Outlook

Edison investment research

16 December 2011

Simba Energy

Year End	Revenue (C$m)	PBT* (C$m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
06/10	0.0	(1.4)	(3.0)	0.0	N/A	N/A
06/11	0.0	(4.9)	(4.4)	0.0	N/A	N/A
06/12e	0.0	(3.1)	(2.2)	0.0	N/A	N/A
06/13e	0.0	(3.6)	(2.6)	0.0	N/A	N/A

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

Investment summary: African asset portfolio

Vancouver-based Simba is an opportunistic Africa-focused frontier oil and gas exploration play with a potentially highly prospective portfolio of assets in Kenya, Liberia, Guinea, Mali and Ghana. Simba has ambitious plans, potentially starting to drill as early as 2013, but it is vital it finds farm-in partners to be able to carry its projects through to drilling.

Increasing interest in Africa's unexplored assets

Africa is an exciting upstream play as underexplored assets are still available to outside investors. With numerous exciting discoveries coupled with PSCs still widely available, the region is increasingly attractive to both industry players and the equity markets. Simba has an exciting and potentially highly prospective asset portfolio, although assets are largely located in areas where exploration activity has been limited at best.

Experience and stable framework need funding partners

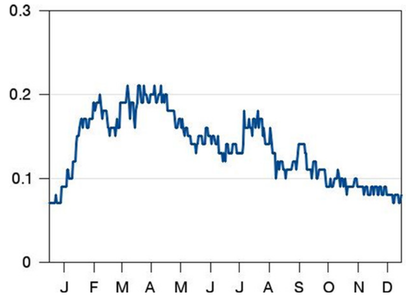
Simba's recently formed management has significant experience in Africa but is facing significant challenges. It has a limited track record in most of its key areas where it is negotiating PSCs and its pre-drill work programme will absorb $6m pa over the next two years. Building a portfolio of assets mitigates risk and enhances the company's ability to attract partners, but finding a partner or funding within a year is vital to carry these projects to exploration. As such we would expect further equity raises over the next year – following a C$10m raised so far- and farm outs within the next 12-18 months depending on the success of preliminary exploration studies.

Valuation: Early stage exploration, no reserve estimates

Simba has no defined resources or reserves, and is an opportunistic investment. However, a relatively modest discovery in only one of Simba's fields could trigger significant valuation uplift. Should initial seismic interpretation prove to be positive across any of its assets, followed by a potential farm down or sale of PSC interests for a carry, we could anticipate Simba's value to soar to C$75m. Meanwhile exploration success could push the gross value of its acreage into the billion dollar category, consistent with analogue deals such as that of Tullow/Heritage in Uganda.

Price	C$0.08
Market Cap	C$11m

Share price graph



Share details

Code	SMB
Listing	TSX
Sector	Oil & Gas
Shares in issue	140.6m

Price

	High	Low
52 week	C$0.21	C$0.07

Balance Sheet as at 30 June 2011

Debt/Equity (%)	N/A
NAV per share (c)	3.9
Net cash(C$m)	1.5

Business

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 Republic of Guinea. It is planning to expand into Liberia, Mali and Ghana.

Valuation

	2011	2012e	2013e
P/E relative	N/A	N/A	N/A
P/CF	N/A	N/A	N/A
EV/Sales	N/A	N/A	N/A
ROE	N/A	N/A	N/A

Revenues by geography

UK	Europe	US	Other
N/A	N/A	N/A	N/A

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Simba Energy is a research client of Edison Investment Research Limited

Investment summary: Portfolio assets frontier markets

Company description: PSC-driven assets

Simba Energy is a Vancouver-based oil and gas exploration company. It is active in unexplored or underdeveloped African frontier onshore projects. It holds a production sharing contract (PSC) for Block 2A in Kenya and a 60% interest in Block 1 & 2 onshore Republic of Guinea. The company also has applications for onshore PSCs in Liberia, Mali and Ghana. Its assets are potentially highly prospective, but a portfolio approach serves to mitigate upstream risk and is aimed at attracting farm-in partners.

Valuation: Perceived value to increase on exploration success

As Simba's assets are at an early stage of exploration and without any resource estimates, assigning a valuation is elusive. The most likely value catalysts will be newsflow from exploration activity in neighbouring acreages, notably in Kenya from Afren in Block 1 to the north and Lion Petroleum on Block 2B to the south and in Mali from ENI's imminent drilling programme. The company is targeting prospects in the 250mbbl to 2.5bnbbl range. We can infer a notional value for Simba of C$15-150m based on recent deals such as ExxonMobil's recent farm-in offshore Liberia (implied value: 6c/bbl of gross unrisked resource) should the seismic interpretation of any of its core assets be favourable. If there is considerable drilling success thereafter gross asset valuations could jump to $1bn to $10bn+ (based on $5/bbl as inferred by Tullow's bid for Heritage's Albertine assets). However, the value to Simba will be lower than this as the company will likely look to farm down interests in exchange for carries on exploration. Retaining 25-50% of the above potential value however is not unreasonable given similar deals in the area.

