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WEEKLY RESOURCE REPORT by Gavin Wendt



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Jacka Resources (JKA) – Spec Buy around \$0.125

Oil explorer with stakes in highly prospective projects of varying maturity in Africa and Australia. Along with an upcoming well in Tunisia, excitement surrounds a major new onshore exploration block in Nigeria.

Corporate Details

Status: Grassroots Explorer
 Size: Small Cap
 Commodity Exposure: Oil & Gas
 Share Price: \$0.125
 12-month Range: \$0.067 - \$0.27
 Shares: 93m, Options: 83m
 Top 20: 32%
 Net Cash: \$4m
 Market Value: \$12m



	Rating (✓out of 5)
Management Quality	✓✓✓✓
Financial Security	✓✓✓✓
Project Quality	✓✓✓✓
Exploration / Resource Potential	✓✓✓✓✓
Project Risk	✓✓✓✓

As we mentioned in our initial coverage of the company in our Daily Bulletin on 1 July 2011, Jacka Resources was amongst the worst-performing resource stocks of the past financial year, with its share price plummeting from a high of \$0.27 in October 2010 to a July 2011 low of \$0.067. The oil business can be a frustrating one for companies and investors, with exposure to a wide range of variables and risk factors.

But there's strong cause for optimism and the company's share price performance since July reflects. In fact the company has swum against the broader sharemarket tide, almost doubling in price over the past few months as investors have begun to appreciate the company's exposure to a range of new and exciting projects, with a particular focus on North, West and East Africa.

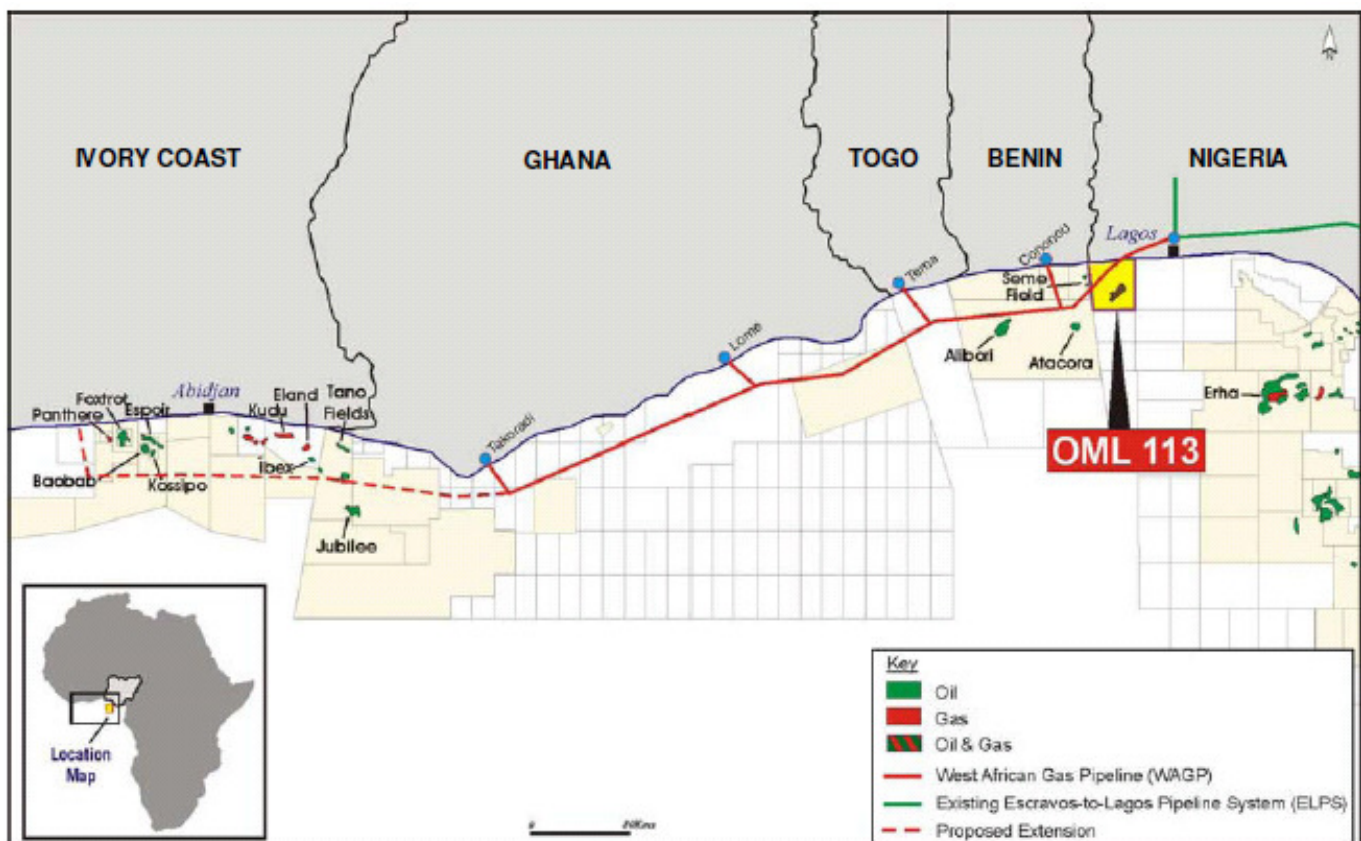
The company most recently announced that it had entered into a Heads of Agreement with Providence Resources Plc, whereby Jacka would acquire a direct equity interest in the Aje oil and gas field, located within petroleum licence OML 113 in Nigeria, West Africa. Four wells have been drilled on the Aje field, all of which encountered hydrocarbons, with logging and testing demonstrating significant net hydrocarbon-bearing sections in three of the wells. Following the successful drilling and flow testing of Aje-4, the partners deemed the Aje field commercial.

