVE BUY**  
**Price:** \$0.06

**EVENT: CHANGE OF NAME FITS NEW FOCUS**

- o Grand Gulf Energy today announced that the exit from Appalachia is complete following the sale of interests in:
  - x Little Sandy, Kentucky
  - x Rich Mountain, Tennessee
 The proceeds from which have netted Grand Gulf about US\$240,000.
- o Yesterday shareholders:
  - x Ratified and approved the issue of recent placement shares
  - x Approved the change in Company name to Grand Gulf Energy (effective early July when the ASX code will change to GGE)
- o These timely events fit well with the new focus on low-risk, conventional plays in Oklahoma and Louisiana, where:
  - x At the Foothills JV (Oklahoma):
    - Two wells have been drilled (Grand Gulf's interests are 8% and 25%)
    - Interpretation of the 24 square mile seismic programme with BP is nearly complete and well locations will start being chosen shortly
  - x At the Napoleonville Salt Dome Project (Louisiana, Grand Gulf 25%):
    - The acquisition of 3D is expected to be completed in July, with interpretation commencing in September
  - x At the Phase 3B Drilling Programme (Louisiana, Grand Gulf 3.75% - 7.50%):
    - Grand Gulf is participating in a JV with Legend Petroleum
    - One well has been drilled successfully

**IMPACT**

- o The success of the drilling programme so far confirms the appropriateness of the change in strategy:

Drilling Summary			
Well	Interest	Location	Comments
Fade #10	25% (NP back in for 22% after 200% payout)	Oklahoma	Successfully drilled and sales contracts have been negotiated. A completion rig is on site. Logs show two sands capable of production - the primary target Spine as well as the Panels. Gas will be commingled to sales.
Flood #48	8%	Oklahoma	Has been connected to the sales gas pipeline and currently producing at ~700mcf/d. Still cleaning up, so production may increase from current rates.
ConocoPhillips #4	7.5% (NCE paying 10%)	Louisiana	Has been perforated and flowed 32mm d/d to atmosphere. Gas contracts and sales gas pipeline are being put in place.

## COMMENT

- Argonaut has recently met Grand Gulf's senior management, associates, partners and other upstream oil and gas companies in Houston. We were very impressed with:
  - × The depth of experience of management, and the Company's sound relationships with associates and partners in both Oklahoma and Louisiana
  - × A focus on less risky, 3D-supported conventional prospects of robust quality in highly prospective areas
  - × Grand Gulf's deal flow and ability to maintain a significant drilling portfolio – providing considerable activity in the coming months
- We believe that Grand Gulf will provide investors with regular exposure to drilling activity, steady growth in sales and cash-flow, and access to a significant portfolio of prospects.
- With a market capitalisation of \$18m and cash in the region of \$6m, the market is yet to recognise Grand Gulf's potential.
- **SPECULATIVE BUY**

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### Important Disclosures

- Argonaut underwrote the Entitlements Issue in June 2007 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 received 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 15,271,172 (5.95%) 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.
- The analyst has an immaterial interest in AOI shares.

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