Simba Energy

Addition of more assets

Extending its range

Oil & gas

With so much interest in onshore Kenya, it is worth taking a look at Simba Energy. Activities in its Kenyan Block 2A are progressing, with the passive seismic capture now complete. In parallel, the company has opened its data room and engaged Ernst & Young in the farm-out process in July. However, Kenya is not Simba's only asset; it has recently picked up three blocks in Chad that look promising in our view. We do not expect the addition of these blocks to be the last – Simba is still hungry to extend its range, but currently has limited cash.

Year end	Revenue (C$m)	PBT* (C$m)	Net cash/(debt) (C$m)	Capex (C$m)
06/10	0.0	(1.4)	0.5	(0.7)
06/11	0.0	(4.9)	1.5	(0.2)
06/12	0.0	(2.9)	5.4	(1.7)
06/13e	0.0	(5.5)	1.9	(9.9)

Note: *PBT and EPS are normalised, excluding intangible amortisation and exceptional items.

Kenya remains the focus

The majority of Block 2A in Kenya is in the Mandera-Lugh Basin, though parts also encroach into the Anza basin. While two unsuccessful wells were drilled by a previous operator, no wells have been drilled recently in the Anza basin and, as a result, it is frontier. However, considerable resources have so far been put towards exploration, with Afren commissioning 1,900km^2 seismic in Block 1 (completion due in Q412) while seeps and other indicators have indicated a working hydrocarbon system. The company has initiated a farm-out process, which we believe has attracted significant interest. Onshore Kenya has already attracted Marathon, Tullow and Africa Oil.

Chad adds to a diversified portfolio

Although the Kenyan block stands pride of place in the portfolio, Simba has collected a portfolio of nine blocks in six countries (Mali, Guinea, Ghana, Liberia), all on a 100% basis. The three blocks recently added in Chad further increase its geographical exposure. These are close to existing discoveries (and production) and we believe could provide further upside in the longer term. We note that Glencore recently paid US$331m to farm-in to proximate Chad production and development blocks in September, giving an indication of potential long-term value.

Valuation: Substantial upside potential, cash required

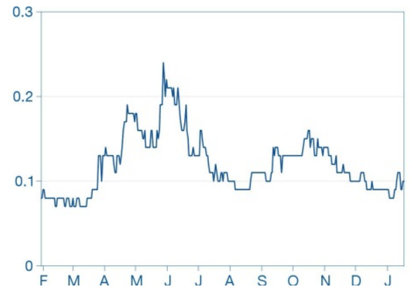
Simba's early stage positions mean valuations are highly speculative in nature, although with recent successful drilling in Kenya, we can apply a number of valuation techniques. Equity dilution is likely and required to progress the acreage. However, even assuming a 44% dilution in shares to raise US$10m, our risked NAV lies at C$0.20/share (assuming a one well carry farm-in) which would rise to C$0.36/share assuming a two well carry and C$0.59/share assuming a pre-drill estimate). In a success case of one well, the value could exceed C$1.4/share. For investors hunting for a new "Africa Oil" story, Simba could be worth tracking.

18 January 2013

Price	C$0.10
Market cap	C$23m

Shares in issue (current)	227m
Free float	96%
Code	SMB
Primary exchange	TSX-V
Other exchanges	Frankfurt

Share price performance



%	1m	3m	12m
Abs	0.0	(37.5)	25.0
Rel (local)	(3.1)	(38.6)	20.6
52-week high/low		C$0.24	C$0.07

Business description

Simba Energy is a pan-African oil and gas company focused on onshore projects. It holds a PSC contract for Block 2A in Kenya and has a 60% interest in a PSC for Block 1 and 2 onshore Guinea. It also has assets in Chad, Liberia, Mali and Ghana.

Next events

Seismic results	2013
Farm-out	H113

Analysts

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Edison profile page

Simba Energy is a research client of Edison Investment Research Limited

Investment summary: A growing portfolio play extending its range

Company description

Simba Energy is a pure-play, early stage exploration company with interests in nine blocks across six countries. A summary of the company's assets is below. At this point, we do not look at the company's other blocks in Africa in detail, but this is not to minimise the potential in those areas.

For the basis of this report, we concentrate on its holdings in (i) Kenya, due to current intense interest in exploration in the country, and (ii) the recent acquisitions in Chad, given the proximity of producing assets to two of the blocks. In Kenya, Simba published a competent person's report (CPR) by Sproule in June 2012. The report placed gross unrisked resources at 445mmbbl and risked prospective resources at 27mmbbl, implying a 6% chance of success.