Sensitivities

As a start up E&P company Simba faces a number of risks associated with the early stages of exploration and production. This is further exacerbated by operating in African emerging markets with logistical and political risks. Management, while experienced, has a limited track record in its key areas and funding the early stages of exploration will require equity increase or farm out.

Surface risk: With most early stage exploration juniors subsurface risk is the greatest risk. Simba's prospective asset portfolio is promising but concentrated in areas where exploration activity is almost non-existent. **Country/regional risk**: Africa has experienced civil conflict and inter-country tensions over the past decades. Corruption and transparency are still significant concerns across Africa. **Oil price risk**: The long-term viability of Simba's projects depends on oil prices remaining at historically high levels in real terms. A return to $40/bbl would in all likelihood render its projects uneconomic. **Financial risk**: Simba will have to identify partners to finance its projects.

Financials

With no revenues and no cash flow generation Simba is dependent on markets to raise funds. It successfully raised over C$10m in equity over the past five years. However, its current balance sheet is unlikely to cover operating costs and is certainly insufficient to cover pre-drill exploration activities estimated at $6m pa over the next two years. In our view, Simba will come to the market for further funding within a year or ideally identify farm-in partners over the next 12-18 months.

Company description: PSC-driven junior Africa play

Simba is a TSX-V listed oil and gas exploration junior focused on onshore frontier areas of Africa. Its key strength is its first mover advantage and management understanding of the prospectivity of its portfolio. Simba is one of numerous companies active in African oil and gas, the only remaining region with sizeable though risky assets available to outside investors. Its original focus was on West Africa but has been extended to east Africa. Its portfolio comprises onshore PSCs in Kenya and Guinea and potential onshore PSCs in Mali, Liberia and Ghana. As potential is identified, Simba will seek farm-in partners to escalate and progress exploration of the assets towards pre-drill activities leading up to exploration drilling

Securing framework in underexplored regions

Simba has signed a PSC in Kenya for Block 2A in which it owns 100% share and has acquired 60% of a PSC in the Republic of Guinea's Blocks 1 and 2. The company is at an advanced stage of negotiating a PSC in Mali for Block 3 and management expects signing of the PSC in the very near future. Simba also has secured a licence in Liberia by acquiring 90% of what is now known as Simba Energy Liberia, Inc. a private company, which is the holder of the onshore reconnaissance licence (NR-001) for the Roberts and Bassa basins. Liberia and Ghana represent longer-term opportunities in Simba's portfolio. Simba currently has no exploration activity. The only available seismic data for its blocks is old. Therefore in the short run management's focus is to secure licences and to acquire and re-evaluate seismic data for its blocks. In most cases this will not mean active seismic surveying by Simba but monitoring exploration activity in its neighbouring acreages by Afren, Lion Petroleum and Africa Petroleum. Immediate financing needs are C$6m pa based on management plans, and undertakings will require equity increase over the next year and potential farm out – according to management plans – over the next 12-18 months.

African opportunities

Africa currently is the hottest region for new exploration. It has vast unexplored assets still available to outside investors (in contrast to the Middle East and Russia). As it hopefully enters a politically and economically more predictable period, regulatory risk is expected to ease, though not disappear. Licences are still awarded on ad hoc basis, corruption is endemic and signature bonus payments are not always accounted for. PSC fiscal terms lately have become less favourable, in line with increasing global interest in regional upstream projects. The fact that Simba has built a wide-ranging portfolio of onshore assets and secured two PSCs should put it in a competitive position when seeking partners at the next stages of exploration. PSCs are available on a wider basis in Africa than elsewhere in the emerging world. The fiscal take of governments has increased recently but it is not necessarily a negative development. It could pave the way for increased M&A and farm in activity and this could benefit Simba in the future. If Simba's current PSCs/fiscal terms are better than those likely to be achievable in the future its leading position in the race for IOC partners could be cemented, once it has proof of oil or gas in its blocks.

Asset review: African asset portfolio

Simba's management has experience in the region and based on its previous professional roles is building a portfolio of assets across Africa. Its strategy is to carry out early stage exploration leading to economic uplift of an asset value such that it becomes an attractive farm-in prospect. It plans to farm out 40-60% of its licences in the long run. Ghana is the most exciting geological prospect, Kenya is the most likely to go ahead being the most advanced development, Guinea is likely to be the most profitable, while Mali and Liberia also have great potential.

