



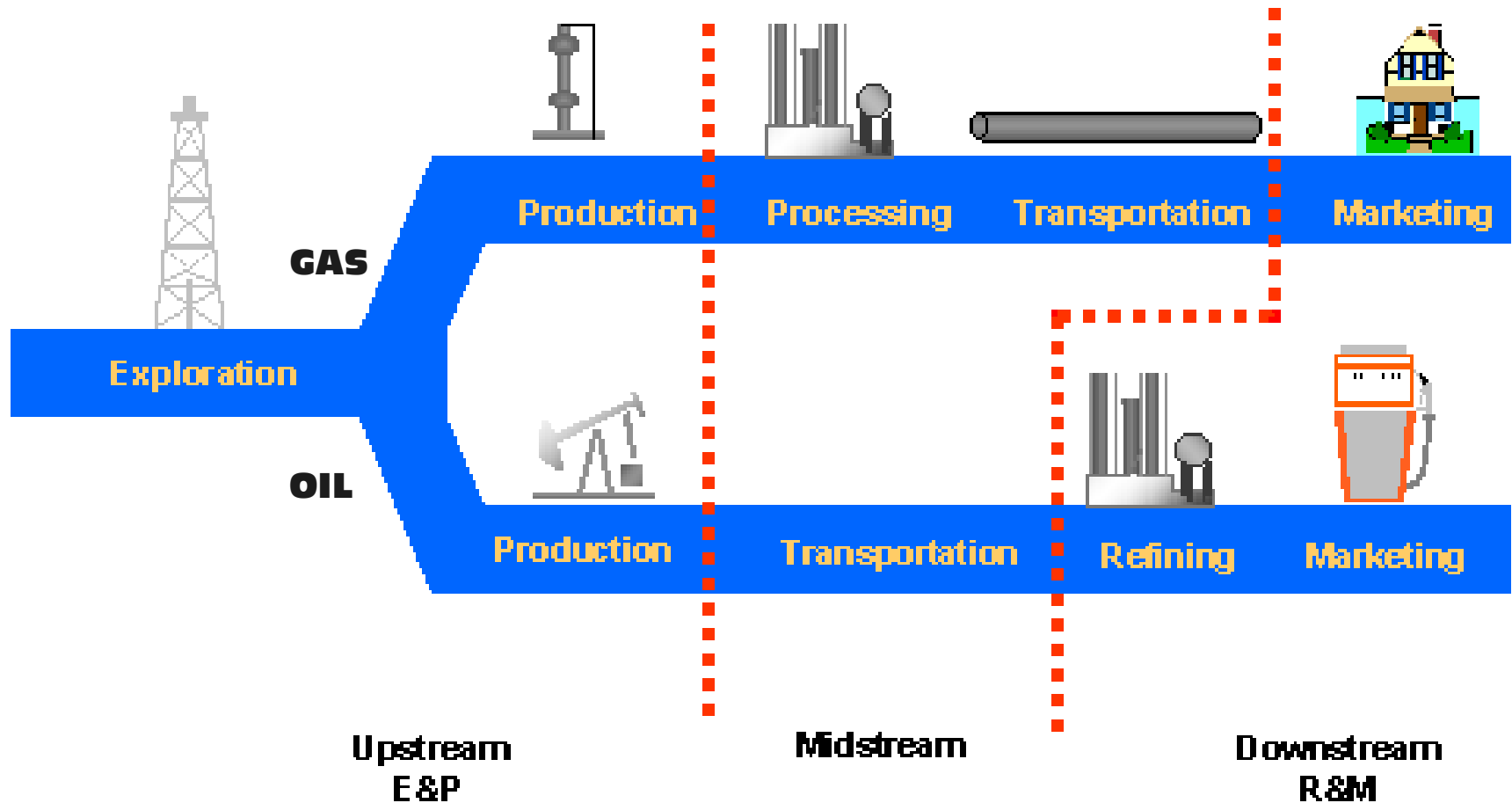
Upstream Oil & Gas Opportunities and the West Coast

A Personal Perspective

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“Upstream” is the front end of the Oil & Gas value chain



