

## Eastern Africa Newsletter – September 2012

### PART I: MONTHLY COMMENTARY

Quite a number of further developments in the natural resources sector this month, both mining and oil and gas. We saw 4 deals in the sector (please see Deals section on page 3) and the first signs that, as we have been propounding in this letter for some time, there is appetite from the E&P firms to raise capital in the local market.



The Apache / Tullow/ Pancontinental / Origin Energy consortium struck gas with their first discovery well in the Lamu basin, Kenya and Tullow began its second drilling in Kenya with a third well expected to be started on next month. Bowleven Plc of the UK became the latest international firm to join the hunt with the acquisition of a block in Northern Kenya and a scheduled initial investment programme of \$10m. Finally, in Uganda, Total announced that they are planning to invest \$650m into 8 exploration wells next year.

One concern we have relating to these exciting developments for the region, however, is that we very much hope that some of the rhetoric relating to government re-negotiation of Production Sharing Agreements does not actually result in shareholders being punished unfairly for making their investment decisions on the back of original agreements. Once again we re-iterate our view that a good strategy to mitigate some of these risks is to attract local shareholders onto the register with a local listing or private capital raise. It also raises the stakes in relation to Kenya's election on March 4, 2013.

Further mining deals have taken place over the month also. Pacific Wildcat Resources acquired a 70% stake in a rare earth and niobium project near Mombasa, Kenya and we saw further investment into the gold exploration taking place in Western Kenya.

In the energy sector we saw a large-scale peat energy deal with Hakim Mining and Trade Co. of Turkey investing c. \$300m into a peat project in Rwanda.

In Macro, there were big cuts in base rates from both Kenya and Uganda's central banks, in response to rapidly diminishing inflation. This picture has changed incredibly quickly this year and while the cuts should stimulate growth in due course a concern is whether local currencies can hold up with the dramatically lower returns now offered by locally denominated government debt.

In private equity the region saw three deals in the energy, agriculture and hospitality sectors. Also some possible consolidation to take place in the asset class in Africa, as some PE firms look to take advantage of economies of scale and other synergies from merging with competitors.

Finally, it was a busy month in listed equities, with the stock market benefiting from cuts in interest rates and a flurry of banking rights issues reinvigorating investor interest. The training programme for prospective advisers for the GEMS market in Kenya went well last week, with most of the leading local investment banks and broking firms in attendance. We are looking to bring the first companies to this market in the first and second quarters of 2013. It must be seen as a long-term project but we are already seeing quite a lot of interest from our corporate clients in listing.

Finally, I'd like to welcome our latest joining team member, George Otim, as an analyst in our Kampala office.

**Edward Burbidge CFA**  
Managing Director

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## PART II: FINANCIAL MARKET & MACROECONOMIC STATISTICS

### Key Africa Equity Indices Performance

Equity Index	1/2/2012	8/1/2012	8/31/2012	% Performance for Month	% Performance YTD
NSE20	3,212.86	3,825.65	3,865.76	1.0%	20.3%
DSEI (TZ)	1,303.23	1,441.24	1,449.11	0.5%	11.2%
UGSINDX	832.59	1,058.52	1,095.61	3.5%	31.6%
NGSE All Share	20,730.63	23,329.34	23,750.82	1.8%	14.6%
EGX 30	3,679.96	4,935.59	5,332.25	8.0%	44.9%
JALSH (SA)	31,985.67	35,070.66	35,389.45	0.9%	10.6%
S&P 500	1,258.86	1,375.14	1,406.58	2.3%	11.7%
FTSE 100	5,572.28	5,712.82	5,711.48	0.0%	2.5%

