Swala looking hot in African rift oil

Blue sky

Edited by Luke Forrestal

After raising $11 million in April in a tough IPO market for speccy explorers, Swala Energy appears to be gaining some support among investors drawn by the potential of its acreage in one of the world's hottest oil and gas exploration regions.

Swala's more than 15,000 square kilometres of ground lie in the East African rift system, where more than two billion barrels of oil have been discovered in the past few years.

Confidence in Swala is boosted by the quality of its partners, including African exploration specialist Tullow Oil, which has been involved in three successive discoveries in the same trend. Swala started picking up most of its acreage in onshore Tanzania and Kenya in 2010, before Tullow and Africa Oil made their first discovery in March 2012 at the Ngamia-1 well in Kenya, which triggered a land grab across east Africa.

The size of its footprint in the prized region lags only Africa Oil, Tullow, Afren and Canada's Vanoil, but so far only initial seismic work has been carried out in the acreage, making Swala a high-risk play for investors. CEO David Mestres Ridge has a track record in the region, however, having worked with oil explorer Black Marlin Energy during its listing in Toronto in 2010, before it was swallowed up by Afren for $US101 million just months later.

Swala is also planning a listing of its 65 per cent-owned Tanzanian subsidiary on the Dar es Salaam stock exchange on October 1, which is intended to reduce country risk and minimise shareholder dilution for the parent company, which will likely take up shares in the offer. Swala is also working to secure further permits, including the Eyasi acreage in Tanzania and three blocks in Zambia.

Shares in the minnow climbed above their 20¢ offer price for the first time in early August and reached a record 27¢ on Monday as Swala and Argonaut, which managed the IPO, kicked off an investor roadshow in the eastern states. Argonaut, which holds options in Swala exercisable at 30¢, has a 57¢ price target on the stock.

Antipa counts on Creasy effect

Australia's richest prospector, Mark Creasy, is set to emerge as a substantial shareholder of another junior exploration company after striking a deal with Antipa Minerals over a big tenement package in the Pilbara.

Creasy's deal with Antipa follows a well-worn model that has resulted in his Yandal Investments vehicle becoming a fixture on the share registers of plenty of junior explorers and miners over the years.

He is vending tenement applications covering 3367 square kilometres of ground in the Paterson Province into Antipa in exchange for 10 million shares priced at 5.5¢ each, which equates to a 5.1 per cent stake in the company.

Yandal will also receive a 1 per cent net smelter royalty on any minerals produced from the tenements.

Antipa was already the largest tenement holder in the province, which hosts Newcrest Mining's Telfer gold and copper mine, and has now effectively doubled its landholding.

The junior trumpeted the Calibre gold-copper-silver-tungsten discovery on its ground last year and says the mineralisation is analogous to Telfer. It has also made a base metals discovery at the Corker prospect.

Once due diligence is completed by both parties and formal documentation is completed, Antipa will join a bunch of other stocks in the Yandal Investments portfolio.

The most high profile of these is Sirius Resources, which discovered nickel and copper in WA's Fraser Range last year. The subsequent share price run catapulted Creasy's wealth towards $1 billion. Others in the portfolio include Windward Resources, another Fraser Range explorer; Philippines gold miner Medusa Mining; iron ore minnow Red Hill Iron; and diversified explorer Zenith Minerals.

Swala has huge holdings in one of the world's hottest oil spots: East Africa. PHOTO:BLOOMBERG

Papillon's golden touch

Papillon Resources' Fekola project has been described as being "in a class of its own" and as "the premier development asset in the ASX mid-cap gold sector". They are a few of the superlatives from the investment community after the resource update provided by the company for its project in Mali on Tuesday. And it's difficult to argue with them.

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Papillon has increased the resource at Fekola above the magical five million ounce mark, which is the rule of thumb for when a gold deposit is considered big enough for the majors.

Fekola now contains 5.15 million ounces of gold at a grade of 2.38 grams per tonne, with a large portion of this in the measured and indicated categories.

But size is not the only factor that makes the deposit stand out.

"Exceptional geometry (single open pit) and negligible pre-strip, comparatively robust grade, excellent metallurgy and scope to grow the project from here leave Fekola as a beacon of quality," Patersons said.

According to pre-feasibility estimates, the mine is expected to produce more than 300,000 ounces of gold a year at an all-in sustaining cost of $US725 an ounce. There aren't many gold operations in West Africa that can boast that sort of profile.