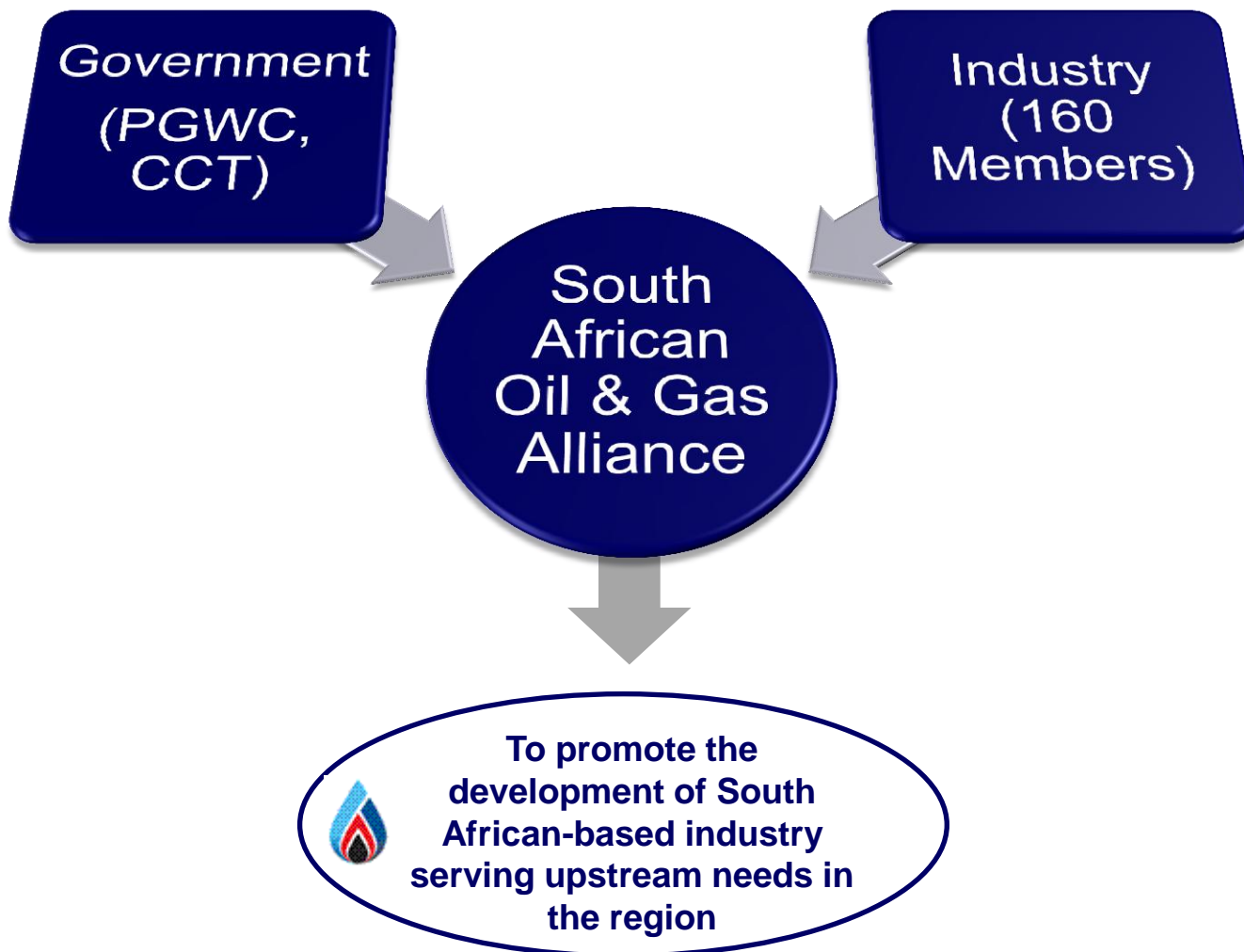
Source: Petrostrategies

At \$85/barrel oil upstream activities account for almost 88% of net margin in the value chain

Operation	Costs	Value	Gross Margin	Net Margin	Percent
Exploration	2.97	16.33	16.33	13.36	18.4%
Production	17.78	85.00	68.67	50.89	70.0%
Transportation	1.00	87.96	2.96	1.96	2.7%
Refining	3.70	96.46	8.50	4.80	6.6%
Distribution	1.90	99.69	3.23	1.33	1.8%
Marketing	0.80	100.85	1.16	0.36	0.5%
Pump Taxes	19.15	120.00	0.00		0%
				72.70	100%