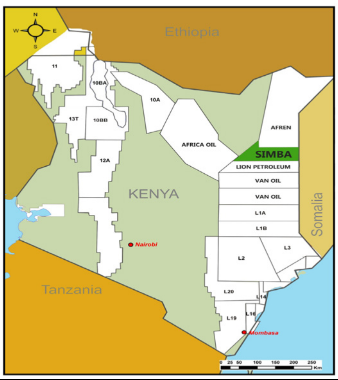
Exhibit 1: Simba's African assets

Source: Simba Energy

Kenya

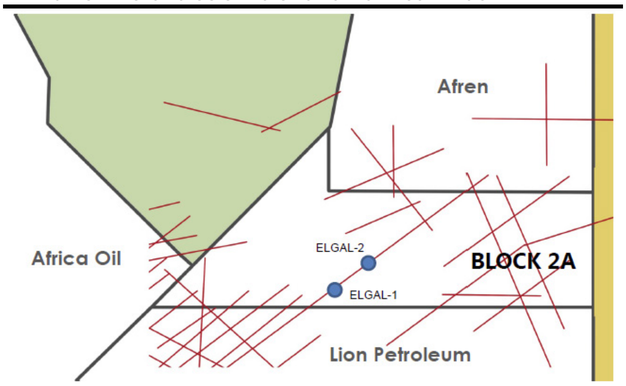
Simba's early focus was Block 2A in Kenya. The 7,801sqkm Block 2A in north-east Kenya covers the southern end of the Mandera Basin and also parts of the Anza Basin in the south-west. Most relevant for Simba is the Mandera Basin. Its age is Permo-Triassic to Tertiary and its sediment thickness is 10,000 metres. Potential source rock is mid Jurassic-Lower Cretaceous and similar to the Mandera-Lugh basin in Ethiopia and Somalia. Four wells drilled in the late 1980s in the Mandera Basin and 11 wells in the Anza Basin all encountered oil shows.

Exhibit 2: Simba's Kenyan assets



Source: Simba Energy

Exhibit 3: Historic seismic shot on or near Block 2A



Source: Simba Energy

There are no current reserve estimates for Block 2A. Amoco drilled two exploration wells in the Mandera basin in 1987, Elgal-1 and Elgal-2. The stratigraphic wells were drilled to depths of

1,800m and 2,150m respectively; however, the wells were dry albeit with indication of oil and gas. The Tarbaj-1 water well, 50 km north of Block 2A, recovered oil.

There are indications of reserves, on which Simba's management builds its future exploration focus. The blocks relevant to Simba are Block 1 (Afren) and Block 2B (Lion). North of Simba's Block 2A, Afren is planning a 1,200km seismic on Block 1 in 2012 – oil seep has been recorded on Tarbaj-1, 50km from Simba's Block 2A – but a carbonate cap and petroleum system has yet to be determined. According to Afren's latest management estimates there is up to 751mmboe of unrisked gross prospective resources on Block 1. To the South, Lion Petroleum is also expected to shoot a nearly 600km 2D seismic on Block 2B (expected to commence in 2011 with additional drilling expected in 2012/13). Sproule, an independent petroleum consultant, estimates that there are 371mmboe unrisked prospective resources on Lion Petroleum's Block 2B following reinterpretation of the 2D seismic from the 1970s. Due to the Block's location this estimate is more relevant to the Anza Basin. Therefore, while it is promising, no direct inference can be drawn for Simba's Block 2A. The recent Bogal-1well (by CNOOC), 40km to the north-west of Block 2B, reported 91m of gas pay in Lower Cretaceous reservoirs.

At a Kampala conference in October 2011 industry experts, including Tullow, Total and Ministry officials, agreed that Kenya could announce oil finds imminently, as activity in the region intensifies. In addition to the companies above mentioned (Afren, Africa oil, Lion Petroleum and CNOOC), other companies are also gearing up for action in Kenya such as Total Tullow, BG and Dominion.

However, Simba's next stage in Kenya is not capital intensive. Management plans to reprocess historic seismic data in Q112 and to begin base line environmental studies while building local support and cooperation. The main goal of Simba's Kenyan activity is to improve prospectivity of Block 2A over the next 12 months both through drawing conclusions from work programmes on neighbouring acreage and from its own passive seismic survey. Passive seismic is a relatively new and novel technique using low frequency passive seismic spectroscopy to detect and monitor hydrocarbon reservoirs. Once seismic interpretation is complete it will move onto drilling (with a partner), most probably looking to drill 6,000 ft (max 10,000 ft).

