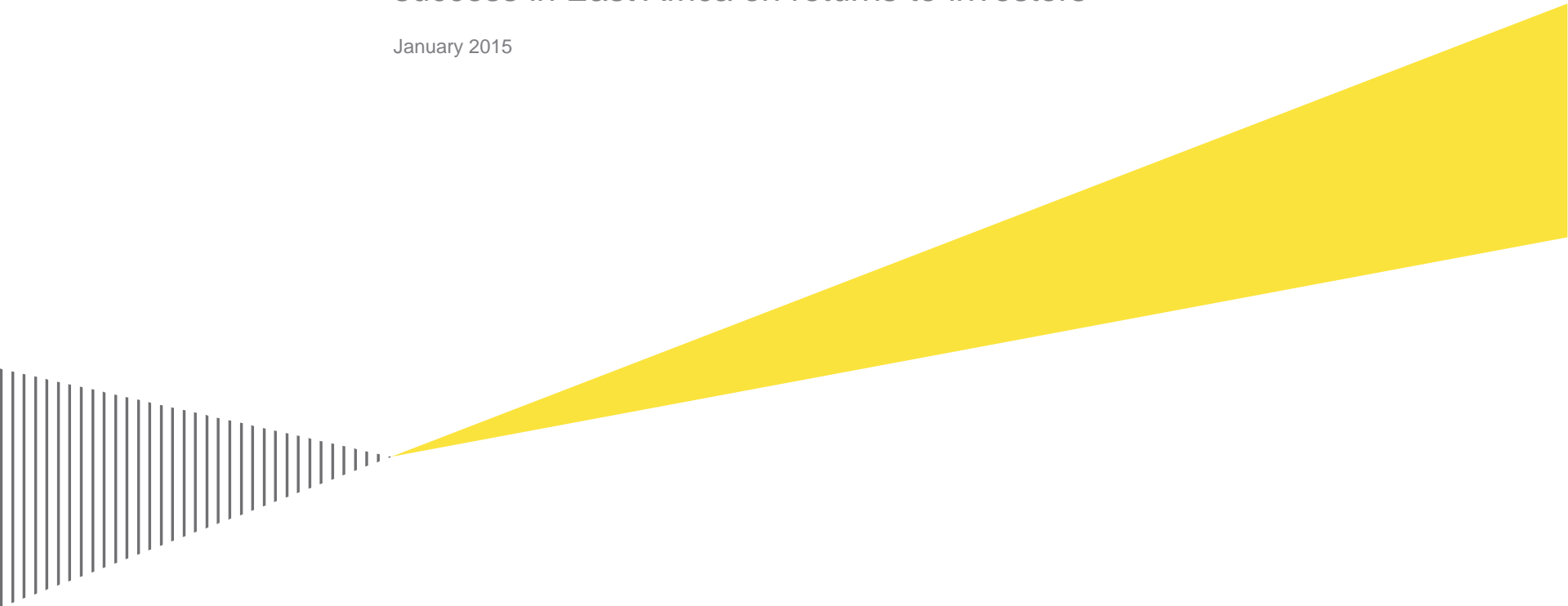


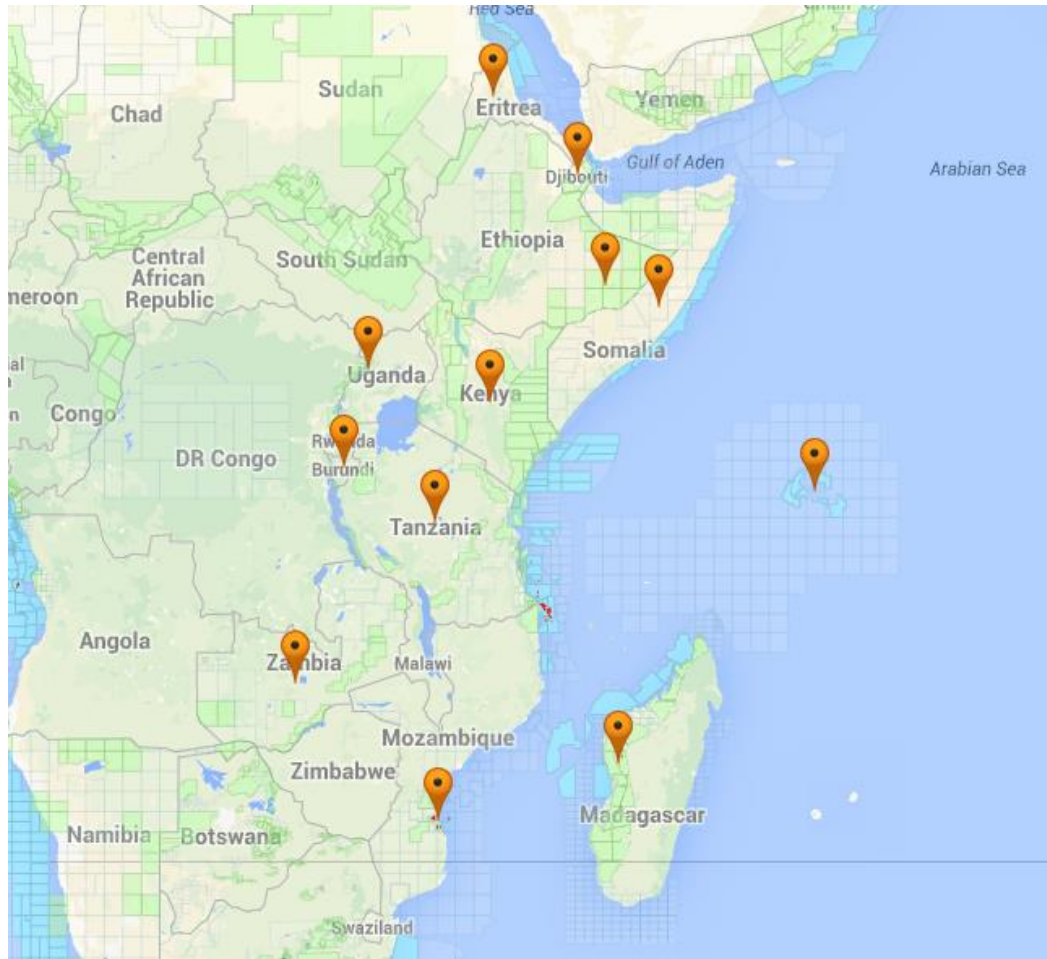
Finding African Oil

Onshore East Africa - the impact of onshore success in East Africa on returns to investors

January 2015



An exciting time in East African oil...



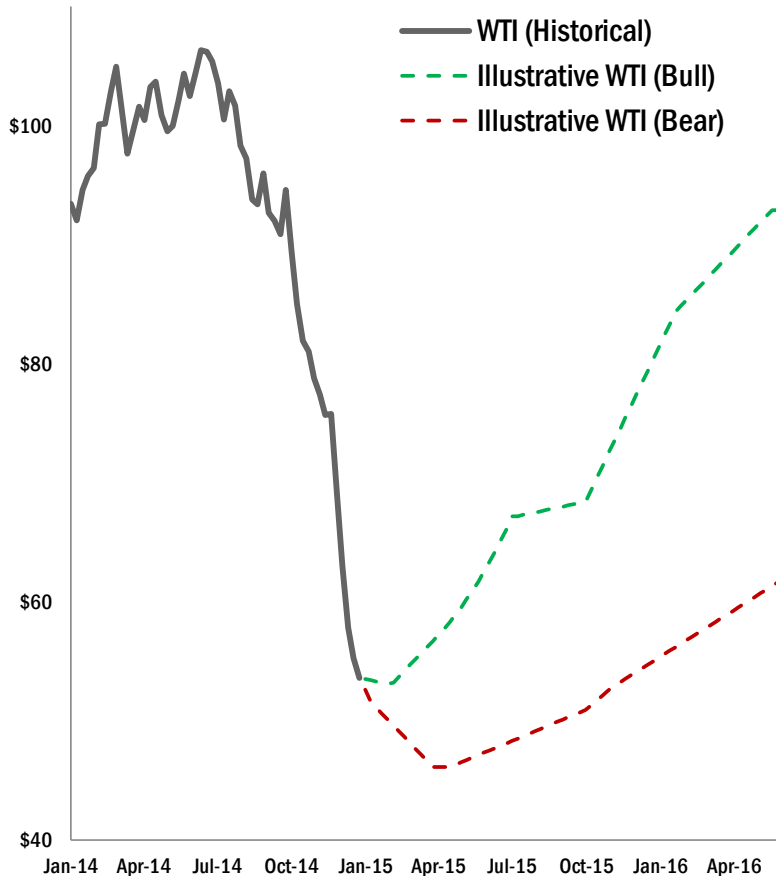
- ▶ **12 countries**
- ▶ **96 fields**
- ▶ **24 onshore fields**
- ▶ **15 technical discoveries**
- ▶ **9 commercial fields**
- ▶ **2 onstream developments (gas)**
- ▶ **2 under development**
- ▶ **5 probably entering development**
- ▶ **In excess of \$16bn in capex required and 2.6bn mboe reserves (p+p)**