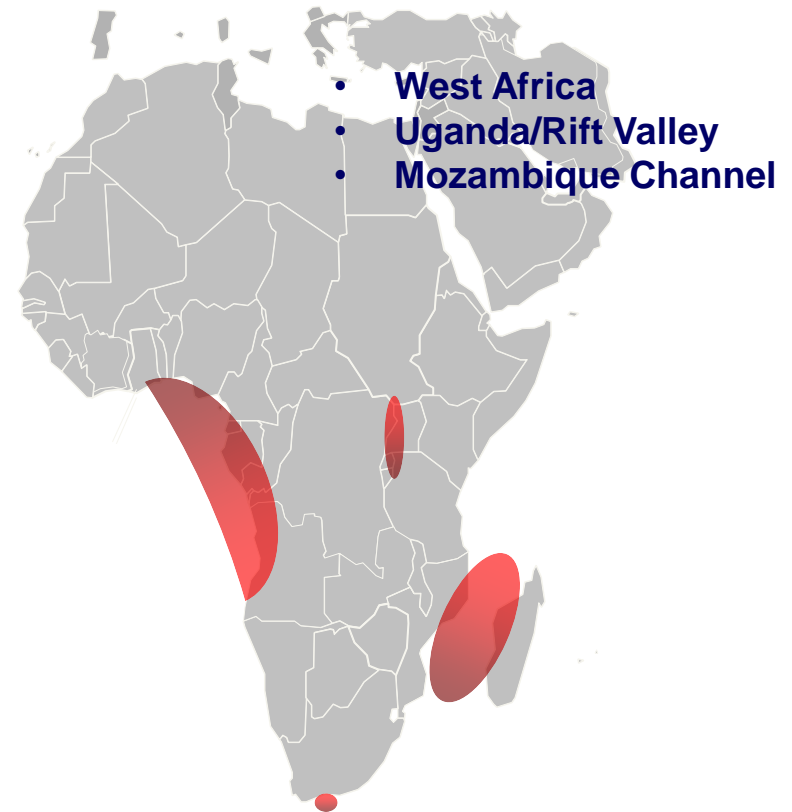
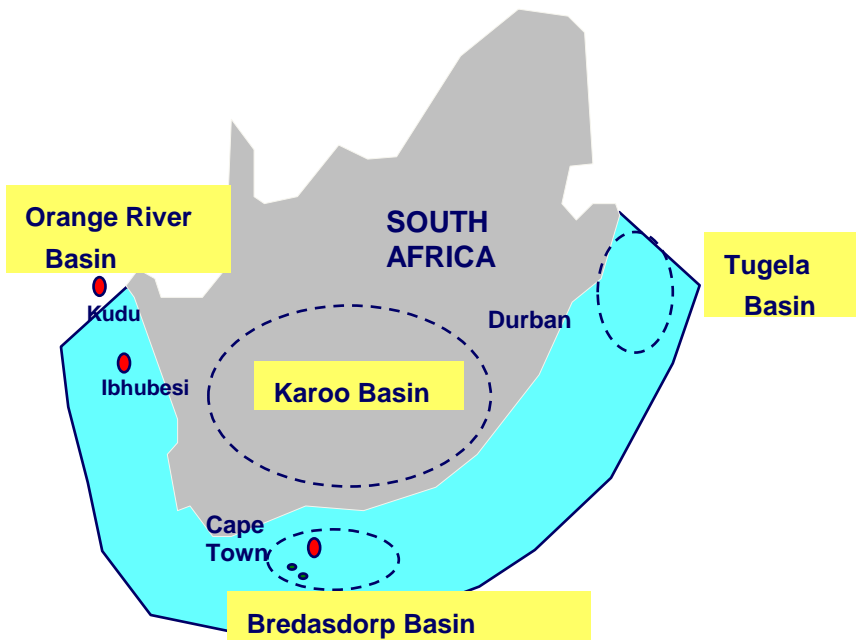
Source: Petrostrategies 2007, adjusted for \$85/bbl crude price

