

27 July 2012

**RECOMMENDATION  
Speculative Buy**

12 month price target	<b>\$0.48</b>
12 month volume	307m
12 month share low	A\$0.08
12 month share high	A\$0.25

**ISSUED CAPITAL**

ASX	JKA
Share price	\$0.15
Mkt cap <sup>1</sup>	\$37m
Ordinary shares on issue	248m
Options <sup>2</sup>	76m

<sup>1</sup> Undiluted Source: IRESS  
<sup>2</sup> Various dates and strike prices

**DIRECTORS**

Scott Spencer	Chairman
Richard Aden	Exec Director
Justyn Wood	Technical Director
Brett Smith	Non-Exec Director
Stephen Brockhurst	Non- Exec Director

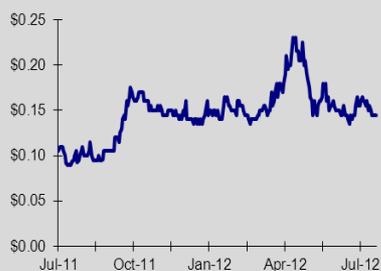
Source: JKA

**MAJOR SHAREHOLDERS**

Contango Asset Mgmt	6%
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Source: IRESS

**12 MONTH PERFORMANCE**



Source: IRESS

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# Jacka Resources Ltd (JKA)

## Hammamet West Drilling Rig Secured

JKA has announced JV partner Cooper Energy (COE) has entered into a legally binding Letter of Intent with Grup Servicii Petroliere SA (GSP) for the “GSP Jupiter” jackup rig to drill the Hammamet West-3 (HW3) appraisal well offshore Tunisia. Drilling of the HW3 well (111 mmbbls oil P50 contingent resource, 17mmbbls net to JKA) is expected to commence in December 2012 which we believe will be a significant catalyst for JKA. Furthermore, a number of other high impact catalysts are expected in the near term and coupled with the recent share price weakness, we believe JKA provides a compelling speculative buying opportunity. JKA remains one of our top three “High Conviction” plays for 2012 and we maintain our Speculative Buy recommendation with a slightly lower price target of \$0.48/sh (previously \$0.51/sh) to reflect our updated cash balance estimate.

**Key Points:**

- Hammamet West drilling rig secured:** JV partner COE has entered a legally binding Letter of Intent for the GSP Jupiter rig to drill the HW3 appraisal well (15% JKA) offshore Tunisia. The HW3 well will appraise the resource potential of the Abiod formation in the Hammamet West discovery (111 mmbbls oil of P50 contingent resources, 17mmbbls net to JKA). The current estimate is for drilling to commence in December which is dependent on the rig being released from scheduled activity on time. Schedule slippage from previous commitments could rephase the drilling of HW3 to 1Q CY13.
- Company making upside at Hammamet West-3:** We estimate a success at HW3 would have a transformational impact on JKA resulting in substantial upside of ~\$0.40/sh unrisks (assuming a commercial discovery of 111mmbbls oil).
- Aje project update expected shortly:** An update of the Aje project (offshore Nigeria) is expected shortly. The key deliverables we are expecting will be the timing of the Aje-5 extended well test (expected February) which could provide near term cashflow and the field development plan. We believe JKA’s 5% revenue earning interest in the Aje field, offshore Nigeria has been undervalued by the market to date. On a valuation basis alone, we estimate JKA’s 10mmboe of 2C resources (assuming they are converted to reserves) provides \$100m of NPV (unrisks).
- Drilling decision on WA-399-P expected Q3 CY12:** A drilling decision on WA-399-P is expected shortly. WA-399-P is located in the Exmouth Basin offshore Australia in which JKA has a 15% interest with the operator being global oil and gas company Apache (60%). The permit is located close to discovered oil and gas fields including Macedon and Pyrenees. A 3D seismic survey has been acquired over the block to de-risk potential exploration prospects with the most prospective being the Gazelle lead (40 to 60mmboe).
- Funding a key risk:** JKA’s key near term funding commitment is the HW3 well which is estimated to cost ~\$US26m (US\$7.8m/\$A7.2m net to JKA). We estimate JKA currently has ~\$6m cash and therefore additional funding will need to be secured prior to drilling.

## Hammamet West Drilling Rig Secured

JKA has announced the Bargou Joint Venture (55% Dragon Oil Plc, 30% COE and 15% JKA) has secured a rig for the Hammamet West-3 well (HW3), located offshore Tunisia. COE has entered into a legally binding Letter of Intent with Grup Servicii Petroliere SA (GSP) for the “GSP Jupiter” jackup rig. Drilling of the HW3 well is expected to commence in December 2012 which is dependent on the rig being released from scheduled activity on time. Schedule slippage from previous commitments could rephase the drilling of HW3 to 1Q CY13.