Sources: WoodMackenzie Upstream Data Tool, 27th January 2015

...but nothing is now certain



Price uncertainty



Political and policy uncertainty

“Local (content) policies set back East Africa Oil and Gas projects”

AFK Insider

“Exploration stalls in Africa as oil price declines”

Business Day

“Shabab terrorism threat casts wider shadow over Kenya”

LA Times



Our five rules during the current uncertainty

1 Price downturns follow predictable and repeatable patterns

2 All options are on the table

3 “Drilling in the markets” can be cheaper than in the real world

4 Cash flow is king

5 In the long term, East Africa is attractive

1

Price downturns follow predictable and repeatable patterns



Two distinct phases to the pattern...

Phase 1

Doing more with less

Sustained balance sheet pressure

Phase 2

Confidence in M&A driven by upward movement in oil prices

Price downturns follow predictable and repeatable patterns



Two distinct phases to the pattern... ...no prize for guessing where we are!

Phase 1

Doing more with less

Sustained balance sheet pressure

Phase 2

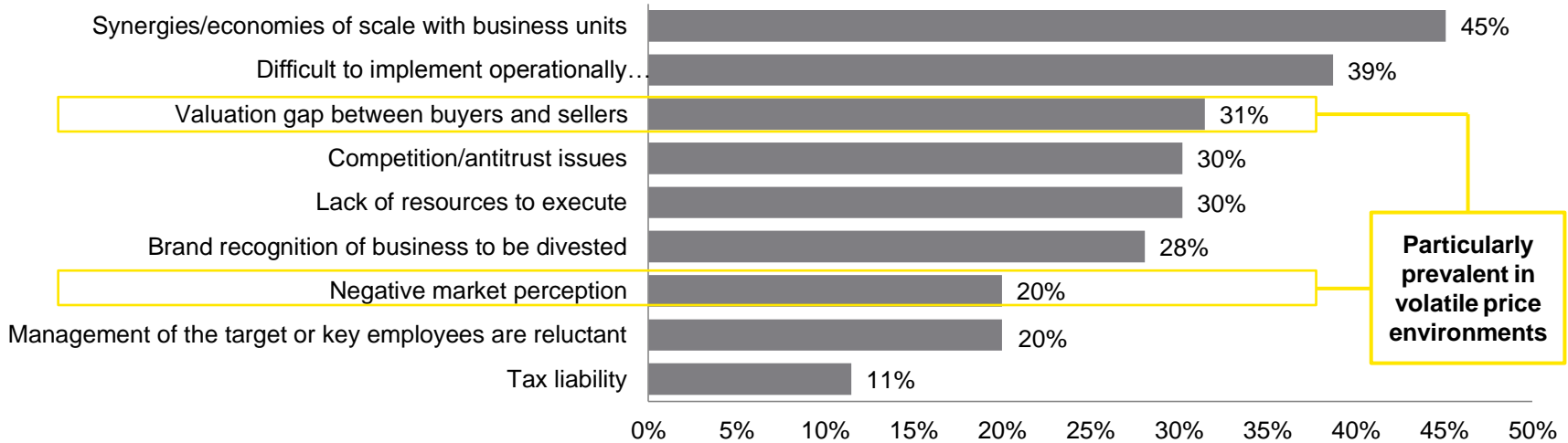
Confidence in M&A driven by upward movement in oil prices

“The exploration and appraisal budget will be cut to \$300 million from \$1 billion... Tullow said today in a statement.”

“Premier has also responded to the sharp fall in the oil price with a broad programme of cost reductions and the postponement of discretionary spend”



What prevents companies from transacting?