### Key Global Currency Performance

Currency	1/2/2012	8/1/2012	8/31/2012	% Performance for Month	% Performance YTD
KES / USD	85.10	84.13	84.35	-0.3%	0.9%
TZS / USD	1,582.00	1,575.57	1,568.66	0.4%	0.9%
UGX / USD	2,480.00	2,489.92	2,520.00	-1.2%	-1.6%
ETB / USD	17.29	17.84	17.91	-0.4%	-3.4%
ZAR / USD	8.07	8.27	8.39	-1.4%	-3.7%
NGN / USD	162.30	161.15	158.10	1.9%	2.7%
EGP / USD	6.03	6.07	6.10	-0.5%	-1.2%
USD / GBP	1.55	1.56	1.59	-1.7%	-2.3%
EUR / USD	0.77	0.81	0.79	-2.2%	3.2%

### Key Global Commodity Performance

Commodity	1/2/2012	8/1/2012	8/31/2012	% Performance for Month	% Performance YTD
Gold	1,590.00	1,599.00	1,648.50	3.1%	3.7%
Oil	102.96	88.99	96.47	8.4%	-6.3%
Silver	2,878.00	2,787.00	3,052.00	9.5%	6.0%
Copper	7,660.50	7,497.50	7,576.25	1.1%	-1.1%

### Interest Rates

Country/Region	Base Rate
Central Bank of Kenya (Kenya)	13.00 %
Bank of Uganda (Uganda)	15.00 %
Bank of Tanzania (Tanzania)	7.58 %
South African Reserve Bank (RSA)	5.00 %
Central Bank of Nigeria (Nigeria)	12.00 %
Central Bank of Egypt (Egypt)	9.25 %
Bank of England (UK)	0.50 %
Federal Reserve Bank (USA)	0 - 0.25 %
European Central Bank (EU)	0.75 %

### Projected inflation rates and change in GDP

Country	Projected Inflation Rates		Projected Growth in GDP	
	2012	2013	2012	2013
Kenya	10.6%	5.2%	5.2%	5.7%
Uganda	23.4%	7.6%	4.2%	5.4%
Tanzania	17.4%	9.5%	6.4%	6.6%
Rwanda	7.9%	6.8%	7.6%	7.0%
Burundi	10.3%	8.4%	4.8%	5.0%
Ethiopia	33.9%	23.1%	5.0%	5.5%

## PART III: SELECTED DEALS (1/2)

Date	Buyer	Seller	Investment size	Synopsis
20th Sep 2012	Fusion Capital	Lifemate Limited	\$500k	Fusion Capital recently invested \$500k and took a minority equity stake in Lifemate Limited, an expanding coffee processing company based in Kigali Rwanda. Lifemate produces a range of quality green and roasted coffee under its 'Aromec' brand, which it sells both locally and abroad.
19th Sep 2012	BowLeven Plc.			BowLeven Plc., a UK oil explorer, bought a stake in an oil block in northern Kenya, signaling growing interest by international companies in local oil search. In a statement posted on the company's website, BowLeven's chief executive Kevin Hart said the company was keen on making discoveries in Kenya. It noted that the onshore block is located in a region that has similar geological characteristics with Turkana where Tullow Oil Plc. discovered oil in March this year. Mr. Hart said they were delighted to add a significant acreage position in Kenya to their existing exploration portfolio in Cameroon.
17th Sep 2012	Hakim Mining and Trade Company		\$284 million	Turkey's Hakim Mining and Trade Company, invested more than \$284 million in an energy project that will generate electricity from peat. Part of the money will be spent in the construction of a plant, whose work is expected to commence within 12-15 months. The plant will be located in the southern province. A peat master plan indicates that Rwanda's peat capacity stands at 155 million tonnes of dry peat spread over 50,000 hectares. Government estimates peat potential to be equivalent to 1,200MW, with 77 per cent of the resource found in the southern Province. The country plans to develop its peat resources to generate about 200 MW of power by 2017.
17th Sep 2012	Pacific Wildcat Resources	Stirling Capital Limited Cortec (Pty), Cortec Mining Kenya Limited		Canada-based minerals and metals firm Pacific Wildcat Resources announced it had completed acquisition of stake in a rare earth and niobium project near Mombasa. The company said it took over Stirling Capital Limited Cortec (Pty) Ltd and indirectly acquired a 70 per cent interest in Cortec Mining Kenya Limited, the owner of the Mrima Hill niobium and rare earth project. Pacific Wildcat said it issued to Finebrook Investments Pty. Ltd as trustee for the transaction vendors an aggregate of 92.59 million common shares of PAW shares at a redeemed price of Cdn\$0.11 (Sh9.35) per share and to the vendors convertible promissory notes amounting to Cdn\$775,000(Sh65.8million).
17th Sep 2012	AfD	Kenya Power		Kenya Power hopes to connect electricity to more Kenyan homes after it received an additional Sh3 billion loan from the French lending agency, Agence de Fracaise de Development (AfD). The company is targeting to connect more than 300,000 new customers in the next five years. AfD advanced Kenya Power Sh450 million in June 2010 under the 'Stima loan' project which has enabled the company to connect 28,000 Kenyans to the national grid as at August this year. Funds under the project, started to enable the poor access electricity, are disbursed directly from Kenya Power or through Equity and the National Bank of Kenya.

