

# ALGOA-GAMTOOS BASINS OFFSHORE SOUTH AFRICA FARM IN OPPORTUNITY



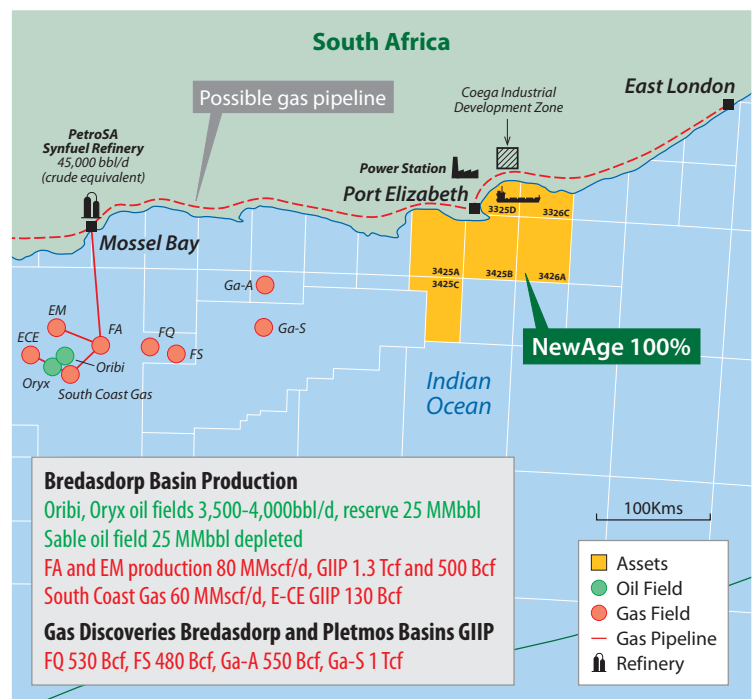
Simco is pleased to advise that New African Global Energy SA (Pty) Ltd ("NewAge") is seeking partners to continue exploration of their highly attractive exploration acreage in the Algoa and Gamtoos Basins, offshore South Africa. Simco has been retained to support NewAge and facilitate the marketing of this opportunity.

## Introduction

NewAge is a private company established in 2007 with offices in London, UK and Johannesburg, South Africa. The company is well funded with a high quality and widespread shareholder base including key investors in South Africa, UK, USA and the UAE. The company has a highly experienced management team with extensive international experience. Currently the company has exploration assets in Kurdistan, Ethiopia, Congo Brazzaville, Mozambique as well as South Africa.

## The Opportunity

The primary exploration targets identified by NewAge are oil prone Lower Cretaceous age submarine channel/fan plays, primarily in stratigraphic traps in the Algoa Canyon within the Algoa Basin. The two main prospects identified have Prospective Resources of 115-125 MMbbl (P50) with upside (P10) potential of 300-320 MMbbl respectively. Adjacent offset wells demonstrate the presence of an effective petroleum system with good quality reservoir sands and source intervals. The current evaluation is based on legacy 2D seismic data and requires 3D seismic data to further de-risk the prospects prior to drilling. A 500 km<sup>2</sup> commitment 3D seismic acquisition is planned for 2011. The primary prospectivity can be considered analogous to Rockhopper's recent Sea Lion discovery announced in the North Falklands Basin.



Further exploration potential is recognised in the Gamtoos Basin acreage. The prospects are synrift Lower Cretaceous structural traps with typical prospect size of c.250 Bcf.

Commercial terms in South Africa are extremely attractive resulting in the commercial threshold for an oil development of under 25 MMbbl and highly attractive returns on projects of modest size. Screening economics show that a 100 MMbbl development would deliver NPV of over US\$1 billion and an IRR of 48% with the clear ability to be a company maker.