But innovative deals make the difference

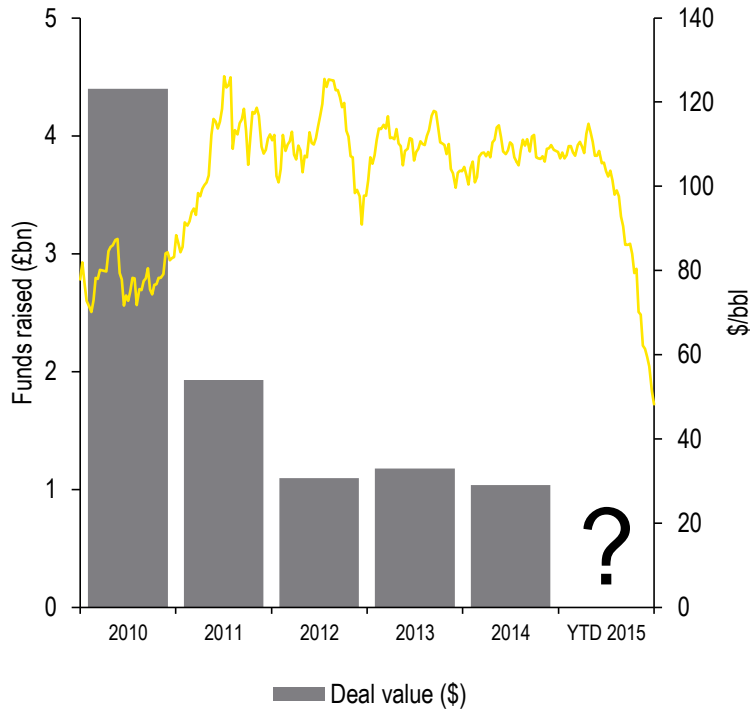
- A** Opportunities exist for game-changing transactions with the right parties
- B** Know and understand your portfolio, capabilities and potential capital options
- C** Consider shared upside – help close the perceived valuation gap