The South African Oil & Gas Alliance is public/private partnership to develop SA-based upstream suppliers



South African upstream activity has two key drivers:

- **Local Exploration & Production**
- **Support/Supply Services and Equipment into Africa**



Development work on Forest Oil's Ibhubesi gas field could start in the next 12 months

- **Offshore gas field about 100km from the coast in ~100m of water.**
- **Discovered in the 1970's there hasn't been a commercial case for developing it.**
- **Awarded production license in September 2009.**
 - 5 Year market development period.
- **Indications are that they have opted for a gas-to-power concept.**
 - Planning to sign commercial agreement this quarter.
- **~\$2.5 billion offshore development feeding a ~900MW power station near Hondeklipbaai area.**



Offshore



Gas Plant

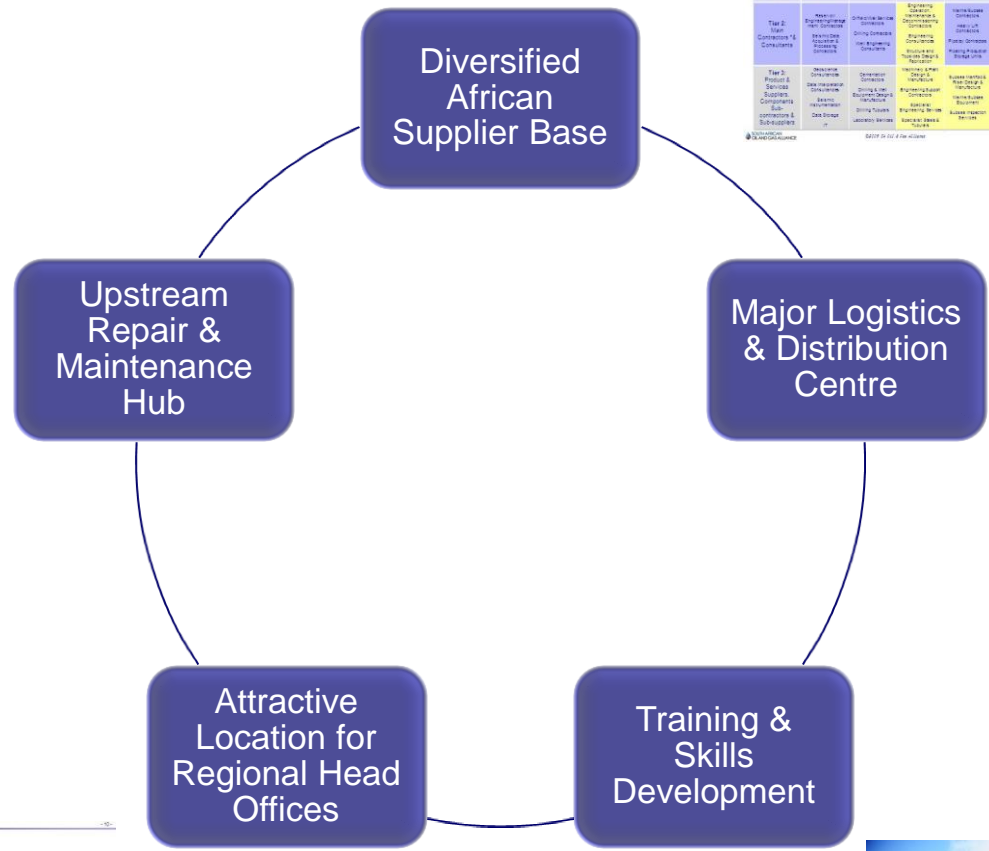


Power Plant

South Africa offers a number of attractive propositions to the regional upstream industry