The acreage is held under a Technical Co-Operation Permit (TCP) awarded in April 2009. The twelve month technical study work programme, including technical studies and 1,300 km 2D seismic reprocessing, has been completed by NewAge. The application for a full Exploration Permit has been submitted and accepted by the authorities. Award of the Exploration Permit is expected by December 2010. An Exploration Permit comprises an initial 3 year term with a 3D seismic commitment and two subsequent two year periods, each with a firm well commitment.

NewAge currently hold the Algoa-Gamtoos Basins acreage with 100% equity interest and are seeking to dilute their interest prior to execution of the planned 3D seismic acquisition and the subsequent drilling programme. State participation, through PetroSA, comprises a 10% carried interest through the exploration phase.

Exploration in South Africa benefits from excellent commercial terms which are among the most attractive in a global context. The acreage is also close to Port Elizabeth, the Coega Industrial Development Zone and deep water port and other industrial centres including the PetroSA synfuel Refinery which will support fast track development of any discovery.

### Block Description

The acreage is located offshore from the coastline to water depths up to c.500m and covers a total of 11,888 km<sup>2</sup> comprising six contiguous licence blocks. The area is under explored with only twenty wells drilled to date in the offshore, of these, only five have been drilled in the Algoa Canyon area.

The Algoa and Gamtoos Basins form part of the Jurassic-Cretaceous Atlantic rift basin system which has recently seen renewed exploration interest in the Falkland Islands Basins. The success of Rockhopper's Sea Lion discovery (well 14/10-2) in May 2010 (53m net oil pay with best estimate oil resources of 242 MMbbl with an upside of 669 MMbbl (RPS Energy)) in a similar setting and trapping style is very encouraging for the NewAge acreage.

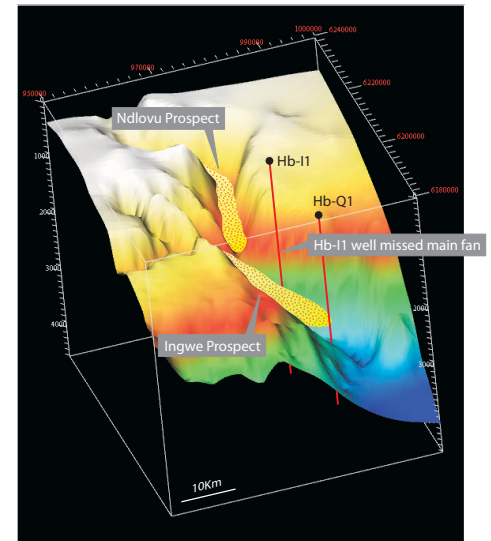
The Algoa and Gamtoos Basins were explored sporadically (by Soekor) in the 1970's and 1980's with limited success. Exploration was largely focussed on structural traps defined on 2D seismic data. Reservoir plus oil and gas source intervals were proven but no commercial discoveries were made. Oil and gas production is proven in neighbouring basins and oil has been produced from the Sundays River Trough, the onshore extension of the Algoa Basin (36° API oil from well CO 1/67).



### Prospectivity

NewAge has identified two primary prospects, Ndlovu and Ingwe which are stratigraphic traps developed as discrete sand bodies in the Barremian to Aptian turbidite systems that were deposited within the Algoa Canyon. The Canyon is a major topographic feature that cuts deeply into the underlying syn rift section containing proven source rocks.