“Drilling in the markets” can be cheaper than in the real world

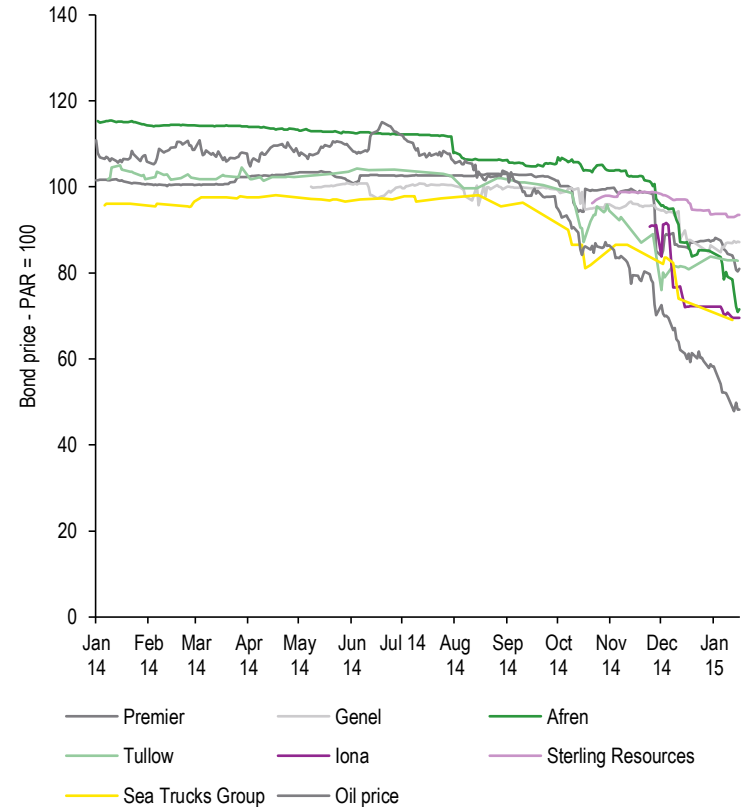


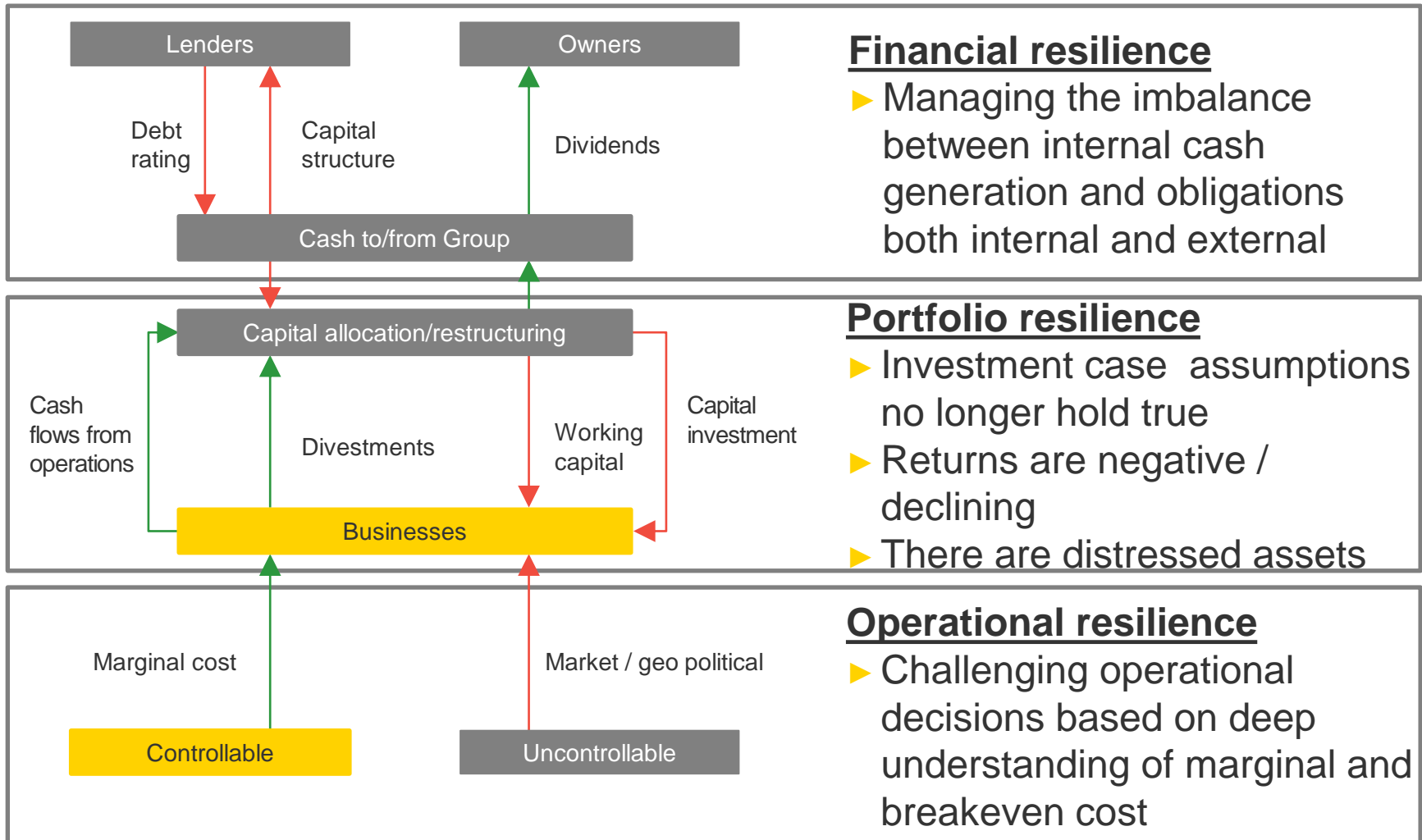
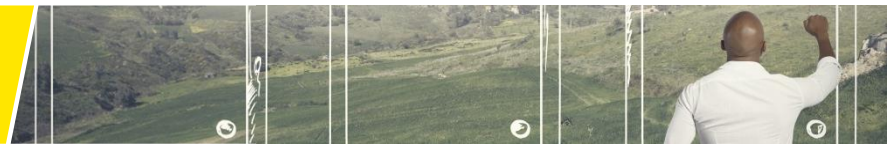
Equity raised tracks oil price...