Republic of Guinea

In Guinea Simba signed a PSC for 60% of Blocks 1 & 2 in July 2011. The onshore licence covers 12,000sqkm of the Bove Basin. The Bove basin is viewed as an extension to the Taoudeni basin and has relatively mature shales.

Exhibit 4: Simba's Guinean assets

Source: Simba Energy

Simba's Guinean blocks have Silurian shales, the major source rock in all North African basins. Simba has noted heavy oil seeps at surface. The basin has three known reservoir systems with fair to good parameters in both clastic sediments and carbonates. The tectonic movements of the Bove Basin produced structures and traps capable of pooling large reserves.

Simba completed a site investigation in 2010 and reviewed available technical data, and it concluded that Blocks 1 & 2 represent significant potential for oil and gas in a basin that remains relatively underexplored. Therefore a work programme, including a passive seismic programme, will proceed immediately on receipt of final approval from the Republic of Guinea's Minister of Mines and Geology (Le Minister des Mines et de la Geologie).

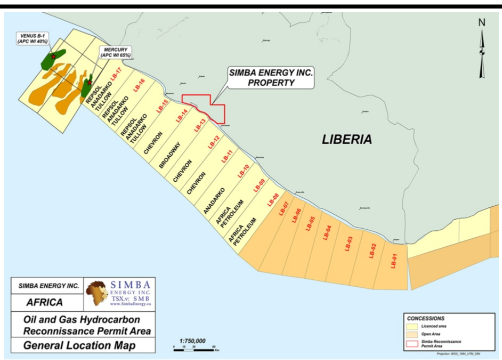
The interpretation of Simba's prospects here could be enhanced by Hyperdynamics Corporation's planned drilling, also in the Bove basin, around 100-200km offshore and south from Simba's Blocks 1 & 2. A two well (Sabu-1 and Barakka-1) programme started in 2011 and is expected to complete in 2012.

As in Kenya, Simba's strategy in Guinea is to begin an intensive assessment of the block starting with gathering and reprocessing existing seismic data which, subject to approval from the Ministry of Mines, could be completed in H112. This could be followed by a passive seismic in late 2012. As in Kenya imminent funding needs in Guinea are not excessive, probably not exceeding C$0.5-1.5m.

Liberia

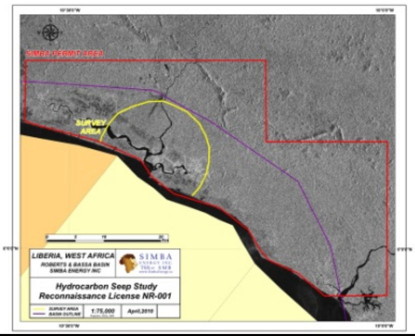
Simba may be close to finalising a PSC in Liberia, pending approval. In 2009 Simba acquired 90% of what is now known as Simba Energy Liberia Inc, a private company whose sole asset was a Hydrocarbon Reconnaissance Licence (NR-001) covering an onshore area – one of the first – of approximately 1,366sqkm, in the Roberts Bassa Basin. The License provided up to two years to carry out reconnaissance work to confirm hydrocarbon prospectively of the permitted area. This license also provided the exclusive right to apply for a PSC over the same area, conditional on proving prospectivity. Simba Energy conducted an extensive oil seep survey and laboratory analysis confirmed mature oil. Simba Energy is now negotiating a Production Sharing Contract with NOCAL, the National Oil Company of Liberia and these discussions are near completion.

Exhibit 5: Simba's Liberian assets



Source: Simba Energy

Exhibit 6: Hydrocarbon seep study – Liberia



Source: Simba Energy

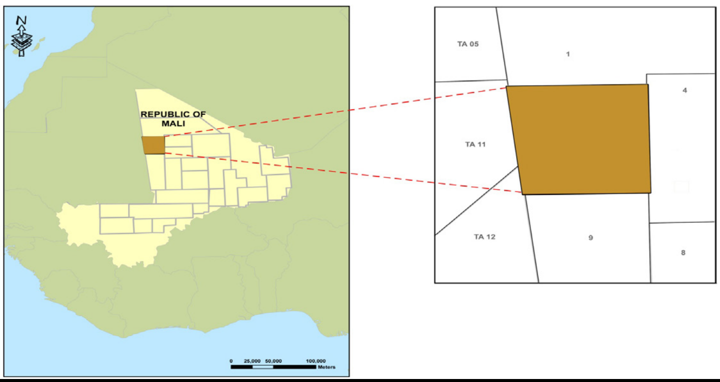
Elections in November 2011 led to some delay in finalising details of the contract. Simba foresees a 180km 2D seismic survey at a cost of C$2.0-2.5m, which is likely to take approximately three months. Within a year of signing the licence Simba expects to drill one well.

