

23 September 2011

RECOMMENDATION
Speculative Buy

12 month price target	\$0.25
12 month volume	43m
12 month share low	A\$0.05
12 month share high	A\$0.27

Market Risk	High
Liquidity Risk	Medium
Infrastructure Risk	Medium
Country Risk	Medium

IRESS & DJC Research

ISSUED CAPITAL

ASX	RAI
Share price	\$0.12
Mkt cap ¹	\$31m
Ordinary shares on issue	260m
Unlisted Options ²	54.5m

¹ Undiluted Source: IRESS
² Various dates and strike prices

DIRECTORS

David Berrie	Exec Chairman
Jeff Steketee	Managing Director
Jim Durant	Technical Director
Mathew Howison	Non Exec Director
Chris Reindler	Non Exec Director
Guy Cowan	Non Exec Director

Source: RAI

MAJOR SHAREHOLDERS

Sagepark Holdings	11.7%
Pontia Pty Ltd	11.4%
Hebei Mining	9.3%

Source: IRESS

12 MONTH PERFORMANCE



Source: IRESS

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Raisama Ltd (RAI)

BP Gives Cadlao the Tick of Approval

RAI has recently achieved significant milestones which have matured the Cadlao redevelopment project to a near term Final Investment Decision (FID). These milestones include an agreement for debt financing to the value of \$US30m and a marketing agreement with global oil and gas major BP which includes BP providing working capital to the value of \$US35m. Based on these two agreements we believe RAI is fully funded for the Cadlao redevelopment project and an FID for the project will be a formality in October 2011.

Key Points:

- Agreement of US\$30m debt funding.** RAI has agreed terms for financing through DG Consulting for the provision of US\$30m of project debt to be sourced through Legavi Holding Inc (Legavi), a Philippines based corporate investment organisation associated with Hong Kong and European Fund Placement/Investors. Legavi has also expressed interest in providing an additional facility of US\$70m. Key terms for the financing include a two year term, 15% coupon and no penalty for early payment. Under the fiscal terms of the Cadlao project, two thirds of all interest payments and funding charges are recoverable from production.
- Marketing and working capital facility with BP.** RAI has reached an agreement with global oil and gas major BP (through its subsidiary BP Singapore Pte Ltd) for the marketing of the crude oil produced from the Cadlao project. Under the agreement, BP will advance RAI the full amount of oil sales revenue for its maiden cargo of up to 350,000 bbls of oil as it is produced into the floating storage facility. RAI has estimated this represents a total of ~US\$35m at current oil prices. Regional crude benchmark Tapis is currently trading at a premium to WTI.
- Agreement with BP gives Cadlao a major tick of approval.** The marketing and working capital agreement with BP is a major tick of approval, in our view. We believe BP has undertaken a significant amount of technical and commercial due diligence of the Cadlao redevelopment project to ensure project robustness.
- Funding capacity more than covers funding commitments for Cadlao.** Given the equity line of facility (US\$20m), project financing (US\$30m) and working capital arrangement with BP (US\$35m), RAI has a total funding capacity of \$US85m for the Cadlao redevelopment project. The Gross Capex estimate for the Cadlao redevelopment project is currently ~US\$70m with RAI's share being ~US\$43m. RAI is required to pay 80% of the Capex to first oil under the farmin agreement with Capex shared on an equity basis thereafter. Hence RAI now has sufficient funding for the Cadlao redevelopment project.
- We maintain our Speculative Buy recommendation with an upgraded price target of \$0.25/sh (previously \$0.23/sh).** We have de-risked the Cadlao project by 10% (increasing our Probability of Success from 55% to 65%) to reflect the recent funding agreements. Near term upside will be driven by the FID (October 2011) of Cadlao, first oil from Cadlao in 1Q CY2012 and the high impact exploration drilling of the Kaupokonui prospect (Taranaki Basin, New Zealand) which is planned for 1Q CY2012.

Cadlao Redevelopment Funding

RAI has a total funding capacity of \$US85m for the Cadlao redevelopment project. The Gross Capex estimate for the Cadlao redevelopment project is ~US\$70m with RAI's share being ~US\$43m. RAI is required to pay 80% of the Capex to first oil under the farmin agreement with Capex shared on an equity basis (50%) thereafter. Hence RAI now has sufficient funding for the Cadlao redevelopment project.