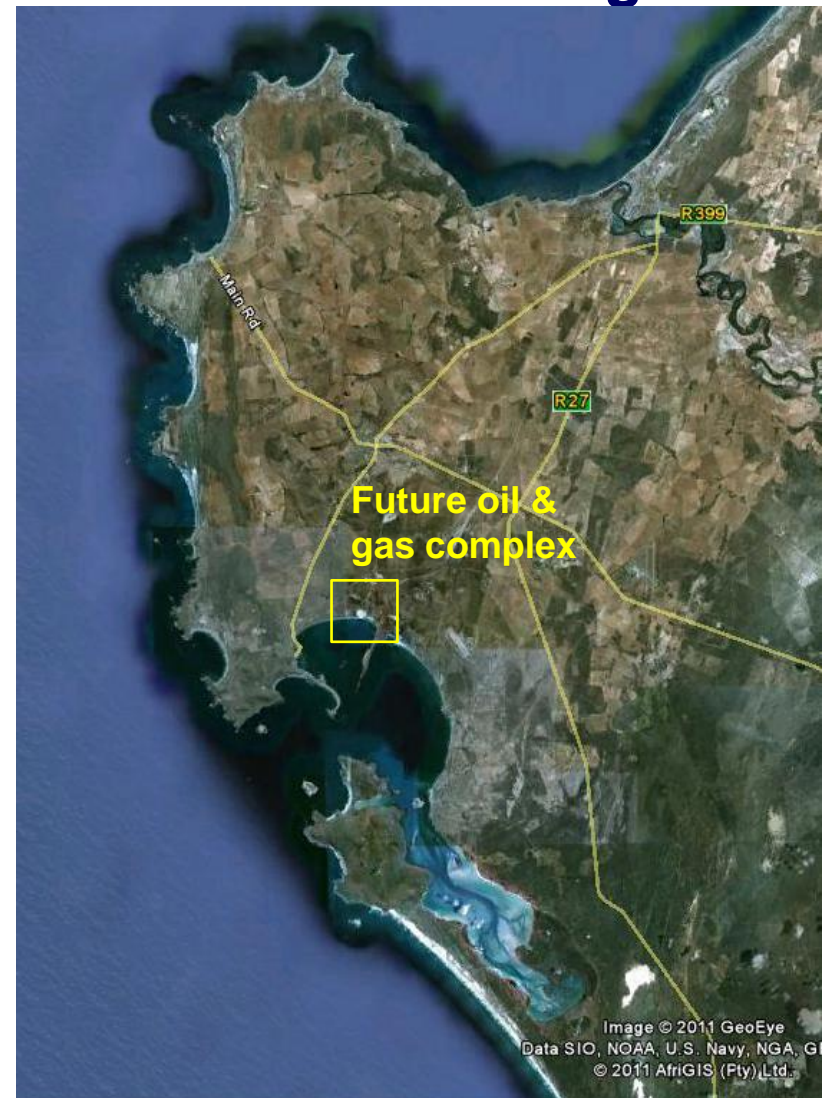
SA upstream suppliers have built on the foundation of a strong engineering and resource economy

Supply Chain Category	Reservoirs	Wells	Facilities	Marine & Support Services
Tier 1 Oilfield Services Drilling Contractors Completion Contractors Production Services Maintenance Contractors Logistics & Support Services	Reservoir Engineering Reservoir Simulation Reservoir Characterization Reservoir Management Reservoir Monitoring Reservoir Modelling	Well Planning Well Design Well Construction Well Completion Well Intervention Well Rehabilitation	Process Design Process Simulation Process Control Process Optimization Process Safety Process Maintenance	Marine Operations Marine Maintenance Marine Support Marine Logistics Marine Safety Marine Training



Saldanha Bay has a lot of potential as a hub for oil and gas services targeting the West Coast and the region

- **Natural deep water port**
 - Up to 24m draft
- **Developed quayside facilities**
- **Road and rail links to Cape Town**
- **International status airport**
- **Established engineering community**
 - Iron ore terminal, Saldanha Steel
- **Favoured location for an IDZ (SA's version of a freezone)**
- **Most importantly, lots of available land**



The Port of Cape Town lacks space for significant further expansion of the oil and gas activities



The Australian Marine Complex near Perth gives some idea of the potential at Saldanha Bay

- **Four main precincts:**
 - Shipbuilding/repair
 - Technology
 - Support Industry
 - Fabrication
- **Services a numbers of industries**
 - Oil and Gas
 - Marine
 - Defence
 - Resource industry.

