

# Gondwana Oil to benefit from Ghana's offshore oil infrastructure and fast growing economy

✘ Gondwana Oil Corp. ("Gondwana") (CSE: GO), which commenced trading last February 26, is involved in the exploration and development of oil and gas resources in Ghana. Gondwana owns a 70% stake in Miura Petroleum Ltd., which has been officially been invited by Ghana's Ministry of Energy to negotiate exclusively for the exploration license at the 1,600 sq km "Offshore Cape Three Points South Block " off the Ghanaian coast, as confirmed on March 18.

There are two main reasons why Ghana, among other African emerging oil producers, offers good value for investors. One is geological and the other owes to the fast pace of change in African societies. Indeed, Ghana belongs to the South Atlantic oil complex of the former '*Gondwana*', the super-continent that paleontologists and geologists believe existed about 120 million years ago combining what we call Africa and South America today. The super-continent was parted by the Atlantic Ocean. This is highly relevant to present day geologists and mining engineers searching for new oil resources because the shared geological formations of the Atlantic coasts of Africa and South America means that highly similar coastal sediments exist on both sides of the ocean. By extension, the rich oil deposits found in the Brazilian pre-salt layer may well have counterparts on the opposite or mirror side of the ocean, which happens to be exactly where Ghana is located. Evidently, Gondwana Energy's name was not chosen by chance. As noted above, Gondwana Energy will focus its activity in the Tano Basin, which is in fact the most important oil prospecting area in the region.

The Tano Basin is home to over twenty discoveries of oil, liquids, and gas – including four major discoveries, the first being the Jubilee Field (2007), which is currently producing approximately 110 thousand barrels per day. Then there are the Mahogany (2008), the Teak (2011) rich in oil and gas condensate reservoir and the Akasa oil field (2011). The Jubilee field alone may contain as much as 1.8 billion barrels of oil and it has attracted major operators including Tullow oil , which has 23% of the Units, Kosmos Energy, Anadarko Petroleum and GNPC (Ghana National Petroleum Company). Moreover, Exxon Mobil purchased 23.5 % of Kosmos's rights on the exploitation of these resources, starting in 2010, which put Ghana on the map as a new West African oil exporter. China's CNOOC has also been snooping in the area, inevitably, in search of what can be called an 'armchair' to sit on a developed oil field, something increasingly rare and difficult to acquire, further highlighting the potential and significance of Gondwana Oil's block. In turn, Ghana's oil sector regulatory environment and infrastructure will be undergoing significant improvement. In late January, GNPC announced that it wants to become a world-class oil company, which means it wants to be fully funded with a balance sheet backed by assets, requiring less state control and relying on a solid business case rather than taxpayers' money. One or two more Jubilee type discoveries will certainly do the trick in this regard, and having entrepreneurial and dynamic companies such as Gondwana rapidly progressing development of the country's prolific resource patrimony will give GNPC the shot in the arm that it needs via its carried interests.

Valuations of oil exploration companies involved in West Africa are beginning to pick up as speculators can now evaluate an almost unbelievable track record of success in this area for frontier exploration – a 65% discovery rate on new wells!

It is also significant that Africa is now the continent with

the highest economic growth potential in the next decade and many countries such as Ghana, can now consume their own domestic production, and achieve major state revenues from the salutary transition to becoming net energy exporters in their own right.

As for the risks, it is worthwhile noting that companies such as Tullow oil, have been involved in Africa for over 25 years and the company is intent on increasing its engagement in the continent. Indeed, Gondwana's risks are also mitigated by the fact that its team comprises individuals with long resumes in Africa (and Ghana specifically) at major companies such as ConocoPhillips, Kosmos, and the like. In addition, many major oil players are looking to acquire assets in Ghana and some neighboring countries such as Ivory Coast. Gondwana's strategy is to 'piggyback' on the well established players with plenty of resources, who surround Gondwana's concessions and who will conduct the bulk of the groundwork in these basins. The company also hopes to attract the majors to farm-in, such that drilling in 2015 can be executed with little to no expenditure net to the company, save what will be needed to secure the necessary licenses and permits.

Should Gondwana decide to fully develop its Ghanaian oil assets it will find additional impetus in the fact that Africa has become one of the fastest growing automobile markets in the world. France's Total SA, one of the largest oil companies, has bet on this phenomenon. Until recently, global oil companies looked to Africa only to secure rights and drill for new oil and gas supplies, which were then promptly exported. The market for refined goods was simply not very attractive. Now, that perspective has shifted. African oil consumption is growing so quickly that some companies have already taken the continent as one of the hottest markets in sight to sell gasoline/petrol. Up to now, Africa accounts for only about four percent of global oil consumption according to the International Energy Agency (IEA), but by 2018, it is

estimated that Africa will burn 4.5 million barrels of oil daily. This represents a 29% increase over the current level.

In Ghana alone, between 2006 and 2011, the number of car owners has increased 81% according to the African Development Bank. The country with its 25 million inhabitants, is one of the fastest growing economies in Africa. The automobile ownership rate in Africa itself is expected to double in the next ten years, reflecting the International Monetary Fund's estimates that the Continent's economy will grow at 6% per year, leading to the rise of a new consumer or middle class. Ghana presents the kind of market that oil giants like Total have in their gunsights as they look to downstream integration to further bolster profit margins alongside the major infrastructure development required to bring their product to market.

In the past decade, Ghana has become one of the most stable democracies in Africa. Hardly any other country in the world is growing so rapidly. The IMF estimated that the Ghanaian economy expanded by eight percent last year. Everywhere there are new shopping centers, car dealerships, restaurants and of course, new and well appointed gas stations, complete with convenience shops and cappuccino machines. Ghana's capital, Accra, has many millionaires, meaning that the pace of development will skyrocket. Gondwana has chosen its target oil asset well, and has the right personnel to see it through to commercial success.