Date	Buyer	Seller	Investment size	Synopsis
10th Sep 2012		Swala Oil & Gas	\$1.2 million	Tanzania-based hydrocarbon explorer Swala Oil and Gas ,the company majority owned by Swala Oil and Gas Australia, launched a private placement in Tanzania, hoping to raise \$1.2 million. The company will use the money to collect data on the best drilling locations along its acquired blocks. The private placement opened in August and closes at the end of September, with investors expected to buy a minimum of 80,000 shares at Tsh390 (\$0.25) per share. Tanzania Securities is the issue’s stockbrokerage agent. David Ridge, the company’s CEO said the firm has considered doing a private placement for Swala Oil and Gas Ltd Kenya, but its limited assets in the country make it a hard sell. The company has been awarded a 50 per cent operated interest in the Pangani Block in Tanzania. Swala has a 50 per cent equity interest in Pangani and the Kilosa-Kilombero hydrocarbon exploration licences in Tanzania; the company has applied for even more blocks, which it hopes to get. In Kenya, it jointly owns the 12BB oil block with Tullow Oil. The move by the firm to raise capital locally is a departure from the past where regional exploration firms Pancontinental Oil and Ophir locked out potential local investors from contributing to the company’s cash call, or owning a stake in what is quickly becoming a future growth sector. Swala Oil Tanzania’s current shareholders are Swala Oil and Gas Australia with a 70 per cent stake, Erncor Holdings Ltd which is associated with Tanzanian Ernest Massawe who is a director of the firm, with 20 per cent. The remaining 10 per cent is held by Swala Oil and Gas in trust for the local community in areas that the company operates in.
27th Aug 2012	GroFin	Spur Group		The rapid growth of East Africa’s hospitality industry attracted private equity firm GroFin, which announced it will finance the setting up of a second outlet of South African restaurant chain Spur in Kenya. This is the third high profile investment, which has been made public in the last four months by a PE firm in the hospitality industry. The firm says there is a rising demand for high quality food from a rising middle class and a growing expatriate community in the region. The Spur outlet, which will be located at Eka Hotel on Mombasa Road in Nairobi, will be the second Kenyan outlet. The first, the Golden Spur Steak House, is located at the Southern Sun hotel in Westlands. The outlets are owned by the Spur Group which is listed on the Johannesburg Stock Exchange.
24th Aug 2012	Barrick Gold Corp	China National Gold Corp		Barrick Gold Corp and the China National Gold Corp are in talks for a possible buyout of the African Barrick Gold, whose assets are entirely in Tanzania. If successful the deal will cement the Chinese foothold in the Tanzanian mining industry. The deal would also be the biggest Chinese deal in Africa since China Guangdong Nuclear Power Corp’s \$3.37 billion takeover of uranium developer Kalahari Minerals and its partner, Extract Resources, in Namibia earlier this year, according to analysis by Reuters. But what remains unclear is how the nature of the Chinese participation in the country will mean to the country efforts to benefit more from the resources. Barrick’s plan to sell the African Barrick Gold is seen by some analysts as a strategy to “off-load underperforming assets.” But other analysts add that Tanzania’s unfavourable mining investment climate, characterized by ever changing mining legislation, is also pushing big investors like Barrick towards the exit.
21st Aug 2012	Barclays Bank	Absa Group		Barclays Bank Kenya filed a cautionary notice with the Nairobi Securities Exchange (NSE) over a planned merger of Barclays UK’s Africa operations with those of Absa Group, its subsidiary. The move, which is subject to regulatory and shareholder approvals in the UK and in a number of African countries where Barclays and Absa have offices is expected to be completed by next year. Absa is 56 per cent owned by Barclays. The proposed merger will affect Barclays’ operations in Botswana, Ghana, Kenya, Tanzania, Uganda, Zambia and the Indian Ocean with Absa.