Jacka's technical review estimates that the acquisition will deliver net P50 contingent resources of ~10 million barrels of oil equivalent to the company. Upon closing of the transaction, which is scheduled for 15 November 2011, Jacka will have a net 5% revenue earning interest in the Aje oil & gas field (paying 6.675% of the costs relating to the Aje development).

As part of the transaction, Jacka will also acquire a 2.667% interest in the OML 113 licence located within the prolific West African Transform Margin (WATM). Upon closing of the transaction, Jacka will join the joint venture comprising YFP (Operator), Chevron (Technical Advisor), Vitol and Panoro Energy.

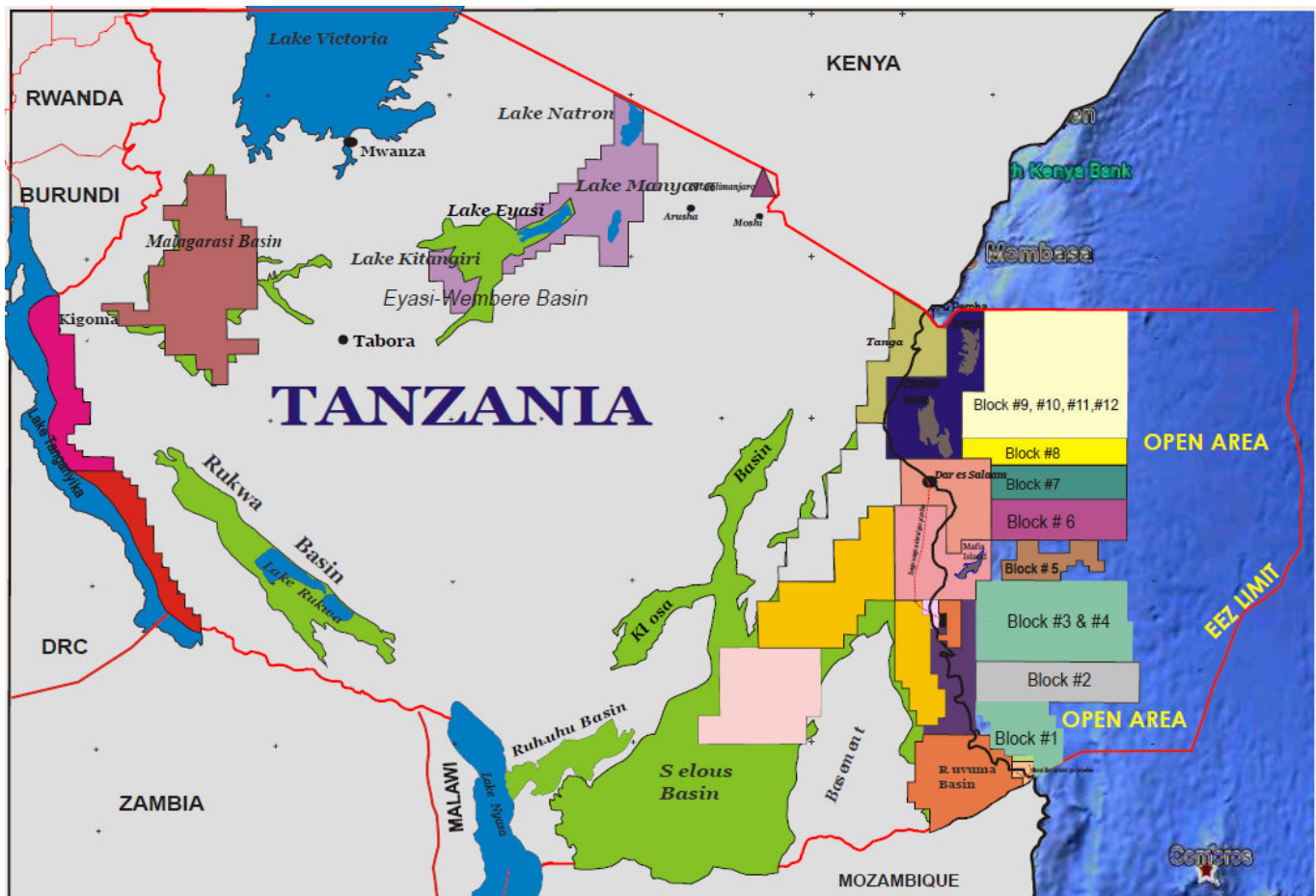
The terms for the acquisition comprise a US\$1 million deposit (paid), a Tranche 1 payment of US\$9 million payable on 15 November 2011 and a Tranche 2 payment of US\$6 million payable on 30 April 2012.

The region is in high demand from an exploration perspective due to the discovery of the +1 billion barrel Jubilee oilfield and other oilfields in Ghana and neighbouring countries. The WATM is now attracting some of the biggest players in the oil industry, including ExxonMobil, BP, Anadarko, CNOOC, Vitol, Tullow Oil, Chevron, ENI, Repsol, and many others.



The OML 113 licence contains a number of leads and prospects that are mapped on-trend with proven oil accumulations, providing further exploration upside and possible tie-back opportunities. Geophysical data coverage over OML 113 includes 915km of 2D seismic, 700 sq km of 3D seismic (including full 3D seismic over the Aje field), and an electromagnetic survey.

The company also recently announced a major move into East Africa, entering into exclusive negotiations for the awarding of oil and gas exploration and production rights over the entire Ruhuhu Basin, which is a huge onshore area encompassing around 8,400 sq km in Tanzania.



The offer, which was made by the Tanzania Petroleum and Development Corporation (TPDC), is subject to negotiation of a Production Sharing Agreement (PSA) over the coming months. In the event of a successful outcome, Jacka will hold 100% equity in the acreage and will be the operator of the licence.

The block is well positioned to provide access to the East African Rift, where many oil companies are enjoying successful exploration campaigns. This is potential 'elephant territory', where Jacka will need a big brother to fund potential wells down the track. The offer for the Ruhuhu block comes after many months of discussions between Jacka and the TPDC regarding oil and gas exploration blocks within the country.