The next steps for Simba are to finalise its PSC and continue evaluating the Liberian reserve base but we do not expect expensive exploration activity to kick off over the next 12 months. Further clarity could come from the results of an offshore drilling programme recently launched by Anadarko on Block LB-15 next to Simba's acreage. Chevron also plans to start a drilling programme in 4Q 2011. As recently as November 2011 ExxonMobil agreed to pay $55m for a 70% stake in Block LB-13 offshore Liberia (P50 reserves of 2,314mmboe) and pay a maximum of $36m of drilling costs.

Mali

Simba applied for a PSC in Block 3 in the Taoudeni basin and it is expected that the agreement will be signed imminently – Simba was notified of approval by the government in October 2011 but the PSC has not yet been signed at the time of publication due to unresolved issues regarding initiation costs. The licence area is adjacent to ENI's Block 4, hence the region has extensive seismic surveys. The next stage is to evaluate it for indication of prospects and maybe to do a passive seismic survey. ENI is expected to drill a well within a year nearby on Block 4 which will have major implications for Simba's prospects.

Exhibit 7: Simba's Mali assets



Source: Simba Energy

Block 3 is a 22,500sqkm area in the Taoudeni Basin, which is the largest sedimentary basin covering parts of Mali, Mauritania and Algeria. It has limited previous exploration activity due to its remote location and lack of infrastructure. In the late 1960 to early 1980 period Elf, Esso and SONAREM, the national oil company of Algeria, were active in the region. Block 3 has a number of 2D seismic surveys, but drilling activity is meagre. It covers the deepest sedimentary of the Taoudeni Basin up to 6,000m and sits on top of two types of source rock.

Simba believes that the Mali/Taoudeni Basin represents highly potential reserves – all wells in the Taoudeni basin have hydrocarbon show – and potential for fast-track cash flow generation from a captive market with significant expansion potential.

Ghana

Ghana is a recent addition to Simba's portfolio. The company has applied for a PSC in the Volta Basin where Shell was active in the 1970s. Exploration activity included seismic and a well. The block, which covers 8,700sqkm Ghana onshore, is relatively new, but offshore exploration by other oil companies has recently been successful. Simba applied for the first PSC but interest from competitors quickly followed and now the company awaits a decision from the government. Simba hopes to benefit from being a first comer in the country. The most active companies are Tullow, Vanco and Kosmos Energy.

Management: Track record is essential in key regions

Simba management has experience in the region with several directors having been involved in African upstream activities. However, it has little track record with oil exploration in the countries where Simba is currently operating.

John King Burns, chairman and director: is a former managing director and global head of structured derivative finance for Barclays Metals Group, Barclays Bank PLC, London. Mr. Burns provides international financial and corporate strategy assistance to the management team.

Robert Dinning, president, CEO and director: is a chartered accountant who has operated his own consulting business for the past 30 years. His proven record includes having been a director and/or officer of, several successful companies including ATAC Resources Ltd., Rockhaven Resources Ltd., and is currently chairman of the board of Paramount Gold and Silver, and chairman and CEO of Meadow Bay Gold Corp.

Hassan Hassan, managing director – operations: has been actively involved in various African countries over the past seven years. He is primarily responsible for the sourcing, negotiating and completing the acquisition of PSC's as well as negotiating strategic alliances for the development of PSC's throughout Africa.

James W Dick, P Geol., P. Eng, director: is a petroleum specialist with over 48 years of experience. He is president and prime consultant of J W Dick & Associates Ltd. He was a senior exploration specialist with Exxon, vice president geology for the D&S International Consulting, president of Quad Energy Development Corp. and chief geologist for Mercantile International Petroleum Inc.

Charles de Chezelles, director: is an experienced financial industry expert. He is currently managing director of Omega Trust Company Limited (London); Mr. de Chezelles sits on the board of several financial companies and trusts.

Sensitivities: Consistent with frontier explorers

Surface risk: With most early stage exploration juniors subsurface risk is the greatest risk. Simba's acreage is highly prospective, but building a portfolio could reduce development risk. With various acreages in Africa cash generation at one project could help financing exploration elsewhere. Simba's key areas have seen no or limited exploration activity in the past.

Country/regional risk: Africa has experienced civil conflict and inter-country tensions over the past decades. Simba is active in a number of conflict areas (Liberia, Kenya and Mali). As democratic elections increasingly take place in these countries the risk of war is likely to diminish. Corruption and transparency are still significant concerns across Africa.