Exhibit 1: Summary of Simba assets

Date acquired	Country	Block	Acreage, km^2
Dec-10	Mali	Block 3	22,500
Jul-11	Liberia	NR-001	1,366
Jul-11	Guinea	Block 1	12,000
Jul-11	Guinea	Block 2	
Aug-11	Kenya	Block 2A	7,801
Jul-05	Ghana	Voltan Basin	8,700
Oct-12	Chad	Chari Sud Block I	10,111
Oct-12	Chad	Chari Sud Block II	
Oct-12	Chad	Erdis Block III	15,700

Source: Edison Investment Research

Exhibit 2: Countries in which Simba has an interest

Source: Edison Investment Research

Valuation

With such an early stage company, it is difficult to assign a specific fair value to Simba. We prefer to look at a scenario approach; looking at the potential value should the company be able to hit major milestones such as farm-outs and drilling. Our analysis with respect to the Kenyan assets includes two farm-out scenarios and two valuations based on drilling. For these, valuations range from C$0.17-1.40/share, even taking into account a 44% share dilution we assume in the coming months. For our company valuation, we also include a nominal value for Chad while blocks in Ghana, Guinea and Liberia could also be significant contributors to value in the coming years but are excluded for the moment.

We are encouraged by the aggressive nature of the company – it wants to drill its Kenyan acreage as quickly as possible and we expect significant progress down this road by the end of 2013; indeed we believe it is the company's intention to spud a well in Q413, although much work is required to do this.

Kenya: Block 2A

Kenya is separated into four basins: (i) the Mandera Basin; (ii) Lamu Embayment along the coast; (iii) the Anza Graben; and (iv) the Gregory rift basins. All have been affected by rifting throughout time. The majority of Simba's block is covered by the southern portion of the Mandera block, though the western tip of the arrow head is within the Anza basin. The company completed passive seismic in August 2012, which has confirmed the interpretation of the existing wide-spaced 2D seismic and identified other features. Although the quality of the passive seismic is good, we would expect Simba to capture a further tranche of more focused 2D seismic in 2013 before drilling, hopefully in by the end of 2013.

The Sproule CPR estimated gross unrisked prospective resources in the block of 445mmboe, while risked prospective resources were 27mmboe. A summary of the findings are below.

.Exhibit 3: Sproule estimated resources in Kenya Block 2A, June 2012

Lead	Zones	Gross unrisked undiscovered petroleum initially in place (mmboe)				Gross unrisked prospective resources (mmboe)				Geological CoS (%)	Gross risked mean prospective resources (mmboe) Mean
		Mean	Low estimate P90	Best estimate P50	High estimate P10	Mean	Low estimate P90	Best estimate P50	High estimate P10		
1	Ken 5	507.2	61.3	279.4	1186.6	117.2	11	55.8	272.6	9%	10.5
	Syn-Rift 2	413.5	48.5	224.4	969.7	95.5	8.73	45.1	221.8	4%	3.8
	Syn-Rift 1	326.4	27.4	152.7	778.2	75.4	4.98	30.5	181.3	2%	1.5
2	Ken 5	180.9	21.9	99.7	423.3	41.8	3.94	19.9	97.3	9%	3.8
	Syn-Rift 2	128.7	11.6	62	306.8	29.8	2.09	12.4	71.3	4%	1.2
	Syn-Rift 1	98.3	14.6	59.3	219.9	22.7	2.57	11.8	53.2	2%	0.5
3	Ken 5	272.1	41.5	165.5	615.8	62.9	7.32	32.9	146.4	9%	5.7
Total		1927.1				445.3				6%	26.95

Source: Sproule

Mandera basin

Block 2A is at the southern end of Mandera-Lugh basin, in northern Kenya. The majority of the block is within the Mandera-Lugh basin, although the eastern tip is within the Anza Basin. The Mandera basin moves north into the Ethiopian and Somalian Ogaden Basin. The basin is a failed rift that developed during the Carboniferous into the Upper Jurassic period. The basin initially developed as an intracratonic rift graben in Permian/Lower Jurassic, which transformed into an open, broad marine basin dominated by platform carbonate deposition. The Jurassic carbonate build-up phase continued into (probably) the Lower Cretaceous, after which continental conditions re-started. We understand that the prospects Simba has identified are in the Jurassic/Triassic, a different age to the Cretaceous plays that Africa Oil and Tullow have targeted.

Anza basin

The Anza basin sweeps from north-eastern Kenya in a south-easterly direction towards the coast, intercepting a small part of Simba's Block 2A. The basin has three segments: (i) South Anza; (ii) North Anza; and (iii) North Anza basin extension. Heavily faulted, the basins become deeper as they move south towards the Lamu basin. The Sproule report suggests analogues to the Sudanese Muglad basin (which is oil producing). Africa Oil, Vanoil, Tapian and Marathon all own assets in the basin.

The two wells drilled on Block 2A were drilled on the north-east margin of the Anza basin, encountering a thin condensed section of older strata. Details on five other wells drilled in the basin are shown below.