Tanzania is underexplored but is fast becoming an international oil and gas exploration hot spot. The country has grabbed petroleum industry headlines over the past 12 months following the announcement of three sizeable, offshore gas discoveries by an Ophir Energy-led joint venture. It is now attracting the attention of industry leaders, with companies such as Shell, Statoil, Total, Petrobras, Exxon and Tullow entering the country.

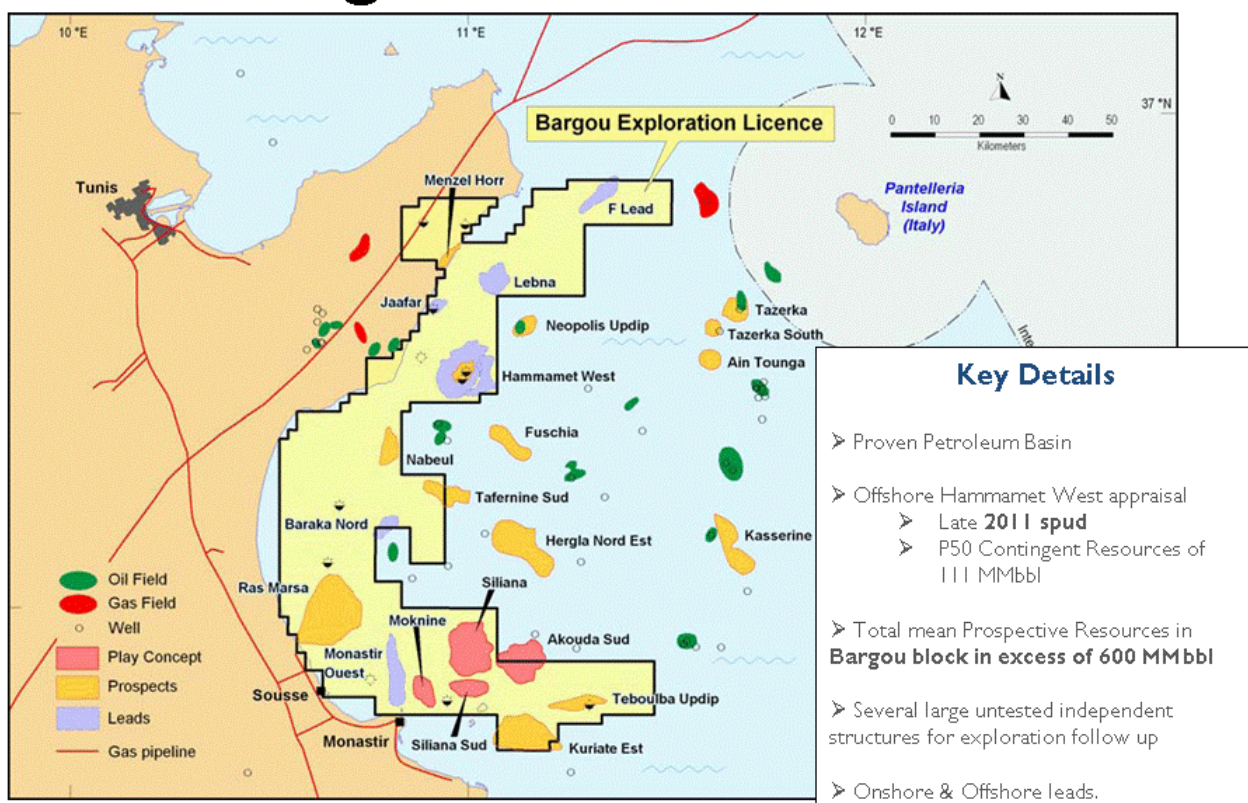
Tanzania is considered to have significant exploration potential within the offshore deep water blocks and within the onshore East African Rift basins, located in the central and western parts of the country.

Conventional and unconventional exploration plays exist, with potential for multiple-charge systems being a significant de-risking feature. The basal Ruhuhu section contains post-glacial, early Permian lacustrine shales, similar to those that have sourced the heavy oil in the Bemolanga tar sands of west Madagascar, with a reported resource of 22 billion barrels.