## PART IV: UPCOMING EVENTS/CONFERENCES

Events	Date	Venue	Theme
East Africa Oil & Gas Summit	1 to 3-Oct-12	London, UK	This East Africa Oil & Gas Summit will act as a platform to assist in developing the hydrocarbon future of East Africa by focusing primarily on upstream oil & gas opportunities and investment possibilities in Mozambique, Tanzania, South Sudan, Kenya and Uganda. The Summit will provide opportunities to network and meet key Ministers and government officials from East Africa region.
16th Kenya International Trade Exhibition (KITE)	06-OCT-12 to 08-OCT-12	Kenya, Nairobi Kenyatta International Conference Center	The 16th KITE - Kenya International Trade Exhibition on multisector products, equipment and machinery will present over 10,000 products, equipment and machinery from over 30 countries. Trade visitors from East and Central African countries are being invited directly and in collaboration with several regional trade bodies in Kenya, Tanzania, Ethiopia, Uganda, Somalia, Mozambique and Zaire.
Eastern African Community (EAC) Investment Forum	16 to 17-Oct - 12	Dubai	EAC Investment Forum which would be held in association with the EAC in Dubai on October 16 and 17, would not only inform the business community of Dubai about the investment potential of the African countries but will also allow both sides to discuss joint cooperation in areas of mutual interest.
The Oil & Gas East Africa Summit 2012	15 to 16 -Nov- 12	Nairobi	The area's potential for oil & gas discoveries is causing huge international excitement. A host of recent discoveries across the region has seen East Africa take the spotlight as being one of the world's final and most exciting frontiers for oil & gas exploration. The Oil & Gas East Africa Summit 2012 will be uniting energy ministers from across East Africa and international oil & gas companies for a two-day Summit focusing on the latest developments and opportunities in East Africa's booming oil and gas industries.
The Africa CEO Forum	20 to 21- Nov- 12	Geneva	The Africa CEO Forum is the first high-level meeting of heads of major African corporations. The conference and workshop programme of the Africa CEO Forum is dedicated to the challenges African business leaders are confronted with today, its objective being to promote the continent's private sector and to contribute to its international promotion. Developed in close cooperation with the African Development Bank, the Africa CEO Forum is jointly organized by the Groupe Jeune Afrique and Rainbow Unlimited GmbH.
Forbes Global CEO Conference	21 to 23- Oct- 12	Dubai, United Arab Emirates	Back from the brink of a global recession, the race is on for leaders of the world economy to build a stable recovery and chart a new course for durable growth and lasting prosperity. The stakes are high: the world, with a 7-billion strong population, faces mounting obstacles on its track, with risks such as rising oil prices, unemployment, volatile financial markets, and the competition for resources. Now in its 12th year, the prestigious Forbes Global CEO Conference will be held in Dubai from October 21 – 23, 2012. This annual event is attended by some 400 global CEOs, tycoons, entrepreneurs, up-and-comers, capitalists and thought leaders.
Private Equity in Emerging Markets 2012	23-Oct-12	Intercontinental Park lane, London	With developing countries now attracting a higher proportion of investment capital than ever before and private equity fundraising in these markets reaching its highest level in three years, this timely conference will focus on how investors are maximising returns, managing risk and creating value. Building on the success of last year's event, 'Private Equity in Emerging Markets' will bring together industry leaders to analyse the opportunities in high growth markets within Asia, Latin America, the Middle East, Africa and emerging Europe, with a particular focus on sector potential and prospects for successful exits.
SuperReturn Africa 2012	3 - 5 Dec-12	Mazagan Beach Resort - Casablanca, Morocco	Attendees at SuperReturn Africa come from around the world and include the region's leading fund managers and LPs including, pension funds, DFIs, insurance firms, SWFs and foundations.
Investing in African Mining Indaba	4 to 7 Feb -13	Cape Town, South Africa	Investing in African Mining Indaba is the world's largest mining investment event and Africa's largest mining event. For 19 years, Investing in African Mining Indaba along with its partners in Africa have channeled billions of dollars of foreign investment into the mining value chain. Mining Indaba is the world's largest gathering of mining's most influential stakeholders and decision-makers vested in African mining.