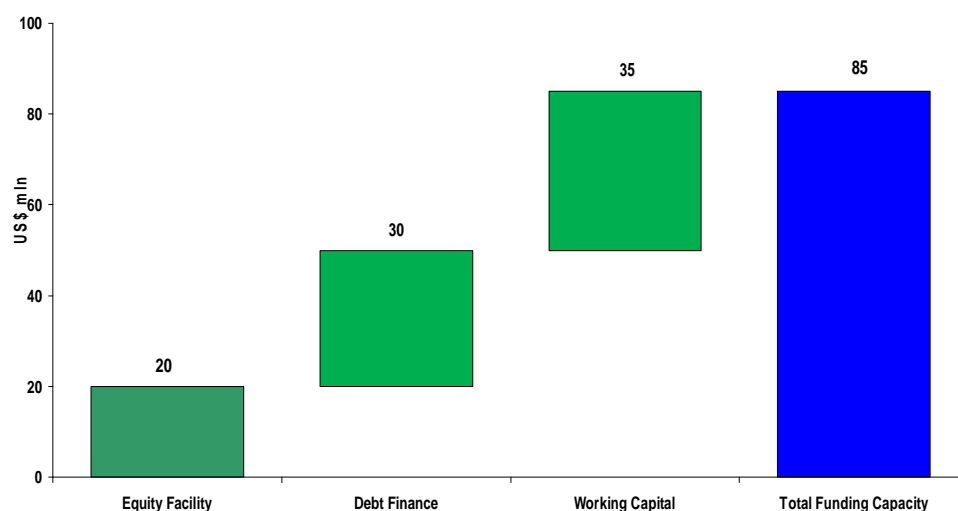


Figure 1: Cadlao Funding Capacity

Source: DJC and RAI

RAI Valuation

We have upgraded our price target to **\$0.25/sh (previously \$0.23/sh)**. The key change is that we have de-risked the Cadlao project by 10% (increasing our Probability of Success from 55% to 65%) to reflect the recent funding agreements. Given capex to first oil (RAI share) is estimated to be \$20m, we have forecasted debt to remain at \$20m as previously assumed. Once first oil is achieved we have assumed the working capital facility will fund the next well, with the project being self-funded once two wells are on-stream.

Valuation Component	NPV10 A\$m	POS	Riskd NPV	A\$/sh
Cadlao	89	65%	57.9	0.17
Cadlao East Prospect	13	10%	1.3	0.00
Bonita Discovery	10	20%	1.9	0.01
Kaupokonui Prospect	378	10%	37.8	0.11
Amanah Prospect	153	5%	7.7	0.02
Corporate	(4)	100%	-4.0	-0.01
Est. Cash	4	100%	3.9	0.01
Forecasted Debt	(20)	100%	-20.0	-0.06
Price Target	622		86	0.25

Figure 2: RAI Valuation

Source: DJC Estimates

Disclosure**RCAN0982**

This Research report, accurately expresses the personal view of the Author. All the information utilised in this report is accurate and current at the date stated on this report.

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The Author of this report made contact with **Raisama Ltd** for assistance with verification of facts, admittance to business sites, access to industry/company information. No inducements have been offered or accepted by the company.

The recommendation made in this report is valid for four weeks from the stated date of issue. If in the event another report has been constructed and released **Raisama Ltd**, the new recommendation supersedes this and therefore the recommendation in this report will become null and void.

Recommendation Definitions

SPECULATIVE BUY – 10% out-performance, but high risk

BUY – 10% or more out-performance

ACCUMULATE – 10% or more out-performance, buy on share price weakness

HOLD – 10% underperformance to 10% over performance

SELL – 10% or more underperformance

Period: During the forthcoming 12 months, at any time during that period and not necessarily just at the end of those 12 months.

Stocks included in this report have their expected performance measured relative to the ASX All Ordinaries index. DJ Carmichael Pty Limited's recommendation is made on the basis of absolute performance. Recommendations are adjusted accordingly as and when the index changes.

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