Exhibit 4: Summary of Sproule descriptions of wells drilled in vicinity of Block 2A

Well	Summary of Sproule description
Elgal-1 & 2	Wells drilled to 1,208m and 1,908m. No reservoir development found.
Anza-1	Targeted Cretaceous structural closure at 3,662m. The well found minor gas shows. No closure was found in either Cretaceous or Jurassic in Sproule seismic mapping.
Bahati-1	Good quality seismic data. Drilled to 3,241m in Upper Cretaceous. Poorly consolidated fluvial-deltaic or lacustrine sands found.
Endela-1	Reached 2,780m, with methane reported from 2,409m. On Sproule mapping, Endela-1 did not target a structural closure.
Meri-1	Drilled to 1,941m. No oil/gas shows found.

Source: Sproule CPR for Simba, June 2012

Results of passive seismic survey

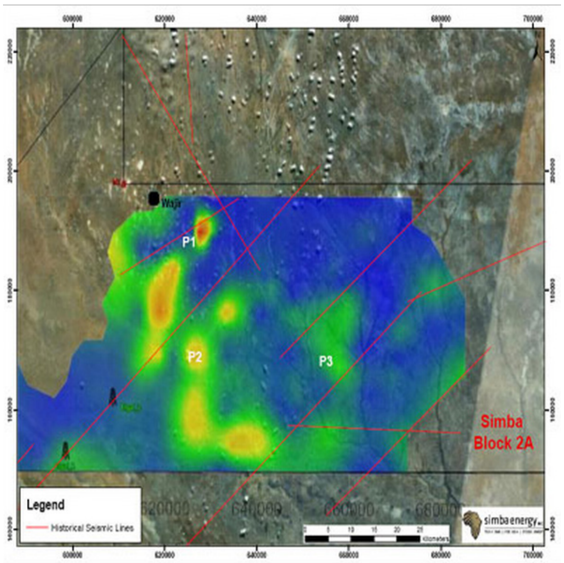
As reported in November, the first phase of passive seismic (P1) confirmed "two distinct and sizeable leads with excellent hydrocarbon response". The first lead (with the highest level of seismic energy interpreted) has an areal extent of 29km^2, while the second is over 100km^2.

In the second area investigated (P2), other leads have been identified previously not seen from existing seismic, while a third lead fits well with previous 2D seismic in the third area (P3).

The survey data seen in Exhibit 5 also suggests why the two previous wells (indicated by the oil rig symbols in the bottom left of the picture) may not have been successful, with a very poor response in the drill locations. It is our understanding that passive seismic response of oil is stronger than gas and that the company is therefore encouraged by the data presented in its search for oil.

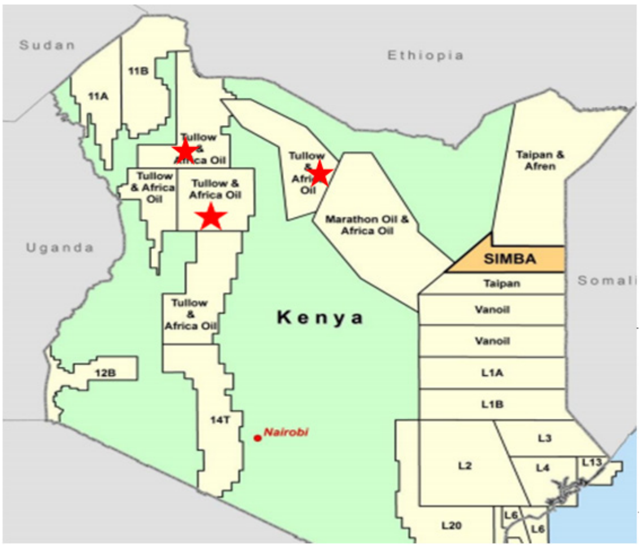
We note that the area shown in Exhibit 5 is purely in the Mandera basin and that other prospectivity may be in the Anza basin, to the western edge of the block. Given the interest shown by Marathon farming into Africa Oil acreage suggests industry remains optimistic of the Anza basin's prospectivity.

Exhibit 5: Passive seismic interpretation



Source: Simba website

Exhibit 6: Kenya blocks



Source: Simba presentation

Kenyan exploration by Tullow and Africa Oil in recent months

Ngamia – reported 4 July, Ngamia-1 discovered 100m of net pay in the Upper Lokhone Sand and 43m of potential pay on an MDT sample over a gross interval of 150m.

The **Twiga South-1** well encountered 30m of net oil pay with further potential to be assessed. A tight fractured rock section had hydrocarbon shows over a gross 796m. The well encountered three sandstone reservoirs (analogous to Ngamia) and 36 degree API moveable oil.

The **Pai-Pai** well is currently drilling. We expect results in January. Though not providing any direct read-across, the company should be able to learn from the results of the well, and a success would prove a working hydrocarbon system in the basin.