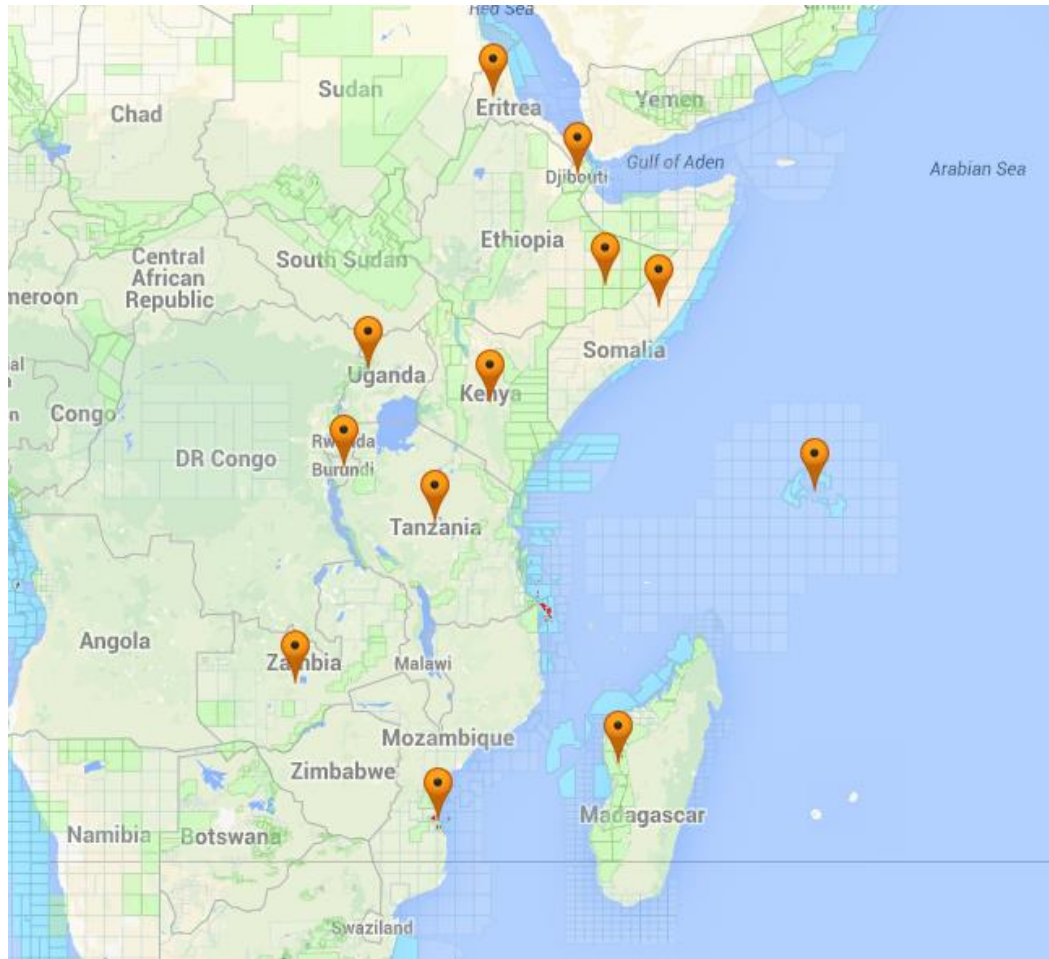
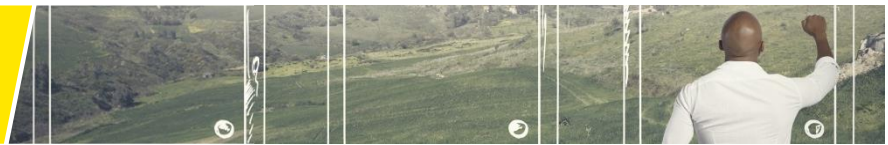
London Main / AIM Markets



...and bonds are trading at a discount







- A** Geographic position for long term access to markets
- B** Historically underdeveloped and underexplored
- C** Geopolitical moves (East African Union) could permit significant sharing of resource



1 What are your strategic options during this period of uncertainty?

2 How can you improve your cash flow and business resilience?

3 What innovative deals might work for your business?



Ray MacSweeney
Director, EY Oil and Gas Advisory
rmacsweeney@uk.ey.com