## Bargou Block, Offshore Tunisia (15% JKA)

JKA holds a 15% interest in the Bargou block in the Gulf of Hammamet, offshore Tunisia. The Bargou block lies in a proven petroleum basin (the Eni Maamoura oilfield development is located 12km to the south) in relatively shallow water (50m to 100m) and is close to shore which should minimise future development costs. Two exploration wells drilled on the block encountered hydrocarbons with the Hammamet West 1 (HW1) well encountering an 8 metre oil column in the Birsa formation and >30 metres of hydrocarbons in the Ain Grab/Fortuna formations in 1967. A follow up well (Hammamet West 2) was drilled in 1990 and encountered 3 zones of movable oil over a 192 metre section in the Abiod formation, which today is a proven producer in the area. The Hammamet West oil discovery is a large anticlinal structure.

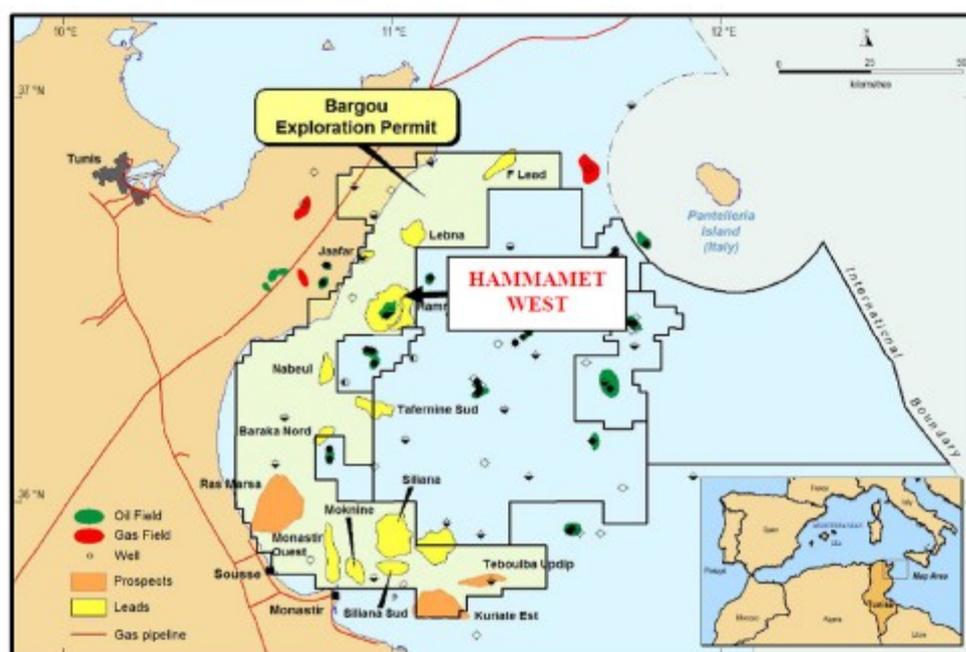


Figure 1: Hammamet West

Source: JKA

The HW3 well will appraise the resource potential of the Abiod formation in the Hammamet West discovery. The well will intersect the reservoir with a slightly deviated pilot hole to confirm the depth to the top of the Abiod reservoir and appraise potential upside. A horizontal section will then be drilled through the Abiod reservoir and tested to assess the commerciality of the discovery and delineate the resource potential which is currently estimated at 475mmbbls (P50 oil in place) and 101 mmbbls oil of P50 contingent resources (15mmbbls net to JKA). A secondary target in HW3 is the Birsa sandstone which is estimated to hold 33mmbbls oil in place with 10mmbbls oil P50 contingent resource (1.5mmbbls net to JKA). We estimate a success at HW3 would have a

transformational impact on JKA resulting in substantial upside of ~\$0.40/sh unrisks (assuming a commercial discovery of 111mmbbls oil).