## PART V: OTHER NEWS (1/3)

### Mining firm raises stakes in search for gold in Western Kenya

East Africa Pure Gold (EAPG) is seeking a special licence to prospect for gold and base metals in Rachuonyo district raising the number of fortune hunters in western Kenya. EAPG which has been in the region for years prospecting for the mineral is now setting its eyes on an area of approximately 100 square kilometres in Rachuonyo district. Mr. Moses Massimo in a Kenya Gazette notice published on Friday last week said the said area of land was therefore re-opened to prospecting and mining. Anyone seeking to oppose the granting of a special licence to the company has 30 days to file their complaint with the commissioner of mines. The acting commissioner of mines and geology Moses Massimo said he had accepted the application for consideration. The development comes at a time when more exploration companies are narrowing down to the western region. Linear Metals, Red Rock Resources, Aviva Mining, and Goldplat are at various stages of pursuing mining rights and exploration. More than 10 international mining firms have operations in western Kenya. Mr. Masibo issued Kenya's first commercial mining licence for gold to UK-listed firm, Goldplat, late last year. Recent surveys by the government and private companies have revealed gold deposits around Migori and Kakamega in western Kenya. Available data shows that though Kenya is yet to have any significant commercial gold mining. The country earned Sh6.2 billion last year from the sale of two tonnes of gold, three times higher than 2009, an indication of how fast the mineral is gaining prominence as an export product. If it receives the green light, EAPG will be joining the ranks of Kilimapesa Gold — a British mining firm which was late last year given a 21-year lease to explore gold deposits in Trans Mara district. Kenya is counting on mining to boost its revenue stream.

<http://www.nation.co.ke/business/news/Mining+firm+raises+stakes+in+search+for+gold/-/1006/1509040/-/8jftwan/-/index.html>

### National Cement to Begin Production in October-Ethiopia

National Cement SC, Ethiopia is expected to begin production in October following a 1.8 billion birr expansion project underway since 2005. The company will begin with clinker trial production in October and Cement trial production after a month in November according to Engineer Busa Assefa, Chief Executive Officer of the company. The factory's clinker production capacity is at 99%, cement production at 90% and the construction part is at 99.9% currently according to Busa. The trial production phase will begin at 60% clinker and 70% cement production rate to become fully operational in three months he explained. National Cement SC grew out of the first Ethiopian cement factory founded in Dire Dawa at the time of the Italian Occupation: Dire Dawa Cement Factory founded in 1936. The old plant produces 420 tons of clinker and 600 tons of cement daily. The new factory is expected to have the potential to produce 4000 to 4500 tons per day in total. The National Cement Factory is being expanded on a 40 hectare plot of land in the Bajatu area three kilometers from the old factory. The investment will undergo further upgrading to enhance its production capacity according to officials. The target market for the company is expected to be Eastern Ethiopia and export markets in Djibouti and Somaliland noted the officials of the company.