Work programme

Simba is not time constrained in the block. It has already completed (by July 2012) the programme required in the first phase and we believe has three years before it is required to drill a well. However, we expect it to continue to pursue an aggressive timetable in order to drill as soon as possible. Closely spaced 2D seismic should be sufficient for drilling the four way closures that the company currently models (we currently believe that seismic will start in Q113). Capture and interpretation could take several months and, as a result, we would expect the company to be drill ready towards the end of 2013. A rig will then have to be sourced and mobilised to a fairly remote area of Kenya. Drilling costs could be around US$30m as a result.

Farm-out process is ongoing – expect news in H113

Given Simba's current size, it clearly does not have the financial resources to drill the block on a 100% basis. The company has therefore engaged Ernst & Young to manage the farm-out process and we believe it would have attracted strong interest given the general excitement over Kenya in recent months, and successful drilling by Tullow and Africa Oil. We are hesitant to forecast a date when a possible deal may be announced given how these transactions can drag on, however we would hope for news in H113. A reimbursement of past costs and carry on wells would give strong endorsement of the value of the acreage, we think. Given Simba's size and its lack of technical and operational expertise, we suggest that it would not seek to operate post farm-out, and so it may be able negotiate a strong value proposition on costs and well carries in exchange for operatorship.

Recent farm-outs

We note that values implied by the farm-outs in the region have varied considerably, and, given the consolidated nature of some of the deals, valuations for individual blocks are difficult to determine. However, a value of US$20m per block seems to be the lower bound, with prices rising swiftly to US$57m paid for a 50% stake in Block 9 and 15% in 12A by Marathon – implying a combined value for the two blocks of c US$176m. Although we would expect the majority to be paid for Block 12A given its proximity to Block 10BB (Ngamia discovery), Block 9 is still clearly valued by Marathon, a major US independent. Marathon has also implied a value of US$200-250m for its South Omo acreage acquisition.

Exhibit 7: Recent farm-out deals in Kenya and surrounds (All $ are USD)

Date	Investor in assets	Seller of asset	Block	Value of deal	% farmed-out	Implied gross value of block
Jul 05	Afren	Lion Petroleum	Block 1	$12m	50%	$24m
Sep 10	Tullow	Africa Oil	Block 10BB		50%	$22m
Jul 10	Tullow	Africa Oil	South Omo (Ethiopia)	$33m	50%	$22m
Sep 10	Tullow	Africa Oil	Block 10A		50%	$22m
Sep 10	Tullow	Africa Oil	Block 12A		50%	
Sep 10	Tullow	Africa Oil	Block 13T		50%	
Jul 12	Marathon	Africa Oil	Block 9	$57m	50%	$88m
Jul 12	Marathon	Africa Oil	Block 12A		15%	$88m
Oct 12	Marathon	Agriterra	South Omo	$40-50m	20%	$200-250m
Sep 12	Bowleven	Adamantine	Block 11B	$10m	50%	$20m
Jul 12	New Age	Africa Oil	Block 7/8 (Ethiopia)	$1.5m	25%	$6m
Ongoing	TBA	Taipan	Block 2B	?	50%	?

Source: Company websites, Edison Investment Research

Chad

Simba signed PSCs for two blocks in southern Chad and one in the north in October 2012. The blocks in southern Chad are adjacent to blocks owned by Griffiths Energy (private), close to an existing export pipeline and to two proposed pipelines as shown in Exhibit 8.

Although we expect the main driver of value over coming months will continue to be Kenya, we believe that the Chad assets are potentially very exciting. Production within adjacent blocks de-risks the geological risk considerably. Simba believes that the Chari Sud blocks have prospectivity for potentially larger accumulations then seen elsewhere in the basin, where the Griffiths Energy/Glencore blocks are held (where we understand fields are in the 10-50mmboe range). However, the blocks have no seismic coverage currently; the company will have to perform field studies to understand more.

We await further information of the northern block in Chad, Erdis III, but note that the basin lies south of a prolific Libyan basin, from which the company believes oil could have migrated.

Details on adjacent blocks in Chad – see Exhibit 8

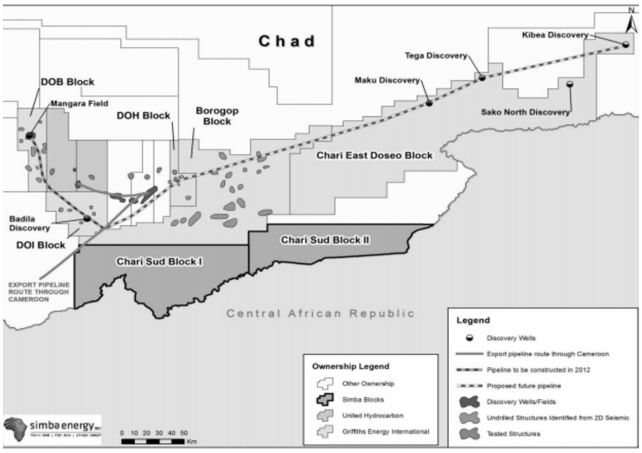
In September, Glencore farmed into 25% of the Mangara and Badila blocks, paying Griffiths Energy a cost carry of US$300m (up to US$100m per year). In addition, Glencore acquired 33.3% in exclusive exploration authorisations, paying US$31m. The blocks are expected to produce up to 50mbbl/d by the end of 2014.