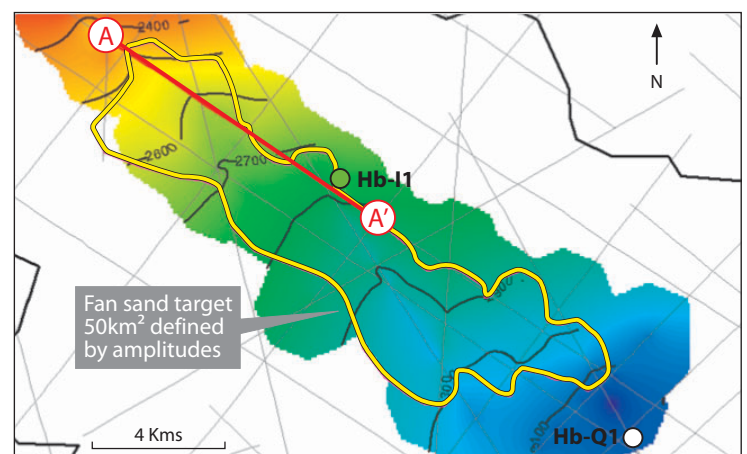
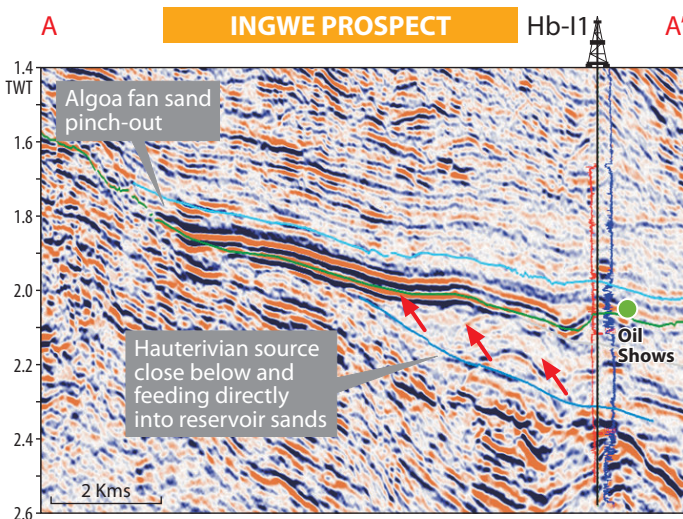
Pioneer held much of the acreage from 1997-2005 and drilled one exploration well in 2000. The well (Hb-Q1) targeted a mounded fan feature at the mouth of the Algoa Canyon and encountered thin bedded distal turbidite sands. The currently identified prospects lie updip of this well in a more confined channel setting where thicker and better quality reservoir is expected and are supported by a significant amplitude signature not present in Hb-Q1.



Ingwe is located updip and adjacent to previously drilled wells Hb-Q1 and Hb-I1 respectively. Both wells have good quality reservoir sand and Hb-I1 encountered good oil shows that demonstrate an effective hydrocarbon charging system from the underlying Hauterivian and Portlandian source intervals. Further evidence of a working petroleum system is evidenced by the presence of a surface geochemical anomaly above the Ndlovu prospect. Ingwe is characterised by a strong amplitude response which is visible on several of the existing 2D seismic lines. 3D seismic data is needed to further evaluate this response and to allow accurate calibration to the well data.

Ingwe is estimated to have 115-300 MMbbl Prospective Resources. Ndlovu is positioned to the north of Ingwe at a higher stratigraphic level and has estimated Prospective Resources of 125-320 MMbbl.

Several structural traps have been mapped in the adjacent Gamtoos Basin. These are additional exploration targets, considered likely to be gas prone, each estimated to have Resources in the order of 200-250 Bcf.



Depth (m) Top Reservoir Ingwe Prospect



### **Commercial**

The system is a Tax/Royalty with the Royalty (5%) based on profits. Income tax is 28% of taxable income. Capex can be uplifted by 100% for exploration and 50% for production and, as with Opex, is expensed and immediately deductible for tax purposes.

Given the excellent terms, commercial threshold volumes for an oil development are very low. A 25 MMbbl case is highly attractive with NPV10 of US\$287 with an IRR of 45%. Screening economics show that a 100 MMbbl development (Ndlovu or Ingwe) would deliver NPV10 (gross contractor share) of US\$1023 MM with an IRR of 48%. A 200 MMbbl development would deliver an NPV10 of US\$2170 MM with an IRR of 59%.

### **Procedure**

Interested companies are invited to contact Simco at their London address. On completion of a Confidentiality Agreement, access to the data room will be provided at Simco's London office or in NewAge's Johannesburg office.

### **For further information please contact:**

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