In addition, the Ruhuhu Basin is truncated to the west by the Lake Malawi (Nyasa) Basin of the modern East African Rift. The Nyasa Basin contains sediments similar to those of the Albertine graben in western Uganda, where 1 billion barrels of oil reserves have been proven since 2006.

Jacka also maintains a strong North African presence, with a 15% equity stake in the Bargou block within the Gulf of Hammamet, offshore Tunisia. The Bargou block is located within the Pelagian Basin and covers an area of 4,616 sq km, with predominantly offshore prospects and leads. The Pelagian basin is a prolific producing basin spanning Tunisia and Libya and contains some of Tunisia's most prolific oil and gas fields.

Bargou Block Overview



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As well as the Hammamet West field, which is estimated to contain 111 million barrels of P50 Contingent Resources, the block has multiple independent structures as follow-up exploration opportunities, including Ras Marsa and Kuriate Est, which are expected to be matured into prospects by further technical work. In fact the Bargou block is considered to be one of the most prospective exploration plays in Tunisia.

The operator, ASX-listed Cooper Energy, which has acquired a 15% stake in the Bargou block from Jacka, is currently preparing an initial work program to explore the large structures to the south of the block, which will most likely include 3D seismic over one of the larger structures – Ras Marsa or Kuriate Est.

The Bargou block has independently-verified Mean Prospective Resources in excess of 600 million barrels of oil (of which in excess of 90 million barrels is net to Jacka). As the joint venture furthers its exploration efforts, in particular to the south of the block, it is anticipated that 3D seismic will firm up the volumes of Prospective Resources.

Prospective Resources as at 30-Jun-11*	Licence / Permit	Jacka %	Mean Gross (MMboe)	Mean Jacka Share (MMboe)
Tunisia	Bargou	15%	612	92
Totals			612	92

* based on RPS Independent Assessment August 2008

During January – March 2011 the company participated in the drilling of the onshore Menzel Horr-1 well, the first of two wells planned on the block this year, with the offshore appraisal well Hammamet West-3 scheduled for later in 2011.

Although there were oil shows in the Ain Grab and Bou Dabbous formations, as well as high gas readings in the El Haria (regional seal for the Abiod), the well did not intersect the primary Abiod formation objective and was plugged and abandoned. A test of oil shows in the Bou Dabbous formation failed to flow hydrocarbons, with the formation appearing to be tight.

With the geology encountered in the well more complex than the pre-drill expectations, the joint venture is now integrating the well logs and results into its geological models. Upon review, the joint venture will agree on the next steps for onshore exploration in the Bargou block.

With respect to the offshore Hammamet West oilfield, previous wells have recovered hydrocarbons to the surface, with HW-2 intersecting a 192-metre oil column. The joint venture intends to drill an appraisal well into the oilfield, scheduled for late 2011. The Hammamet West-3 (HW3) well will appraise the discoveries made on Hammamet West 1 and 2. The plan for HW3 will be to utilise horizontal drilling to access the carbonate reservoir fractures, before conducting a flow-test. The oilfield has an estimated oil in place range between 100-600 million barrels (P90-P10).