<http://www.2merkato.com/201209121593/national-cement-to-begin-production-in-october>

### Dar to lower foreign investor limits

Tanzania's Central Bank is set to relax the rule that bars foreigners from owning more than 40 per cent shares of companies listed at the Dar es Salaam Stock Exchange (DSE), expanding investment opportunities for Kenyans eyeing stakes in the country's firms. The DSE chief executive, Gabriel Kitua, said in an interview Tuesday that the bourse is awaiting publication of new ratios by the Bank of Tanzania that will set the percentage of ownership between Tanzanian and foreign investors. The DSE's plan to soften its policy of reserving at least 40 per cent shares of its listed firms for Tanzanians is in line with ongoing efforts to harmonize capital market regulations for East African Community (EAC) countries. Kenya has set the minimum reserved stake for locals at 25 per cent, and has gone a step further by classify citizens of EAC member countries as "locals" for investing purposes. The move by Tanzania is expected to increase liquidity of stocks, making it easier for Kenyans, Ugandans, Rwandans and Burundi investors to buy and sell shares in the DSE's 17 listed firms. Four of these, Kenya Airways, East Africa Breweries, KCB and Nation Media Group are Kenyan firms also listed on the Nairobi Securities Exchange (NSE). In its July 2012 market report, the Capital Markets Authority Uganda said it expected the relaxation of investing limits to be reached by the end of this year. Kenyan, Ugandan, Tanzanian, Rwandan and Burundian market regulators, under their umbrella body, the East African Member States Securities Regulatory Authority (EASRA), have targeted to have one regional exchange that will allow for seamless transactions amongst investors in the region. A proposal to smoothen trading is cross-listing and initial public offers to be made in domestic currencies to vaccinate investors against the vagaries of foreign currency fluctuations. NIC Capital managing director Wilson Irungu said that the country's minerals resources, big populations and arable land makes it a prime destination and easing entry rules will allow neighbouring investors to share in potential gains. Mining firm, Richland Resources, which is listed on the London Stock Exchange, plans to place a 20 per cent stake on the DSE.

<http://www.businessdailyafrica.com/Dar+to+lower+foreign+investor+limits/-/539552/1496408/-/1gt47u/-/index.html>

### Simmering border disputes in battle to control oil, gas

The discovery of oil and gas in the East African region could mark the beginning of long-drawn-out diplomatic dramas triggered by territorial disputes over control of resources. Kenya, Somalia, Tanzania, Zanzibar, South Sudan and Uganda are all engaged in arguments over border, which have intensified with the discovery of minerals. As East Africa becomes a hotspot for oil, gas and mineral exploration, the past three years have seen multimillion-dollar foreign investments in Uganda, Tanzania, Kenya, Sudan and Mozambique. The huge flow of foreign investments into the oil and gas sector is creating unease between countries seeking control of the region's natural resources, political and international relations analysts said. At the centre of the latest dispute is Kenya's decision to lease eight offshore blocks to oil exploration companies, seven of them in a contested area of the Indian Ocean amounting to 116,000 square kilometres—an area roughly the size of Malawi. And while Kenyan officials remain confident that the area is in their territory, their Somali counterparts are alarmed. The East African Energy Forum, a Somali lobby group linked to Transparency International, last week issued warnings to the Kenyan government and four international oil companies it said were illegally exploiting offshore hydrocarbon concessions off the southern coast of Somalia. The lobby group said on Thursday the oil giants had engaged in a gross infringement of Somalia's offshore resources, territorial integrity and sovereignty. Abdillahi Mohamad, the lobby's managing director said that these offshore oil blocks are solely owned by the Republic of Somalia as stipulated in the 1982 UN Common Law on the Sea. Kenya's move to sell these oil blocks violates international law. He added that they will file court proceedings against those involved in the coming weeks at the International Tribunal for the Law of the Sea in Hamburg, Germany. The two countries have never conducted a joint survey of their maritime boundary, making any legal claims to sell rights of exploration a contentious issue. The lobby group warned that the companies involved risked being shut out of future Somali energy concessions—the country is thought to hold large untapped reserves—along with any "legal action" the group's lawyers might pursue. While all this was going on, sources said South Sudan had reported Kenya to the African Union, seeking to validate its claim to the Ilemi Triangle in Kenya's Turkana County.