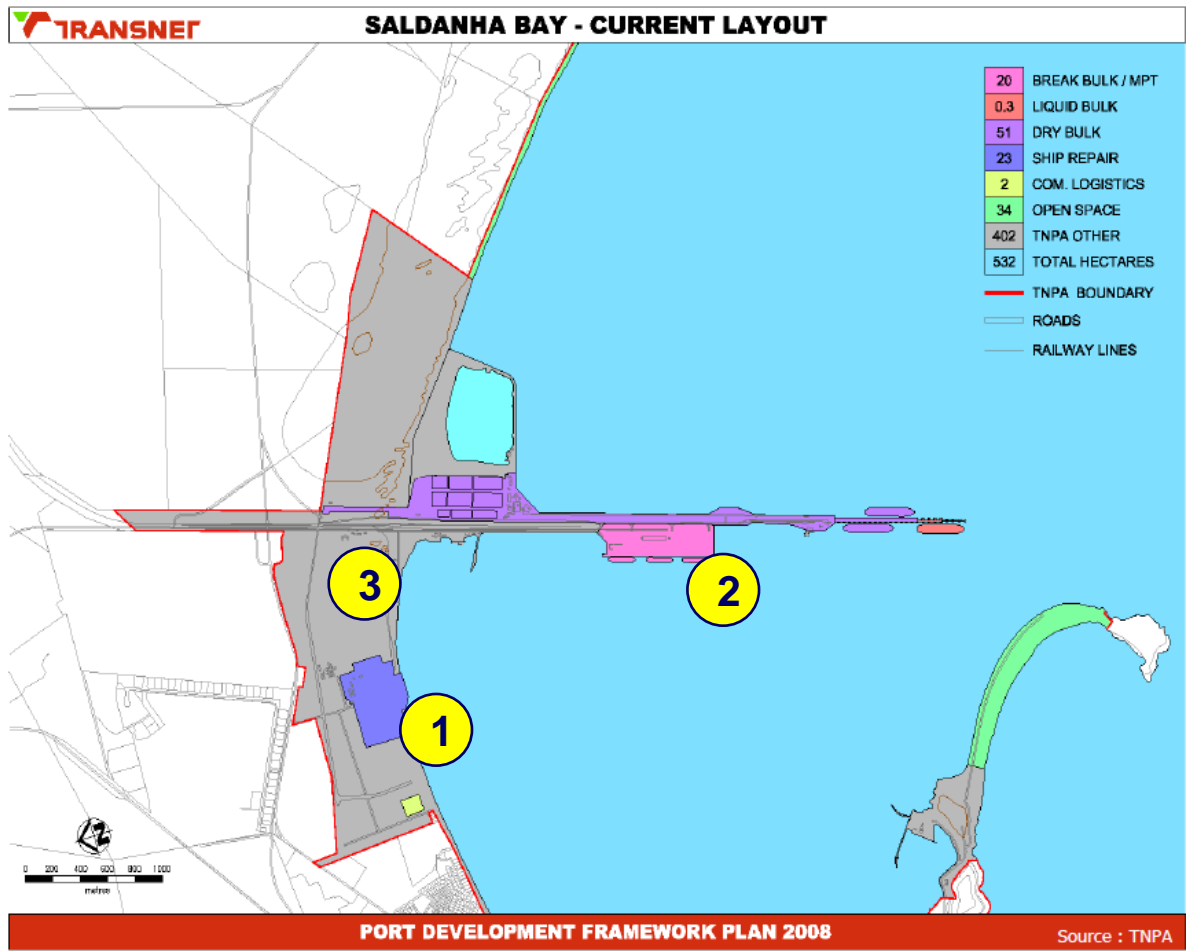


The likely focus for development in Saldanha Bay will be the area around the ore loading quay