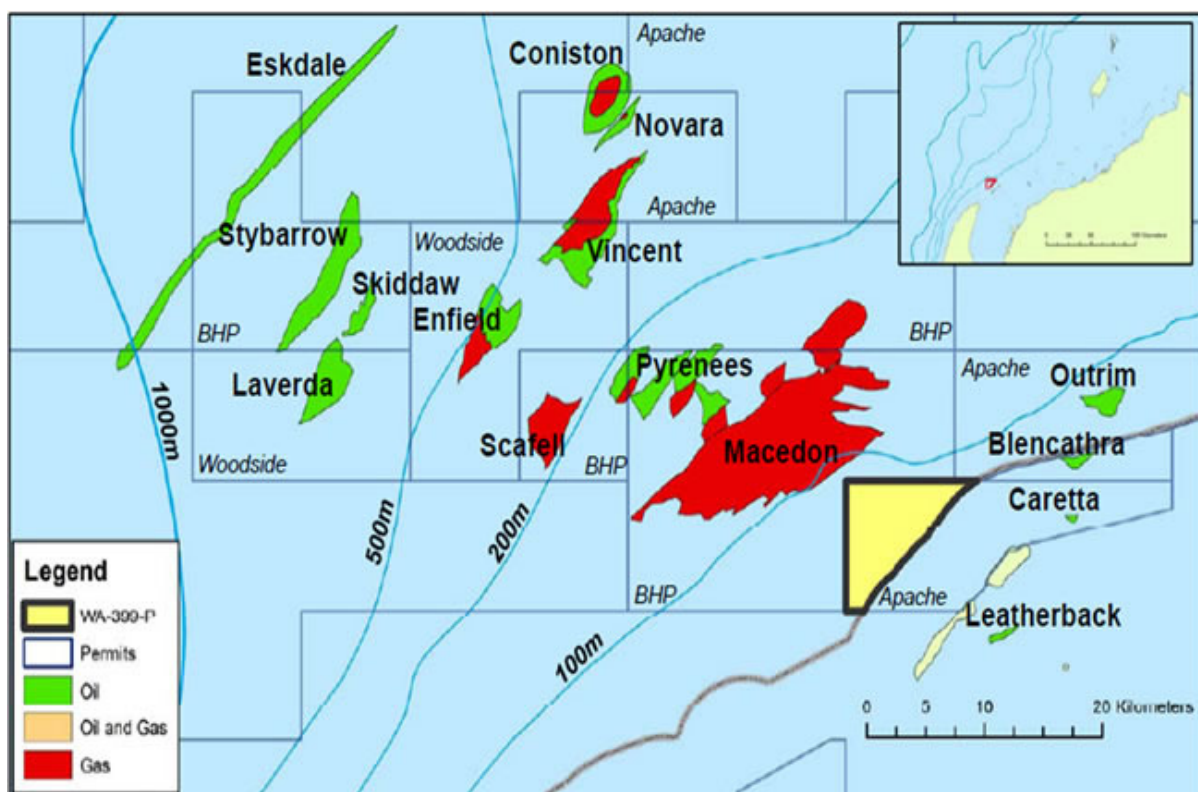
Hammamet West-3 will target and test the section of the Hammamet West structure where Hammamet West-2 encountered a 192-metre oil column. An approximate 500-metre horizontal section will be drilled within the column in a direction designed to optimally access open fractures. This is I understand a proven approach for addressing uncertainty in fracture quantity, location and dilation in fractured fields and for demonstrating flow-rate capacity.

The P50 contingent resource target for the proposed Hammamet West-3 well is now 111 million barrels (JV 100% over two formations), with an upside of up to 213 million barrels (JV 100%, filled-to-spill-point scenario). A conceptual development plan has been prepared by Worley Parsons and this shows that 15-20 million barrels would likely be commercial under the development scheme.

Contingent Resources as at 30-Jun-11	Licence / Permit	Jacka %	2C Gross (MMboe)	2C Jacka Share (MMboe)
Hammamet West	Bargou Tunisia	15%	111	16.6
Total			111	16.6

Finally, much closer to home the company has a sizeable holding in offshore block WA-399-P in Western Australia. During 2010, Jacka reduced its holding in the block from 20% to 15% through the introduction into the joint venture of US independent oil player, Apache, as operator with a 60% working interest.

The Permit is located within the northern offshore Carnarvon Basin and more specifically within a prospective sector of Exmouth sub-basin, 52km north of the Exmouth Peninsula and the town of Exmouth in Western Australia. The Exmouth sub-basin is one of Australia's premier oil basins, realising several commercial discoveries over the past 5 to 10 years.



Fields such as the Macedon gas field (BHP Billiton) (1.2Tcf), Stybarrow/Eksdale (BHP Billiton) (60-90Mbbls) and the Enfield, Vincent and Laverda oil fields (Woodside Petroleum) (125Mbbl) that were discovered in the early 1990's and mid 2000's, are producing hydrocarbons or have reached the development stage.