Oil price risk: Simba's projects (in particular in Mali) for its long-term viability depend on oil prices remaining at historically high levels in real terms. Management has indicated a return to $40/barrel would in all likelihood render its projects uneconomic (due to limited infrastructure, the distant location and the harsh environment).

Financial risk: Simba will need external funding to pay for a C$6m pa pre-drill work programme over the next two years. It could have difficulty raising funds to finance its operations in the event either of another financial crisis similar to late 2008 and early 2009 or negative drilling results. Credit risk and currency risk should also be part of the consideration).

Valuation: Indicative only but significant upside

Simba has no defined resources or reserves, which makes valuation a speculative exercise at present. The potential investment upside lies in securing partners to fund exploration and ultimately from expected realisation of a company transforming discovery.

Simba operates in countries with limited or no exploration activity. Our valuation is based on neighbouring blocks where there are indications of unrisked gross prospective resources and asset or PSC transfers. Exhibit 8 comprises details of competitors' blocks that are relevant to Simba's portfolio. Note that these blocks are not necessarily extensions of Simba's licence areas and are for information only and cannot be directly deemed indicative of value for Simba.

Exhibit 8: Simba portfolio neighbouring blocks – estimated resources

	Kenya		Republic of Guinea	Liberia	Mali
Block/ Field	Block 1	Block 2B	Offshore licence	Block LB13/14	Block 4
Position vs. Simba	North of Block 2A (next)	South of Block 2A (next	SW of Block 1&2 (100-200km)	West of NR-001 (Next)	West of Block 3 (next)
Owner	Afren	Lion Petroleum	HyperDynamics	Chevron	ENI
Unrisked gross prospective resource	751mmboe	371mmboe	2,300mmboe	2,498mmboe	N/A
Onshore/ offshore	On shore	On shore	Onshore	Onshore	Onshore

Source: Simba Energy, Edison Investment Research

Based on the data in Exhibit 8 it is conceivable that Simba could be targeting as much as 250m to 2.5bnbbls recoverable reserves on any of its prospects. As such our initial, indicative valuation focuses on the potential pre-drill value that can be ascribed to any of its key assets assuming seismic interpretation and preliminary exploration efforts prove encouraging and a potential farm-out deal can be achieved.

A recent PCS transfer between Canadian Overseas Petroleum and ExxonMobil gives us an indication of what an asset valuation could look like. As reported in November 2011 ExxonMobil agreed to pay $55m for a 70% stake in Block LB-13 offshore Liberia (P50 reserves of 2,314mmboe) and pay a maximum of $36m of drilling costs. The implied valuation is 6c/bbl of gross unrisked reserves, of which 3.4c/bbl is the price of the PSC. Taking a potential 1mmboe discovery in Kenya and assuming a 50% farm out Simba could secure $17m in cash, get a well drilled and retain a 50% stake in the project (i.e. 500mmbbls reserves). This could add up to $77m (C$75m) value for just one project assuming a $30m drilling cost per well.

A discovery similar in size to its neighbouring acreages' estimates would of course boost the valuation dramatically. Tullow's $1.5bn agreed bid in December 2009 for Heritage's Ugandan Albertine provides an implied valuation for discovered but underdeveloped P50 reserves in the region at $5/barrel. The suggestion is that at a similar stage in the exploration process the value of an undeveloped barrel without infrastructure in Simba's portfolio would be worth as much as $5/bbl, which would more than compensate for the fact that by this time Simba would likely be a minority partner.

Most of Simba's projects are at too early a stage for any more than a nominal value to be assigned. Drilling is not scheduled until 2013 at the earliest and, owing to the location, exploration and development could be costly. Nevertheless, interest in Liberia, Ghana, Kenya and Guinea exploration is likely to increase following the recent discoveries and the growing interest from international oil companies in the region. Simba's anticipated survey of existing exploration prospects in Kenya and Ghana and ENI's potential success in Mali should further stimulate investor interest.

Simba's current market capitalisation is about C$11m reflecting the early stage of its portfolio development. The capitalisation, in fact, implies discoveries of a mere 180mm barrels at $0.06/barrel. If drilling in the region over the next year or so points to the potential for recoverable resources of over 500mm barrels in Kenya and Guinea, the two most promising regions, the upside in the stock is considerable.