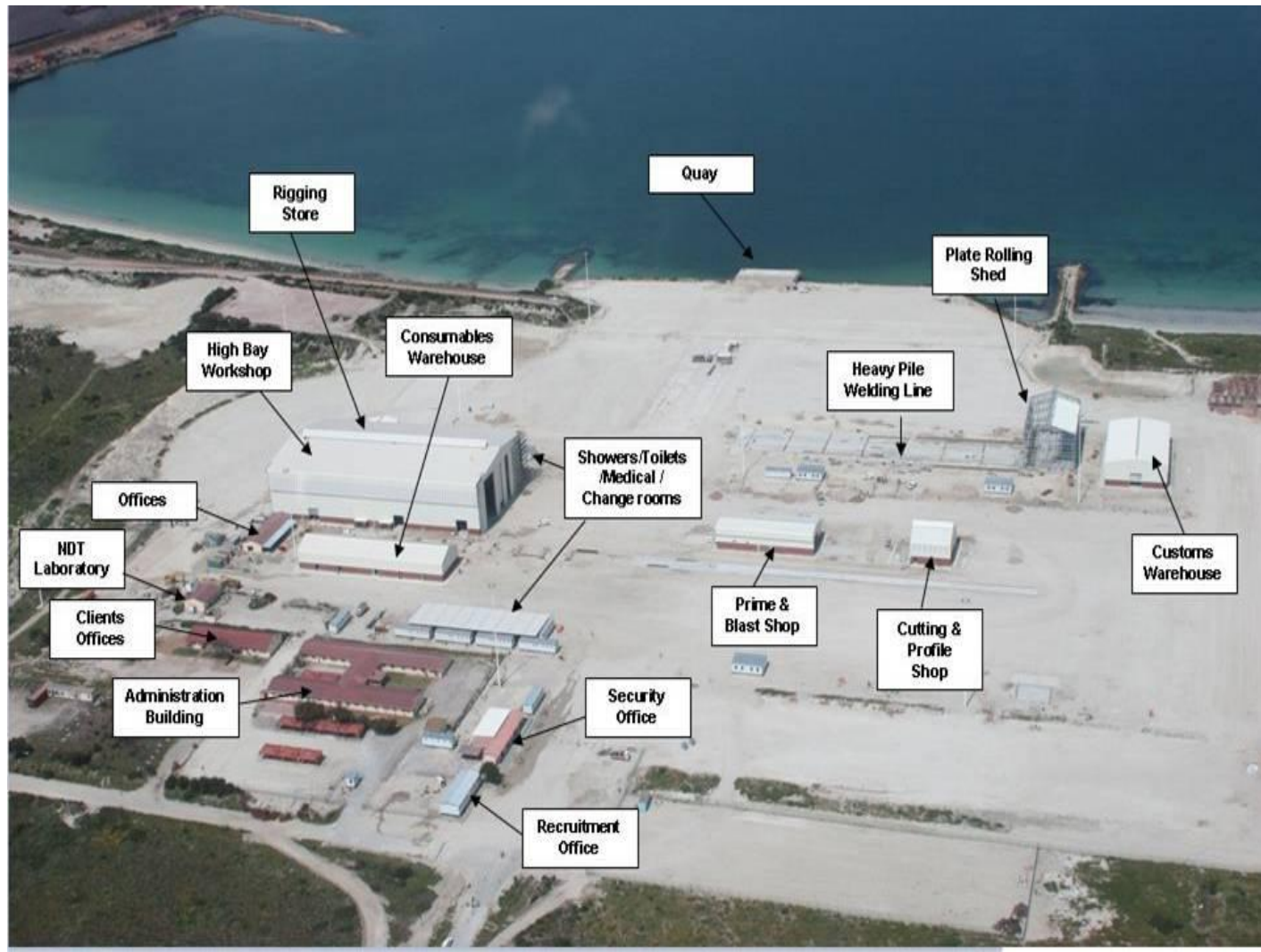


Oil and gas activities are developing quite rapidly in the Port of Saldanha Bay

1. **Grinaker Fabrication Facility**
2. **Rig Repair projects**
3. **Oil & Gas Supply Base**
 - Awaiting finalisation of port land lease
4. **LPG Import Terminal**
 - Out for tender
5. **Floating Dry Dock(s)**
 - Proposed
6. **Manufacturing & Support Industry**
7. **Rig Dry Dock**



Grinaker's world class fabrication facility at Saldanha Bay is scheduled to commence operations in Q3



Summary of Opportunities

- Rig/Ship repair projects
- West Coast exploration
- Supply base start up
- Initial fabrication project
- Floating dry dock?

- LPG Import Terminal
- Growth of manufacturing & support industry
- Declaration of IDZ
- Ibhubesi construction?

- Dedicated ship repair facility – deepwater channel
- Rig dry dock

6-18 Months

18-36 Months

Longer Term



**For further information
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