The **Badila** well (re-entry of 2002 discovery), in May 2012, had constrained flow rates of 3mbbl/d of light sweet crude (32 degrees API). According to Griffiths, an unconstrained flow rate of 7.5-10mbbl/d with assisted lift may be achieved. No evidence of depletion was found after the short test. The operator indicated 123m of net oil pay. The first development well, Badila-2, is expected to TD during Q113, and have extensive coring, logging at its Lower Cretaceous sandstone target.

In the **Mangara** block, three wells have been drilled, flowing up to 1.6bbl/d of light sweet crude. In Mangara-2 (April 2012), cumulative net oil pay was 382m. 147km^2 of 3D seismic has been captured.

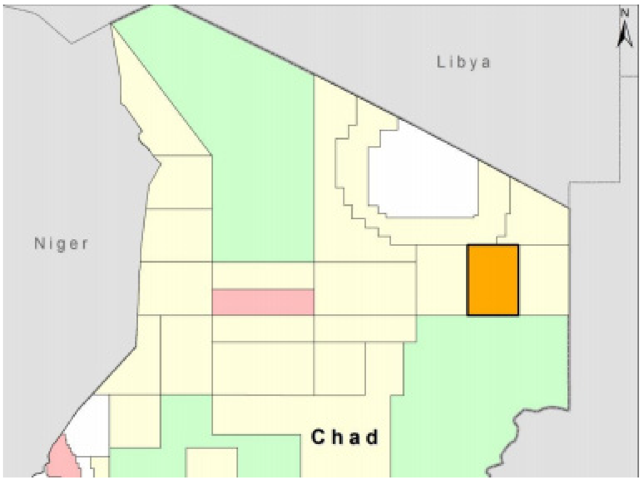
In the **Borogop** block, Griffiths is conducting studies on subsurface development concepts for the four discoveries made in the block, with conclusions expected in Q213.**The DOH concession** had a successful well drilled by a previous operator with net oil pay of 21.5m. The well may be re-entered.

Exhibit 8: Simba's southern Chad blocks



Source: Simba

Exhibit 9: Northern Chad block (Erdis)

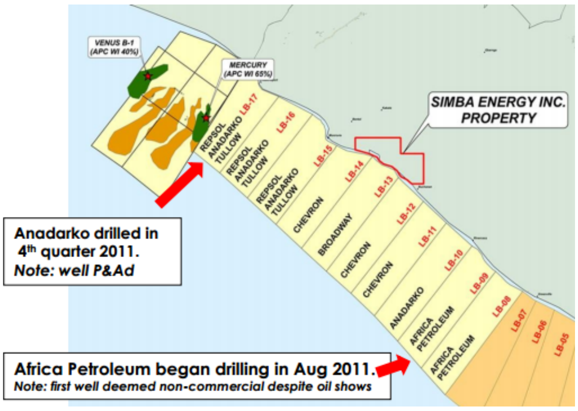


Source: Simba

Exhibit 10: Guinean block

Source: Simba

Exhibit 11: Liberian block



Source: Simba

Other blocks

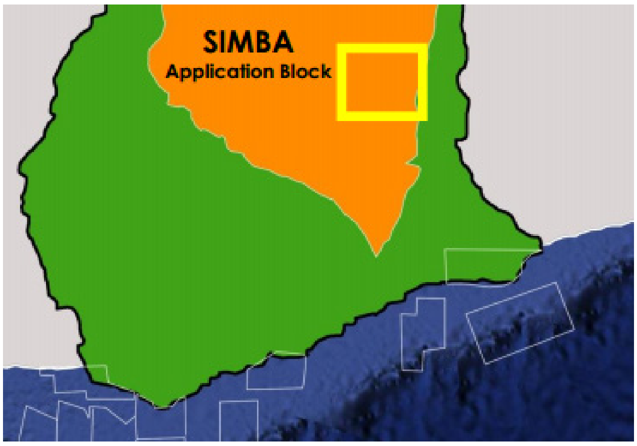
Simba also holds two onshore blocks in **Guinea** (north-west coast), which exhibit oil seeps and a known working hydrocarbon system. While Simba owns 60%, it retains the option to purchase the remaining 40%. A 2D seismic survey is proposed.

