

Simba Energy Inc. (TSXV: SMB)

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Simba secures 60% interest in the Production Sharing Contract (PSC) in Guinea; solidifies its footprint in Africa

Symbol:
 TSX-V: SMB
 OTCQX: SMBZF

Ubika Model Price (UMP): \$0.81

Ubika Rating
 Undervalued

Risk
 High

Price (May 24, 2012)
 \$0.16

Gap to UMP
 406%

52 Week Range
 \$0.06 - \$0.22

Share O/S
 194.9 Million Shares

Market Capitalization
 \$31.2 Million

Simba Energy announced yesterday that it has been granted final approval for a 60% stake in the Production Sharing Contract (PSC) for onshore blocks in the Republic of Guinea. This marks the completion of the originally agreement signed in July 2011 with Summa Energy, which held the PSC, to transfer 60% stake to Simba. This agreement is important as it also provides Simba the right to be an operator on this project.

- ❖ **Guinea presents strong potential:** The PSC relates to two onshore blocks 1 & 2, which lie within the Bové Sedimentary basin and cover 12,000 sq. km. The Company believes that significant hydrocarbon exploration potential exists at these blocks as extensive presence of surface oil seeps has been found and three known reservoir systems with fair to good reservoir parameters in both clastic sediments and carbonates exist.
- ❖ **Promising Geology:** The Company believes that several characteristics make its Guinean land package very interesting from geological perspective. The active tectonic history of the basin has produced numerous structures. Large accumulation of biodegraded heavy oil (seeps) at the surface and light oil staining in earlier (historical) core samples indicate migration and communication. Besides, the presence of Silurian Shales (which are the major source rock in North African basins) is encouraging. Combined, these factors provide significant reservoir parameters.
- ❖ **Opportunity in Kenya is near-term and real:** Simba owns a very prospective land package in Kenya that is surrounded by blocks owned by Africa Oil (TSXV: AOI) and Afren Oil, with a known prospective resource. Simba's Kenyan project came into focus earlier this year as Tullow Oil (in a JV with Africa Oil Corp) made the country's first significant onshore oil discovery. The Company is conducting a passive seismic survey at its Kenyan block and has already identified 2 exploration leads by re-working existing 2D seismic data. We expect that the Company will be able to attract strong interest from potential JV partners ready to explore these highly prospective targets.
- ❖ **Strong short term catalysts:** We believe that 2012 could be the banner year for the Company. After years of meticulously working on obtaining PSCs in different parts of Africa, the Company is finally in a position to execute on its business model that involves finding deep-pocketed financial partners to explore these projects, while retaining a significant upside stake. We expect the Company to work simultaneously on securing the right partnerships, while continuing to announce initiatives on exploration and development fronts.

We find Simba undervalued and our model price of \$0.81 represents an upside potential of 406% from the current share price of \$0.16 on May 23, 2012.

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Note: Ubika Research has NOT visited various mining sites to do any independent physical assessment of Simba Energy Inc.

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High Risk

Financial - Little or no revenue and earnings, limited financial history, weak balance sheet, negative free cash flows, weak cash reserve, poor working capital solvency, no dividends.

Operational - Weak competitive market position, very early stage of development, unproven operating plan, high cost structure relative to the industry, industry consolidating, business model/technology unproven or out-of-date.

Moderate Risk

Financial – History of revenue and earnings, balance sheet in line with industry average, good cash position, positive free cash flow, adequate working capital solvency, may or may not pay a dividend.

Operational - Competitive market position and cost structure, industry stable, stable competitive position within the industry, business model/technology is well established and consistent with current state of industry, good cash reserve.

Low Risk

Financial - Strong revenue growth and earnings over several years, stronger than average balance sheet, strong cash position, strong positive free cash flows, above average working capital solvency, company may pay (and stock may yield) substantial dividends.

Operational – Strong player in its market, below average cost structure, company may be a consolidator, company may have a leading market/technology position.

Analyst Disclosure

	Common Stock/Options Ownership in Simba Energy Inc.
Analyst(s)	Yes
Analyst's family members	No
Analyst's firm, their affiliates and/or subsidiaries	Yes