Financials: Funding needs equity raise and farm out

Simba is a pure exploration business so cash flow is inevitably negative and will remain so for the foreseeable future in the absence of asset disposals or farm outs. Like most other juniors, outflows during exploration are financed by injections of new equity and contributions from farm-in partners. Simba has a good track record in raising funds; over the past five years it has raised C$10.6m in equity The most recent injection was in January 2011 when C$3.4m was raised through a placing at 0.08p/unit (unit = one share + one warrant to purchase one share at C$0.16). Annual operation cost run at C$1.5-2.0m and we estimate securing the two PSCs could have cost in the region of C$3-4m. Initial investment for its exploration programme are not significant but Simba considers it a high priority to identify partners for sharing risk and reward of exploration. Kenyan passive seismic (approximately one year) could cost around C$1.5 m and the company has undertaken to spend C$6m over two years to honour the PSC. A planned 2D/3D survey would cost C$3m. In Liberia the 2D seismic for 180km is expected to cost C$2.0-2.5m. In the coming year, Mali is likely to cost C$500,000 - 700,000 until serious exploration activity needs to get underway and we expect Guinea spending of C$0.5m pa. In summary our annual capex estimate of Simba is around C$6m over the next two years, although the programme will obviously depend on results of initial exploration success and the ability to attract partners. At end June 2010 Simba had net cash of C$0.5m. During the year, operating cash outflows of C$3.8m and (modest) capex of C$0.3m were offset by net capital increases of around $5m, leading to end June 2011 net cash of C$1.5m. In 2012, we estimate cash operating outflows of around C$1.5m., which, added to a likely step up in capital expenditure (potential start of drilling in Liberia and Kenya from 2013), indicates possible FY12 net cash outflows of around C$8m. The company currently has minimal (C$17k) debt. Therefore, over the next 12-18 months it is vital for Simba to identify partners that can help to finance the more capital intensive part of the exploration programme as its balance sheet at present cannot finance an extensive exploration activity plus corporate overheads. Assuming that initial results from seismic reinterpretation are positive, we believe Simba will return to the capital market or seek farm-in partners to finance the next step of its exploration programme.

Exhibit 9: Simba Energy financials

Note: From 1 July, 2011 and onwards Simba will prepare and file IFRS quarterly and annual financial statements fully compliant with detailed IFRS disclosures and reconciliations. It will issue its first IFRS annual consolidated financial statements for the fiscal year ending 30 June 2012

CAD'000s	2008	2009	2010	2011	2012e	2013e
Year end 30 June	CANGAAP	CANGAAP	CANGAAP	CANGAAP	IFRS	IFRS
PROFIT & LOSS						
Revenue	0	0	0	0	0	0
Cost of Sales	0	0	0	0	0	0
Gross Profit	0	0	0	0	0	0
EBITDA	(1,919)	(2,677)	(1,366)	(6,083)	(3,997)	(4,117)
Operating Profit (before amort. and except.)	(1,316)	(2,346)	(1,356)	(4,852)	(2,729)	(2,811)
Intangible Amortisation	0	0	0	0	0	0
Exceptionals	0	0	0	0	0	0
Other	0	0	0	0	0	0
Operating Profit	(1,316)	(2,346)	(1,356)	(4,852)	(2,729)	(2,811)
Net Interest	0	(91)	(69)	(5)	(346)	(817)
Profit Before Tax (norm)	(1,316)	(2,436)	(1,425)	(4,857)	(3,075)	(3,628)
Profit Before Tax (FRS 3)	(1,316)	(2,436)	(1,425)	(4,857)	(3,075)	(3,628)
Tax	0	185	0	0	0	0
Profit After Tax (norm)	(1,316)	(2,251)	(1,425)	(4,857)	(3,075)	(3,628)
Profit After Tax (FRS 3)	(1,316)	(2,251)	(1,425)	(4,857)	(3,075)	(3,628)
Average Number of Shares Outstanding (m)	11.1	28.7	47.6	110.1	140.6	140.6
EPS - normalised (p)	(11.8)	(7.9)	(3.0)	(4.4)	(2.2)	(2.6)
EPS - normalised and fully diluted (p)	(11.8)	(7.9)	(3.0)	(4.4)	(2.2)	(2.6)
EPS - (IFRS) (p)	(11.8)	(7.9)	(3.0)	(4.4)	(2.2)	(2.6)
Dividend per share (p)	0.0	0.0	0.0	0.0	0.0	0.0
Gross Margin (%)	N/A	N/A	N/A	N/A	N/A	N/A
EBITDA Margin (%)	N/A	N/A	N/A	N/A	N/A	N/A
Operating Margin (before GW and except.) (%)	N/A	N/A	N/A	N/A	N/A	N/A
BALANCE SHEET						
Fixed Assets	539	1,276	1,979	2,087	7,599	13,276
Intangible Assets	527	1,266	1,968	1,968	7,359	12,912
Tangible Assets	12	10	10	119	240	364
Investments	0	0	0	0	0	0
Current Assets	1,255	136	551	1,644	581	301
Stocks	0	0	0	0	0	0
Debtors	17	14	10	55	57	58
Cash	1,196	90	533	1,516	444	154
Other	41	32	9	73	81	89
Current Liabilities	(138)	(768)	(606)	(490)	(8,014)	(17,039)
Creditors	(138)	(370)	(589)	(473)	(496)	(521)
Short term borrowings	0	(398)	(17)	(17)	(7,517)	(16,517)
Long Term Liabilities	(33)	(8)	(62)	(2)	(2)	(2)
Long term borrowings	0	0	0	0	0	0
Other long term liabilities	(33)	(8)	(62)	(2)	(2)	(2)
Net Assets	1,622	636	1,861	3,239	164	(3,463)
CASH FLOW						
Operating Cash Flow	(644)	(1,703)	(1,324)	(3,782)	(2,698)	(2,778)
Net Interest	0	(91)	(69)	(5)	(346)	(817)
Tax	0	(185)	0	0	0	0
Capex	(469)	(1,077)	(660)	(230)	(5,521)	(5,687)
Acquisitions/disposals	0	0	0	0	0	0
Financing	2,308	1,559	2,831	4,994	(7)	(8)
Dividends	0	0	0	0	0	0
Net Cash Flow	1,196	(1,496)	778	978	(8,572)	(9,290)
Opening net debt/(cash)	0	(1,196)	308	(516)	(1,499)	7,073
HP finance leases initiated	0	0	0	0	0	0
Other	1	(8)	46	5	0	0
Closing net debt/(cash)	(1,196)	308	(516)	(1,499)	7,073	16,363