<http://www.theeastafican.co.ke/news/Oil+discoveries+fuel+fresh+border+disputes+/-/2558/1487086/-/9cbudv/-/index.html>

### Kenya strikes natural gas near Malindi

Kenya has struck its first substantive natural gas deposits near Malindi, further raising its profile as a potential oil and gas exporter. An Australian oil prospecting company Pancontinental involved in drilling off the Kenyan coast said on September 10th morning that it had encountered approximately 52 net metres (about 170 feet) of natural gas pay so far. The firm says it struck the gas at the Mbawa deep-water well. Mr. Barry Rushworth, Pancontinental Chief Executive and Director said in a statement that the Mbawa 1 well has encountered approximately 52 net metres (approx. 170 feet) of natural gas pay in porous Cretaceous sandstones. The Mbawa 1 exploration well was drilled to a depth of 2,553m RT (below the drill floor), at which point wireline logs, fluid samples and sidewall cores were acquired from the well. The firm said the reservoir and fluid parameters will become available as logs and sample analyses are completed. The firm added it had resumed drilling targeting 3,275 metres. Mr. Rushworth said while they have not finished operations in Mbawa 1, this gas discovery was very promising and it is the first ever substantive hydrocarbon discovery offshore Kenya. He added that they were delighted to prove that there is a working hydrocarbon system offshore Kenya. The firm said further work continues to evaluate the size of the discovery. The discovery comes at a time when Kenya has already struck oil and is waiting for further analysis to confirm if it the quantities are commercially viable.

<http://www.nation.co.ke/business/news/Kenya+strikes+natural+gas+near+Malindi/-/1006/1501310/-/74u7ko/-/index.html>

### Hopes high as two firms triple oil estimates for Kenya at key blocks

Canadian oil exploration company Africa Oil Corporation has almost tripled its estimates of quantities of oil that the blocks it is prospecting at contain, raising fresh hope that Kenya has commercially viable quantities. In a report released on 22<sup>nd</sup> August 2012 following its latest independent assessment by Gaffney Cline & Associates, the firm says the recent discovery of oil has resulted in a considerable increase in the geological chance of success assigned to numerous prospects and leads, most notably in Lokichar sub-basin in Turkana. The firm is prospecting at six oil blocks, accounting for about 12 per cent of Kenya's 47 oil blocks. The country is still waiting for an assessment of the oil found in Ngamia-1 well in March to know if it will become an oil producer. Africa Oil Corporation and UK Company Tullow Oil Plc jointly own the well. The firm says that according to recent studies, there is a possibility that Kenya could strike more oil than earlier anticipated. According to a research note by Citi, the company (Africa Oil) has increased its overall prospective resource base to 9.3 billion barrels, up from 3.7 billion barrels it had earlier estimated for its total blocks. In the new estimates, Block 10BA — which the company jointly operates with Tullow Oil — will contain the largest resource estimates, with a total 4.9 billion barrels, up from 1.1 billion barrels that were earlier estimated. Although drilling activity at the Ngamia-1 well was suspended mid this year as a result of an encounter with an unexpected geological formation, the assessment predicts that the well could contain 188 million barrels of oil. But further appraisal activity will be required to establish the full potential of the discovery. The announcement comes days after the company, together with Tullow Oil, commenced drilling of its second well at Twiga South-1, located 22km north of Ngamia-1. Plans are underway to move a second rig from Mombasa to the northern part of the country to commence drilling at Paipai by September.

<http://www.nation.co.ke/business/news/-/1006/1485952/-/3d1s8bz/-/index.html>

## PART VI: BURBIDGE CAPITAL APPOINTMENT

### New appointment



**George Otim**

**Corporate Finance Analyst-Kampala, Uganda**

George is a numerate graduate. He has completed a bachelors degree in Applied Accounting and acquired an Advanced Diploma in Accounting and Business from the ACCA.

## *Disclaimer*

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