

POLISHED PORTFOLIO TO FIRE TXO

TXO (TXO:AIM) is an investment company with a focus on taking significant minority stakes in both listed and unlisted companies and/or assets within the global hydrocarbon resource sector. Its current portfolio consists of companies in the oil and gas sector with low-risk, established resources that can be increased through further investment and high-impact exploration opportunities. TXO invests in firms in this sector which have unique offerings due to advantageous geographical operational footprint and innovative technology. The management team includes experienced analysts in the hydrocarbons sector and TXO will be an active investor.

One portfolio company is the Grand Bahama Group (GBG). TXO has a 30.2% holding and has an option to increase its stake to 43.2% by year end.

GBG is developing, through its subsidiary MOM, a waste oil and hydrocarbon recovery facility at Freeport, Grand Bahama which is adjacent to one of the busiest shipping lanes on the planet. MOM is strategically well placed to grow substantially in the years ahead. It is the closest offshore port to the east coast of the United States and lies at the crossroads of routes between Europe and the Americas. With a 16 metre draft, Freeport Harbour is deeper than any other port on the

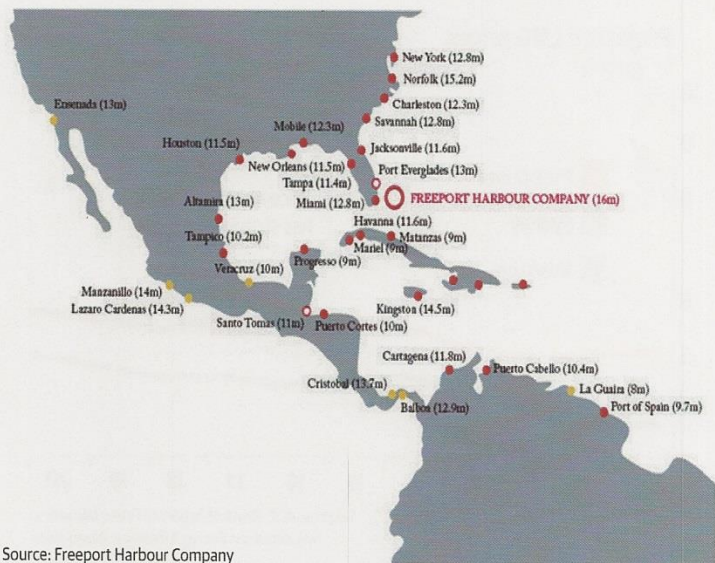
Eastern Seaboard of the USA and is one of only four that will be ready to service the mega-ships expected after the widening of the Panama Canal in 2014. Freeport currently services approximately 4,000 visiting vessels each year.

BAHAMIAN BOUNTY

MOM is BP Castrol's sole distributor in the Bahamas for marine oils and lubricants and is licensed to

on long-term charter, Barge Martha, a 200 feet barge with capacity in excess of one million gallons. Martha is proving to be an excellent investment and is ideally suited to offloading larger quantities of ships slops from tankers visiting the main oil terminal on the island.

Supplementing this environmental business operation, GBG also owns a cash generating sweet light crude oil producer in Kentucky through its



Source: Freeport Harbour Company

collect ships slops and used oils for recycling into reprocessed fuel oil for resale. The company has signed two five-year contracts and is negotiating additional deals with large international groups. The initial building phase for the hydrocarbon recovery plant on the quayside is scheduled to be operational this year. Meanwhile, GBG has secured,

subsidary MOUSA. The results of the competent persons report (CPR) of the property showed a ten-year net present value of \$38 million and proven reserves of 1.4m barrels of oil equivalent (mmboe). Neighbouring producers in the Illinois basin have enjoyed considerable success by drilling deeper and/or horizontally and MOUSA has received expressions

of interest to partner in similar projects for its site from international companies. Watch for announcements on this shortly.

COURTING TASMANIA

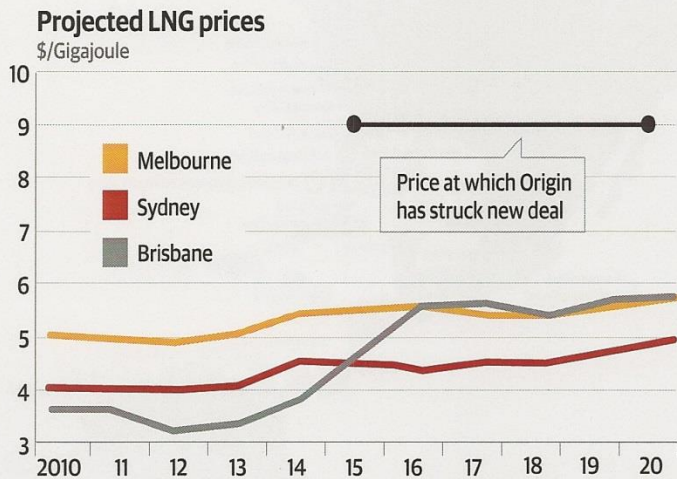
Tasmania Oil and Gas (TOG) was established to fund and develop an oil and gas exploration strategy in Tasmania, Australia. TOG is a UK private joint venture formed to specifically acquire Great South Land Minerals (GSLM), an Australian company in liquidation. GSLM has a tentative oil and gas exploration licence which covers an area of 3,108 square kilometres. GSLM has experienced a challenge on its licence

feet (tcf) of gas or 508 mmboe. TOG subsequently engaged the CPR team to work on an economic evaluation of the ETMRP based upon their earlier results. The outcome is expected soon as the current Australian 'gas crisis' continues to push up long-term contracted prices. In December, **Origin Energy (ORG:ASX)** signed a supply agreement for liquefied natural gas (LNG) at prices in excess of double the prevailing rate and over 50% higher than other recent long term deals. TOG is planning a pre-collar drill programme on the site in preparation for a full drilling programme once licence issues are resolved.

An unusual but potentially

will be very material to the value of TOG with no downside should the outcome prove otherwise.

In summary, either investment could result in material capital gain to TXO but GBG in particular offers the prospect of substantial early cash flow relative to the group's £2.3 million market capitalisation. TXO has sufficient cash to satisfy current working capital requirements for this year and the market for its shares is very liquid with more than the entire share capital traded since the start of 2013.



Sources: ACIL Tasman; Report to Prime Minister's Task Group on Energy Efficiency; World Bank

from the Mineral Resources Tasmania authority but it expects to be able to resolve the licence issue at an appeal to be held in April 2013.

GSLM has spent \$64 million on exploration to date. A recent CPR completed in February estimated total mean recoverable prospective resource (ETMRP) of the licence area structures to be 2.7 trillion cubic

significant aspect of TOG is its 50% interest in any counterclaim award former GSLM owner **Empire Energy (EEGC:NDQ)** receives in its US court case against Smartwin, the original joint venture partners of the project. Empire Energy's counterclaim is filed as to \$3 billion and the trial or settlement is to be listed in 2013. The upside of an outcome in EEGC's favour

TXO PLC

TXO
(TXO:AIM)

Sector: Oil & Gas Producers
Sub-sector: Exploration & Production
Share price: 0.21p

• VITAL STATS

Market value: £2.3 million
Prospective PE Sept 2013: n/a
Prospective PE Sept 2014: n/a
1-month price relative: -10.7%
12-month price relative: -72.5%
Dividend yield 2013: n/a
Bid/offer spread: 21.1%

Source: Thomson Reuters Datastream