Source: Simba Energy, Edison Investment Research

Growth	Profitability	Balance sheet strength	Sensitivities evaluation	
N/A	N/A	N/A	Litigation/regulatory	●
			Pensions	○
			Currency	◖
			Stock overhang	○
			Interest rates	◖
			Oil/commodity prices	●

Growth metrics	%	Profitability metrics	%	Balance sheet metrics		Company details	
EPS CAGR 08-12e	N/A	ROCE 11	N/A	Gearing 11	N/A	Address:	
EPS CAGR 10-12e	N/A	Avg ROCE 08-12e	N/A	Interest cover 11	N/A	300-905 West Pender Street, Vancouver, BC, V6C 1L6 , Canada	
EBITDA CAGR 08-12e	N/A	ROE 11	N/A	CA/CL 11	N/A		
EBITDA CAGR 10-12e	N/A	Gross margin 11	N/A	Stock turn 11	N/A	Phone	604-641-4450
Sales CAGR 08-12e	N/A	Operating margin 11	N/A	Debtor days 11	N/A	Fax	1-855-557-4622
Sales CAGR 10-12e	N/A	Gr mgn / Op mgn 11	N/A	Creditor days 11	N/A	www.simbaenergy.ca	

Principal shareholders	%
Pinetree Capital	7.1
Mr. Pasquele DiCapo	3.6
Mr. Robert Dinning	1.7
Mr. Hassan Hassan	1.5
Mr. John King Burns	0.2
Mr. James Dick	0.1

Forthcoming announcements/catalysts	Date *
AGM	23 December 2011
Investor day	N/A
Trading update	N/A
Interim results	Dec 2011/Jan 2012
*Note: * = estimated*	

Management team
CEO: Robert Dinning
Mr. Dinning has a proven track record of success in the financial community including acting as a director and/or officer of several public companies, including Industrial Mineral Inc., ATAC Resources Ltd., Rockhaven Resources Ltd., Apolo Gold & Energy and Sonora Gold & Silver Ltd., chairman of Paramount Gold and Silver and Meadow Bay Gold.
Managing Director Operations: Hassan Hassan
Mr. Hassan has been instrumental in sourcing, negotiating and completing of Simba's Production Sharing Contracts. Mr. Hassan is also an advisor to junior resource exploration companies and he assists companies in business development and asset acquisitions. He travels extensively in Africa where he has extensive corporate and government relationships.
Chairman: John King Burns
Mr. Burns is a former global head of structured derivative finance for Barclays Metals Group, Barclays Bank, London. He is an experienced international executive in the global resources sector and is currently a senior project advisor to Potomac Asset Management Co, in Maryland.

Companies named in this report
Africa Petroleum, Amoco, Anadarko, BG, Chevron, CNOOC, Dominion, Elf, ENI Lion Petroleum, Petronas, Shell, Tullow, TOTAL