

## ENERGY STOCK IDEAS

## JACKA RESOURCES LTD (JKA) - \$0.18

## SPECULATIVE BUY

JKA 12 Month Performance



Source: IRESS

JKA is a junior oil and gas explorer which has been on the acquisition trail for assets in Africa. JKA recently entered into an agreement which will give the company a 5% revenue earning interest in the discovered Aje field offshore Nigeria. On completion of the transaction, JKA will acquire 10 million barrels of oil equivalent (P50 contingent resources) and enter into a Joint Venture (JV) which includes Chevron as technical advisor. We believe JKA is an exceptional Speculative Buying opportunity.

- High quality asset acquisition.** JKA announced it has entered into an agreement with Providence Resources Plc (Providence) to acquire a 5% revenue earning interest (paying 6.7% of the field development costs) in the discovered Aje field offshore Nigeria (OML 113). The agreement is expected to be executed before the end of October. Four wells have been drilled on the field, all of which encountered hydrocarbons. Following a successful appraisal program in which two wells were flow tested (Aje-1 and Aje-2), the JV partners have deemed the field to be commercial. JV partners include YFP (Operator), Chevron (Technical Advisor), Vitol and Panoro Energy. The asset is high quality given it's a discovered field with a successful appraisal program completed, and global energy giant Chevron being the technical advisor lowers future project execution risk, in our view.
- Delivers 10 million barrels of oil equivalent (10mmboe) net to JKA.** JKA has estimated the potential acquisition will deliver 10mmboe net to JKA of contingent resources (P50). JKA believe this initial contingent resource estimate could increase to as much as 15mmboe during the detailed design phase of the project. In addition, the contingent resources will be converted to proved and probable reserves (2P) once a Final Investment Decision (FID) has been taken, which is expected 1H CY2012.
- Asset being acquired for a total consideration of US\$16m.** The total consideration for the asset will be US\$16m. A deposit of US\$1m has been paid, a tranche 1 payment of US\$9m is payable on 15 November 2011 and a tranche 2 payment of US\$6m is payable on 30 April 2012. JKA currently has ~\$4m in cash and expects to fund the future tranche payments via a combination of cash, options (46m JKA OB options expire 31 October 2011 with a 15 cents exercise price which would provide funding of \$7m), a potential capital raising, debt financing and the forward sales of oil from the project. We look forward to further details of the funding mix.
- Diversified asset base.** Beyond the potential Aje field acquisition, JKA has interests in an additional three assets in Africa and Australia. These include a 15% interest in both the Bargou block (Tunisia) and WA-399-P located in the Exmouth Basin offshore Australia. In addition, JKA has a 100% interest in the onshore Ruhuhu Basin, Tanzania, an onshore area covering 8,400km<sup>2</sup>.
- Exceptional Speculative Buying opportunity.** We recently met with management (Richard Aden and Scott Spencer) and were impressed by JKA's focussed strategy on building JKA into an international African focussed energy company. We like the strategy and the assets and believe JKA is a stand-out oil and gas company in the small cap space.