In **Liberia**, Simba holds a hydrocarbon reconnaissance permit (HRP), which is in the process of converting into a PSC. Numerous oil seeps have been observed in the block.

In **Ghana**, the company is awaiting confirmation of a PSC in the Voltan basin.

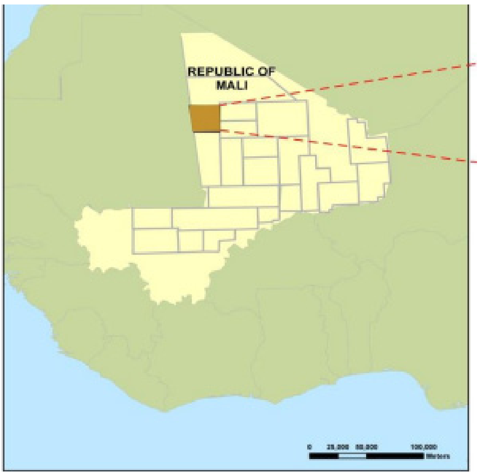
Finally, Simba holds an interest in Block 3 in **Mali**. However, due to the political situation, we believe the company will not be pursuing any activities in the mid-term.

Exhibit 12: Ghanaian onshore block



Source: Simba

Exhibit 13: Malian Block



Source: Simba

Future (lateral) catalysts for Simba

Exhibit 14: Lateral catalysts for Simba

Company	Country	Block 2A	Field	Notes
Tullow	Ethiopia	South Omo	Sabisa-1	Drilling expected Q412
Tullow	Kenya	13T	Twiga South	Twiga South confirmed as discovery
Tullow	Kenya	10A	Paipai-1	Results expected late Q412 or early 2013
Griffiths	Chad	Badila	Badila	Badila-2 results expected Q113
Tullow	Kenya	13T	Twiga North	Spud Q113
Tullow	Kenya	13T	Kongoni-1	Spud H113
Tullow	Kenya	10BB	Kamba-1	Drilling in 2013
Tullow	Ethiopia	South Omo	Sabisa North	East Africa onshore
Tullow	Ethiopia	South Omo	Tultule-1	East Africa onshore
Tullow	Kenya	L8	Mbawa-1	Gas discovered in shallow reservoirs, drilling ongoing for oil targets
Tullow	Kenya	10BB	Ngamia-1	Discovery 2012. Drilled to 1,515m and 100m net pay
Afren	Kenya	L17/L18 / Block 1 / Block 10A		Acquiring 2D and 3D seismic in Q412

Source: Edison Investment Research, Companies

Sensitivities

Along with its E&P peers, Simba is heavily exposed to many risks prevalent in the oil and gas industry. Away from industry risks, we would highlight a number of company-specific issues.

Simba is still awaiting approval of some PSCs. Approvals cannot be guaranteed and would reduce the value of the company if not given. In addition, taxes and government take could be increased as host countries try to claim more economic rent. The Kenyan farm-out could also take time.

Financials

Simba is running very lean currently, with a SG&A burn rate of around US$100k per month. However, with the recent acquisition of the Chad acreage adding to the portfolio, the company will require more technical staff to oversee the initial geological work.

After the equity raise in April 2012, we expect Simba to have cash levels of around C$3m currently. With some outflows due to recent acquisition activity and likely increased SG&A, it is clear Simba will require further funds. With no production cash flows coming in and no imminent farm-out deal, we see equity financing as the only viable source of funding.

We expect the company to source up to US$10m. This will give it the option of funding seismic in Kenya on its own, giving further flexibility and a better negotiating position during farm-out discussions. With the current market cap, this issue will be strongly dilutive, but is necessary to progress the business. We give a sensitivity table for potential dilution by shares below. Our current assumption is that shares will be issued at C$0.10/share, leaving a c 44% dilution of shares.

Exhibit 15: Potential dilution for equity raising in different scenarios

		Share price (C$/share)					
		0.08	0.09	0.10	0.11	0.12	0.13
US$m raised	6	33%	29%	26%	24%	22%	20%
	8	44%	39%	35%	32%	29%	27%
	10	55%	49%	44%	40%	37%	34%
	12	66%	59%	53%	48%	44%	41%
	14	77%	69%	62%	56%	52%	48%
	16	88%	78%	71%	64%	59%	54%