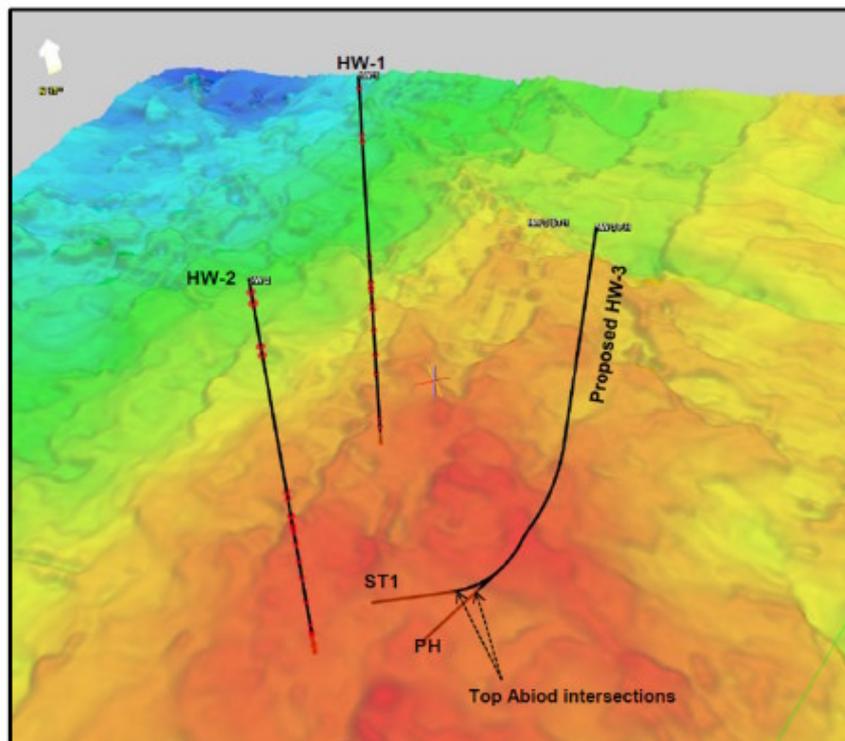


Figure 2: Abiod Structure and well paths

Source: JKA

The gross drilling and testing costs of the HW3 appraisal well is ~\$US26m (US\$7.8m/\$A7.2m net to JKA) and the well is scheduled to be spudded in December 2012. The key risk will be reservoir quality and well deliverability with surrounding Abiod development wells producing at ~5,000boepd. JKA estimate a commercial flow rate would be ~2,500boepd.

A development concept for HW has been completed by Worley Parsons which includes an unmanned platform and a pipeline to shore for oil and gas to be processed before being exported to relevant markets. The field is located only 12kms from shore and this short distance coupled with the relatively shallow water depth of 50 metres suggests 12mmbbl oil could be economic.

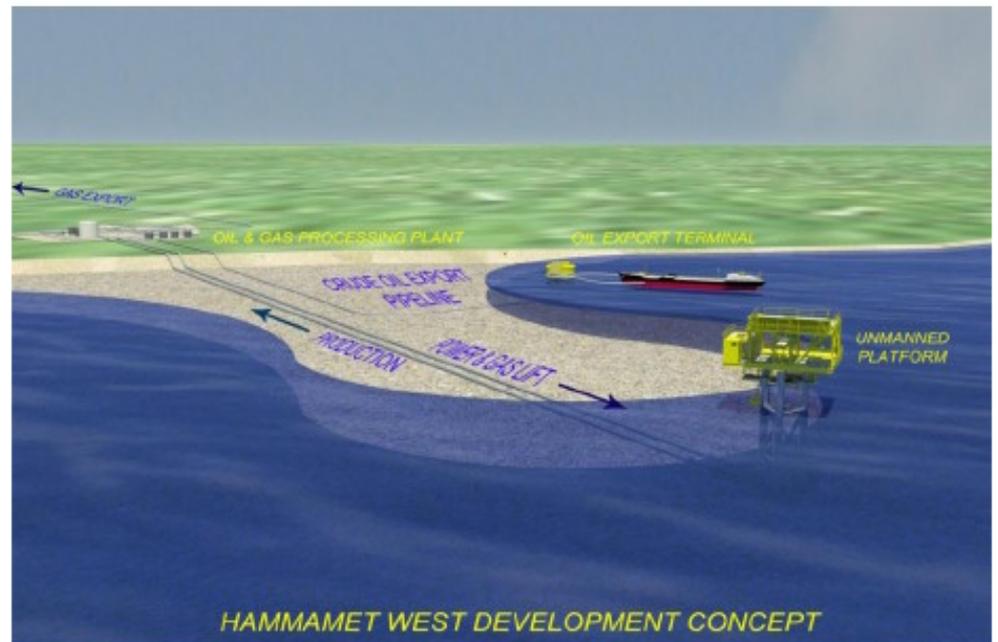


Figure 3: Hammamet West Development Concept

Source: JKA

The participation of LSE listed Dragon Oil (market cap of over £3bn) to the JV provides significant operational capability and enhances the credibility of the permit. Dragon oil is an international oil and gas exploration and production company quoted on both the London and Irish stock exchanges. The company has reserves of 639mmbbls of oil and condensate and 1.6tcf gas with its primary producing asset in the Caspian Sea, offshore Turkmenistan.

**Disclosure****RCAN1053**

This Research report, accurately expresses the personal view of the Author. All the information utilised in this report is accurate and current at the date stated on this report.

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The Author of this report made contact with **Jacka Resources Ltd** for assistance with verification of facts, admittance to business sites, access to industry/company information. No inducements have been offered or accepted by the company.

The recommendation made in this report is valid for four weeks from the stated date of issue. If in the event another report has been constructed and released **Jacka Resources Ltd**, the new recommendation supersedes this and therefore the recommendation in this report will become null and void.

**Recommendation Definitions**

SPECULATIVE BUY – 10% out-performance, but high risk

BUY – 10% or more out-performance

ACCUMULATE – 10% or more out-performance, buy on share price weakness

HOLD – 10% underperformance to 10% over performance

SELL – 10% or more underperformance

Period: During the forthcoming 12 months, at any time during that period and not necessarily just at the end of those 12 months.

Stocks included in this report have their expected performance measured relative to the ASX All Ordinaries index. DJ Carmichael Pty Limited's recommendation is made on the basis of absolute performance. Recommendations are adjusted accordingly as and when the index changes.

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