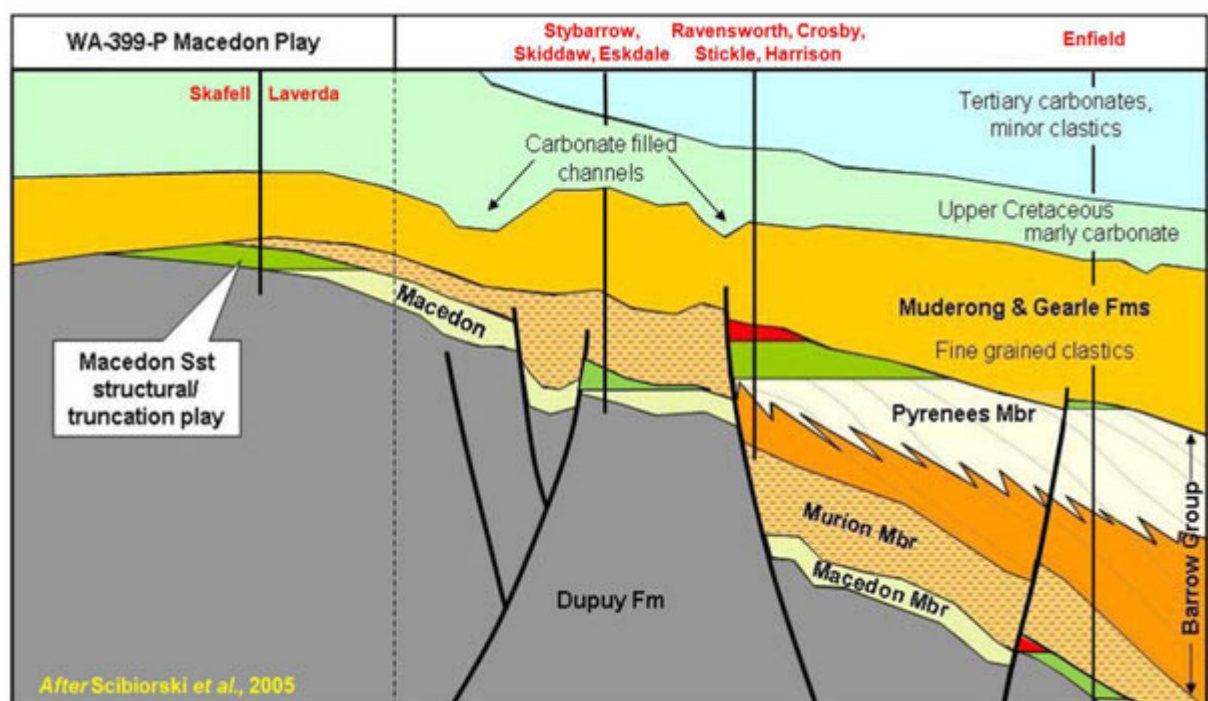
Other companies with nearby discoveries and production include Chevron and Apache Energy. The region remains one of the major exploration and production focuses in the Australian oil and gas sector.

Apache has advised that the Gazelle 3D seismic acquisition that was completed successfully during Q1 2011 is expected to be completed in early Q4 2011. We will await the results of seismic processing and interpretation in order to identify potential drill targets in this block. The 3D seismic data acquisition exceeded the existing minimum exploration commitment obligation under the exploration permit terms.

The current lead prospect is called Gazelle and is conceptual in nature, but with well-defined structural/stratigraphic traps, including the prospective Macedon Member sandstones within WA-399-P. The company's assessment of Prospective Resources for the Gazelle Lead prior to the acquisition of the Gazelle 3D seismic dataset was as follows:

Prospective Resources as at 30-Jun-11*	Licence / Permit	Jacka %	Mean Gross (MMboe)	Mean Jacka Share (MMboe)	Comments
Gazelle Lead	WA399P	15%	56	8.4	2D "flat spot" to be confirmed in 3D
Total Prospective Resources			56	8.4	