Source: Edison Investment Research

Valuation

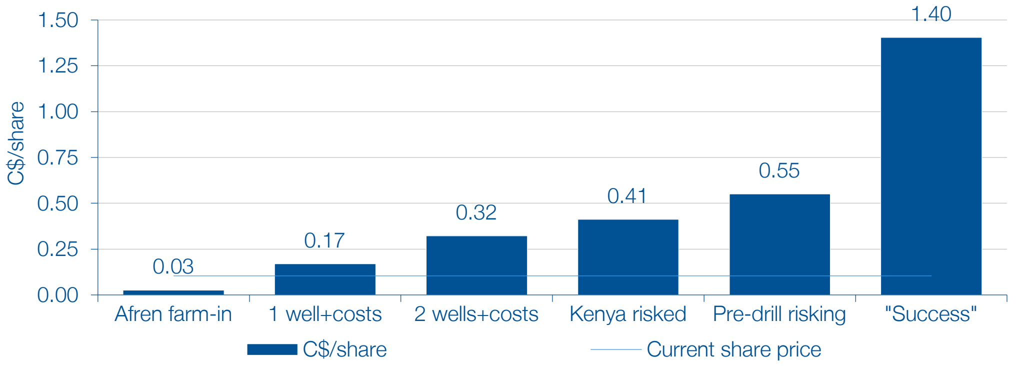
Valuation is difficult given the early stage of Simba's portfolio. However, we refresh our valuation approach to look at the potential implied value for a farm-out of the Kenyan block, given new assumptions on well costs (US$25m vs US$10m) and an increased number of shares from the equity raise. We assume a past costs reimbursement of US$2.5m and seismic costs (of US$3m) are included.

We assume a number of scenarios to illustrate possible upside valuations (all based on 50% working interest post farm-down) – for details please also refer to our July update, *Kenya focus intensifies*:

- Afren farm-in deal – using a US$0.02/bbl valuation on resources implied by the deal;
- One well cost carry + past costs;
- Two well cost carry + past costs;
- Kenya prospectivity risked at current GCoS and US$5/boe;
- Pre-drill valuation for one prospect (currently named Lead 1) based on GCoS of 25% and US$5/boe; and
- A "Success" scenario, where Lead 1 has been successful (increasing CoS to 50%) and other leads have CoS of 25%, all based on US$5/boe.

At this stage, we have not carried out a detailed DCF modelling of a potential discovery and have cautiously assigned a US$5/boe valuation. This will likely be revised as we get more information on resources size, development costs and fiscal regime.

Exhibit 16: Valuation per share for Simba purely based on Kenya scenarios



Source: Edison Investment Research

Overall company valuation

If investors believe that Simba will be able to achieve a farm-out of its interest in Block 2A, there is very clearly significant upside, even catering for a large equity dilution. Assuming a one well carry plus past cost reimbursement, fair value of C$0.23 per share can be implied for the company. If this is extended to a two well carry, the value increases to C$0.40/share. Given the early stage and uncertainties, we prefer to be cautious and assume a one well carry currently. However, the upside to valuation is very clear should investors be more bullish.

Given the propinquity of the Chadian blocks to discoveries and production, we are also tentatively assigning a value to those blocks at US$5m each to the two southern blocks. We would expect the company to continue to work and will revise our valuation when appropriate. The other blocks remain out of our valuation given the lack of definitive information / plan to carry out significant activities.

Exhibit 17: Valuation Summary (USD unless per share in which case C$)

Asset	Country	Working interest	Recoverable reserves		NPV/boe	Net value	Value per share	
			Gross	Net			Risked	Upside
		%	mboe	mboe	$/boe	$m	/share	/share
Net (Debt) Cash						13	0.04	0.04
SG&A (NPV of four years at 10%)						-12	-0.04	-0.04
Core NAV						1	0.00	0.00
Potential farm-in								
Block 2A (1 well carry)		50%	445	223	N/A	56	0.17	0.55
Other blocks								
Chari Sud Block I&II	Chad	100%				10	0.04	0.04
Erdis Block III	Chad	100%						
NR-001	Liberia	100%						
Block 3	Mali	100%						
Block 1&2	Guinea	60%						
Voltan Basin	Ghana	100%						
Exploration NAV							0.20	0.58
RENAV							0.20	0.59

Source: Edison Investment Research. Note: We assume an increased share count (294m) and cash balance to account for an assumed capital raise of $10m. In this case we assume the risked valuation for the Kenya acreage is based on a one well carry + past costs. The "Upside" valuation is based on a pre-drill estimate assuming a 25% CoS and $5/boe valuation for its largest lead. A completely unrisked valuation would be significantly above this value.

