

business

# Herald Sun

## Business

### Minnow Gas2Grid making the top grade

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**THERE are two things a junior exploration company needs to get through the coming tempest.**

A big partner or bulging bank account to pay the bills and a resource that is getting close to profitable production.

Without those two essential ingredients, many small explorers are destined for the corporate knackery or will become prey in distressed sales or mergers.

One low profile minnow that makes the grade is Gas2Grid, a conventional oil and gas company with assets in the Philippines and France.

Managing director Dennis Morton is a co-founder and former chief executive of Eastern Star Gas which was a huge success story and since then has also run SAPEX which was profitably merged with Linc Energy.

Understandably a lot of shareholders who made a lot of money in those deals have followed Dennis into this one, which is why directors own more than 36 per cent of the shares on issue and know many of the other shareholders by name.

Rather than blow its own trumpet, Gas2Grid has been busily working to get into production and has had exploration success on the island of Cebu in the Philippines.

Its Malolos-1 well has a contingent resource of around 12 million barrels of oil (with a low case of 4 million and an upper limit of 42 million), so the discovery risk has dissipated and additional oil discoveries have been made using the company's own drilling rigs.

Oil sales could start within six months once the right transport solutions are in place and the oil that flows to surface is similar to Bass Strait oil and can be readily processed in refineries within the Philippines or at Singapore.

The really big oil potential within Gas2Grid is in France, where it has the St Griede exploration licence and has three petroleum exploration applications around it in the prolific Aquitaine Basin near Toulouse.

This is real elephant country for oil and gas and if one of the drill ready targets is productive, the leverage on Gas2Grid's share price would be very significant.

"We are not doing this for the lifestyle, there is no-one travelling at the front of the plane," explained Dennis.

"The directors are all large shareholders and our aim is to really build a successful oil and gas company."

### **A speculative buy.**

The name says a lot about Chinalco Yunnan Copper Resources, with the now entwined Chinese resources giants Chinalco (aluminium) and Yunnan Copper speaking for 43 per cent of the shares in the ASX-listed company.

Those supportive shareholders should protect the company's back as it tries to enter production within the next three years, although the Chinese partners are also happy to reduce their shareholding if that helps a deal.

Having a big brother also helps to explain the adventurous spread of exploration assets for a small company, with copper prospects in Chile and Laos and some promising projects near Mr Isa.

So far Chinalco Yunnan has not had a lot of drilling success in Chile and will probably focus its attention there on the Sulfato project (with Codelco), Palmani project (with Rio Tinto) and its fully owned Humitos project near Copiapo.

The Laos projects are also not a high priority because the greatest chance of exploration success is in the Mary Kathleen shear zone, where the Blue Caesar drilling program turned up a high grade intersection of 8 metres at 3.63 per cent copper at a depth of 29 metres.

The short term key to Chinalco Yunnan's future will be results from a second round of drilling which are due later this month, although in the longer term the company could become an acquirer if any interesting Australian targets appear.

Potential shareholders should be aware that the \$3 million of cash in the bank will start to run dry early next year so a capital raising of some sort lies in the future.

Chief executive Paul Williams admitted that raising cash at the current low share price was an unappealing prospect but some further good copper hits at Blue Caesar could pump up the share price enough to get an issue away.

**A speculative buy** for those with a high risk tolerance.

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