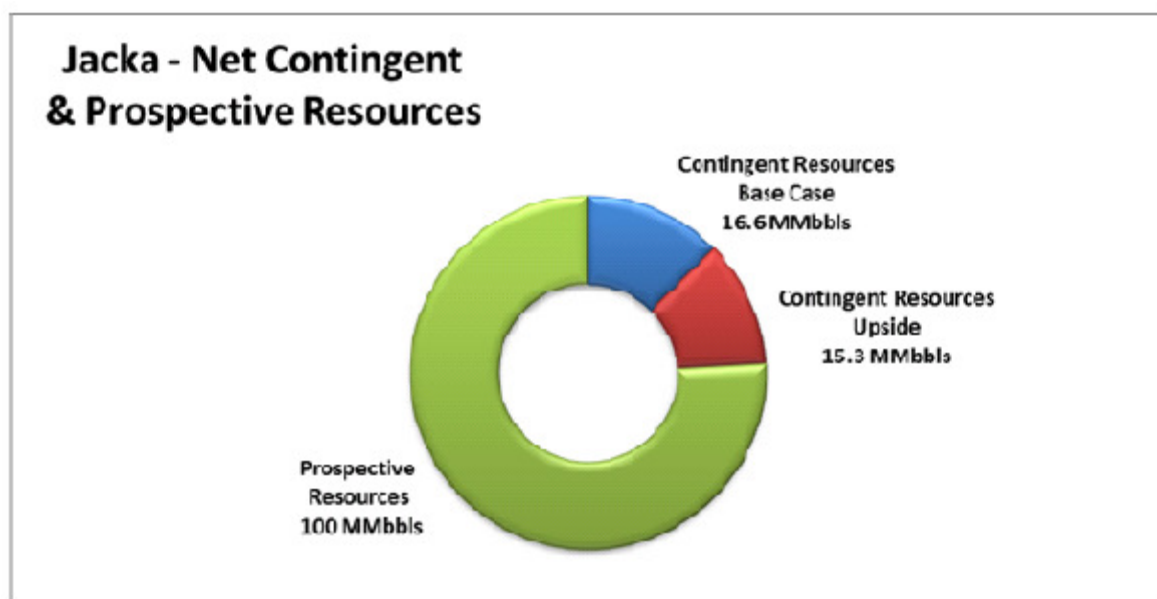
* WA399P Independent Geologist Review March 2010



The Macedon Member Sandstones at the Gazelle Lead have direct play analogs with recent hydrocarbon discoveries within the region. More specifically, the Gazelle Lead exhibits multiple amplitude-supported seismic attributes: depth-consistent flat spot (coincident with depth structural spill and possible oil/gas contacts) and crestal amplitude diming (consistent with local rock property trends).

One of Jacka's biggest assets is its leadership team, headed up by former Hardman Resources MD Scott Spencer. Hardman Resources was a West African oil exploration success story in Mauritania during the 1990s, with a share price that ran from under \$0.10 all the way up to its eventual takeover price of just over \$2.00. Scott Spencer knows how to manage and operating emerging companies with prospective exploration assets, but which require large amounts of funding.

In terms of spending, during the June 2011 quarter Jacka spent a total of \$0.932 million on exploration and evaluation, representing 78% of total expenditure for the period. For the September quarter the company anticipates exploration and evaluation spending of \$0.22 million, which represents 52% of estimated total expenditure for the period. Jacka boasts cash reserves of \$4 million.



With exposure to highly prospective oil acreage in North, West and East Africa, as well as offshore Australia, a market value of just \$12 million, \$4 million cash in the bank and a highly-credentialed CEO in the form of Scott Spencer, Jacka Resources represents an incredibly cheap oil sector opportunity with a huge amount of potential upside.

We initially recommended the stock as a Spec Buy around \$0.13 in late July and encouragingly despite sharemarket turmoil, Jacka's share price has performed strongly. If you missed our initial buy-in recommendation, now is the perfect time to acquire stock.

Accordingly, I recommend Jacka Resources as a Speculative Buy around \$0.125.

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