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Exhibit 18: Financial summary

C$000s	2010	2011	2012	2013e
June	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS				
Revenue	0	0	0	0
Cost of Sales	0	0	0	0
Gross Profit	0	0	0	0
EBITDA	(1,351)	(4,843)	(2,920)	(5,499)
Operating Profit (before amort. and except.)	(1,356)	(4,852)	(2,930)	(5,511)
Intangible Amortisation	0	0	0	0
Exceptionals	0	0	0	0
Other	0	0	0	0
Operating Profit	(1,356)	(4,852)	(2,930)	(5,511)
Net Interest	(69)	(5)	(7)	(4)
Profit Before Tax (norm)	(1,425)	(4,857)	(2,937)	(5,515)
Profit Before Tax (FRS 3)	(1,425)	(4,857)	(2,937)	(5,515)
Tax	0	0	0	0
Profit After Tax (norm)	(1,425)	(4,857)	(2,937)	(5,515)
Profit After Tax (FRS 3)	(1,425)	(4,857)	(2,937)	(5,515)
Average Number of Shares Outstanding (m)	47.6	110.1	162.1	264.0
EPS - normalised (p)	(3.0)	(4.4)	(1.8)	(2.1)
EPS - normalised and fully diluted (p)	(3.0)	(4.4)	(1.3)	(1.7)
EPS - (IFRS) (p)	(3.0)	(4.4)	(1.8)	(2.1)
Dividend per share (p)	0.0	0.0	0.0	0.0
Gross Margin (%)	N/A	N/A	N/A	N/A
EBITDA Margin (%)	N/A	N/A	N/A	N/A
Operating Margin (before GW and except.) (%)	N/A	N/A	N/A	N/A
BALANCE SHEET				
Fixed Assets	1,979	2,087	3,814	14,698
Intangible Assets	1,968	1,968	3,691	14,523
Tangible Assets	10	119	123	176
Investments	0	0	0	0
Current Assets	551	1,644	5,606	1,272
Stocks	0	0	0	0
Debtors	10	55	140	168
Cash	533	1,516	5,314	958
Other	9	73	152	146
Current Liabilities	(669)	(492)	(543)	(618)
Creditors	(651)	(475)	(506)	(593)
Short term borrowings	(17)	(17)	(37)	(25)
Long Term Liabilities	0	0	0	0
Long term borrowings	0	0	0	0
Other long term liabilities	0	0	0	0
Net Assets	1,861	3,239	8,877	15,353
CASH FLOW				
Operating Cash Flow	(1,324)	(3,782)	(2,878)	(3,594)
Net Interest	0	0	0	0
Tax	0	0	0	0
Capex	(660)	(230)	(1,738)	(10,896)
Acquisitions/disposals	0	0	0	0
Financing	2,831	4,994	8,424	10,135
Dividends	0	0	0	0
Net Cash Flow	847	983	3,808	(4,355)
Opening net debt/(cash)	333	(516)	(1,499)	(5,276)
HP finance leases initiated	0	0	0	0
Other	2	0	(30)	12
Closing net debt/(cash)	(516)	(1,499)	(5,276)	(933)

Source: Edison Investment Research. Note: we assume a capital raise of $10m at $0.10/share during the financial year 2013.

Edison investment research

Contact details	Revenue by geography
210-905 West Pender Street Vancouver BC V6C 1L6 604-641-4450 www.simbaenergy.ca	N/A

CAGR metrics		Profitability metrics		Balance sheet metrics		Sensitivities evaluation	
EPS 09-13e	N/A	ROCE N/A N/A	N/A	Gearing 12e	N/A	Litigation/regulatory	◖
EPS 11-13e	N/A	Avg ROCE 09-13e	N/A	Interest cover 12e	N/A	Pensions	○
EBITDA 09-13e	N/A	ROE 12e	N/A	CA/CL 12e	N/A	Currency	○
EBITDA 11-13e	N/A	Gross margin 12e	N/A	Stock days 12e	N/A	Stock overhang	●
Sales 09-13e	N/A	Operating margin 12e	N/A	Debtor days 12e	N/A	Interest rates	○
Sales 11-13e	N/A	Gr mgn / Op mgn 12e	N/A	Creditor days 12e	N/A	Oil/commodity prices	●

Management team

CEO: Robert Dinning

Robert Dinning is a chartered accountant who has operated his own consulting business for the past 30 years His proven record of success in the financial community includes being a director and/or officer of several public companies.

Director: James Dick

James W Dick is a petroleum specialist with in excess of 48 years of petroleum industry experience. He has for 30 years served a variety of clients including major oil companies, government agencies and start-up companies. He spent 18 years with Exxon group reaching senior exploration specialist level.

Managing Director – Operations : Hassan Hassan

Mr Hassan has been actively involved in various African countries over the past seven years. He was instrumental in changing the focus of the company to oil and gas leases in Africa. He is primarily responsible for sourcing, negotiating and completing the acquisition of PSCs as well as negotiating strategic alliances for the development of PSCs throughout Africa.

Principal shareholders	(%)
Pinetree Capital	3.2%
Robert Dinning	1.83%
Sheldon Inwentash	1.32%
Hassan Hassan	1.05%

Companies named in this report

Afren (AFR) , Griffiths (private), Marathon (MRO), Tullow (TLW), Africa Oil (AOI), Agriterra (AGTA), Vanoil (VEL) , Taipan Resources (TPN)