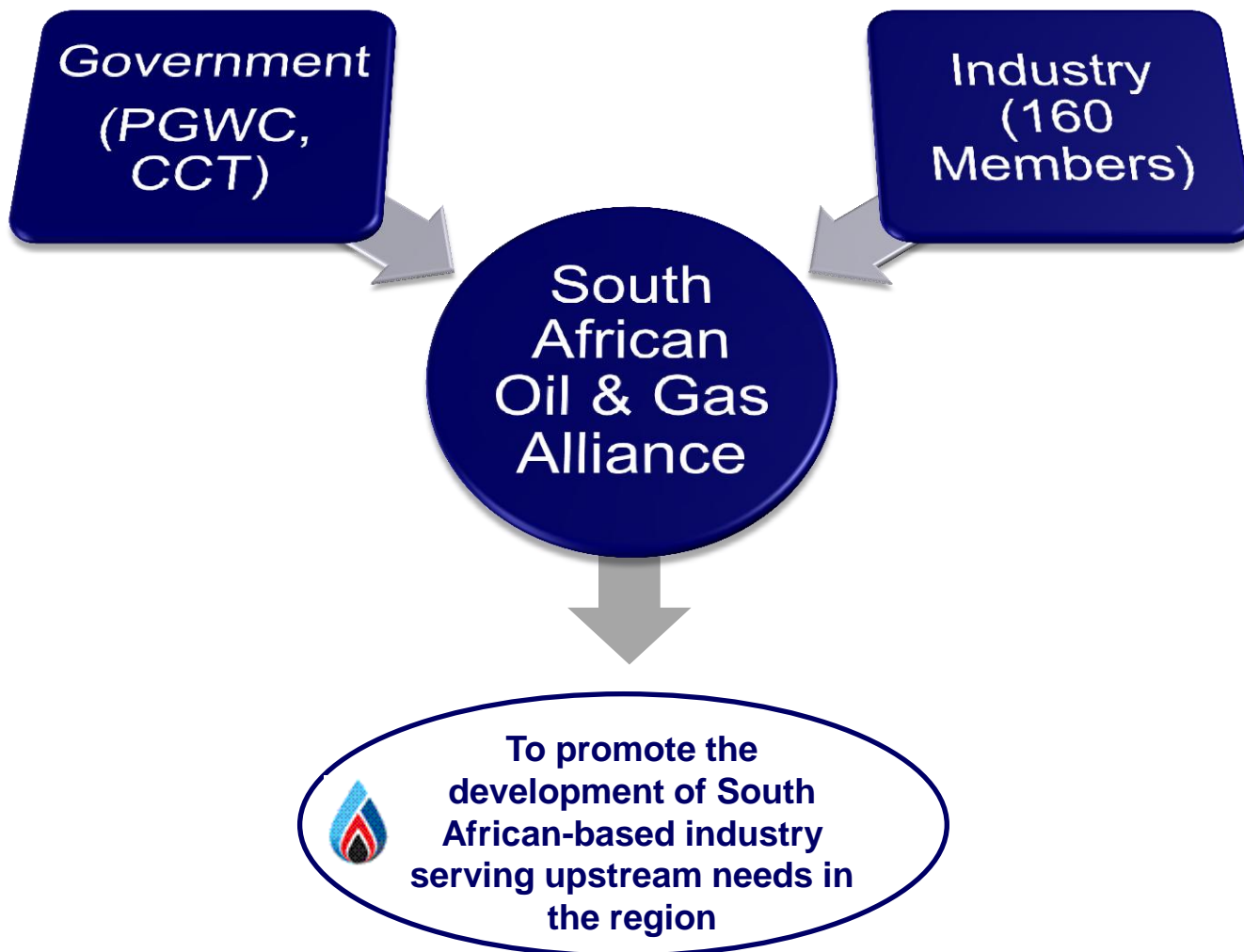


The South African Oil & Gas Alliance is public/private partnership to develop SA-based upstream suppliers



We focus on 3 basic areas

Our Mission (Where are we going)



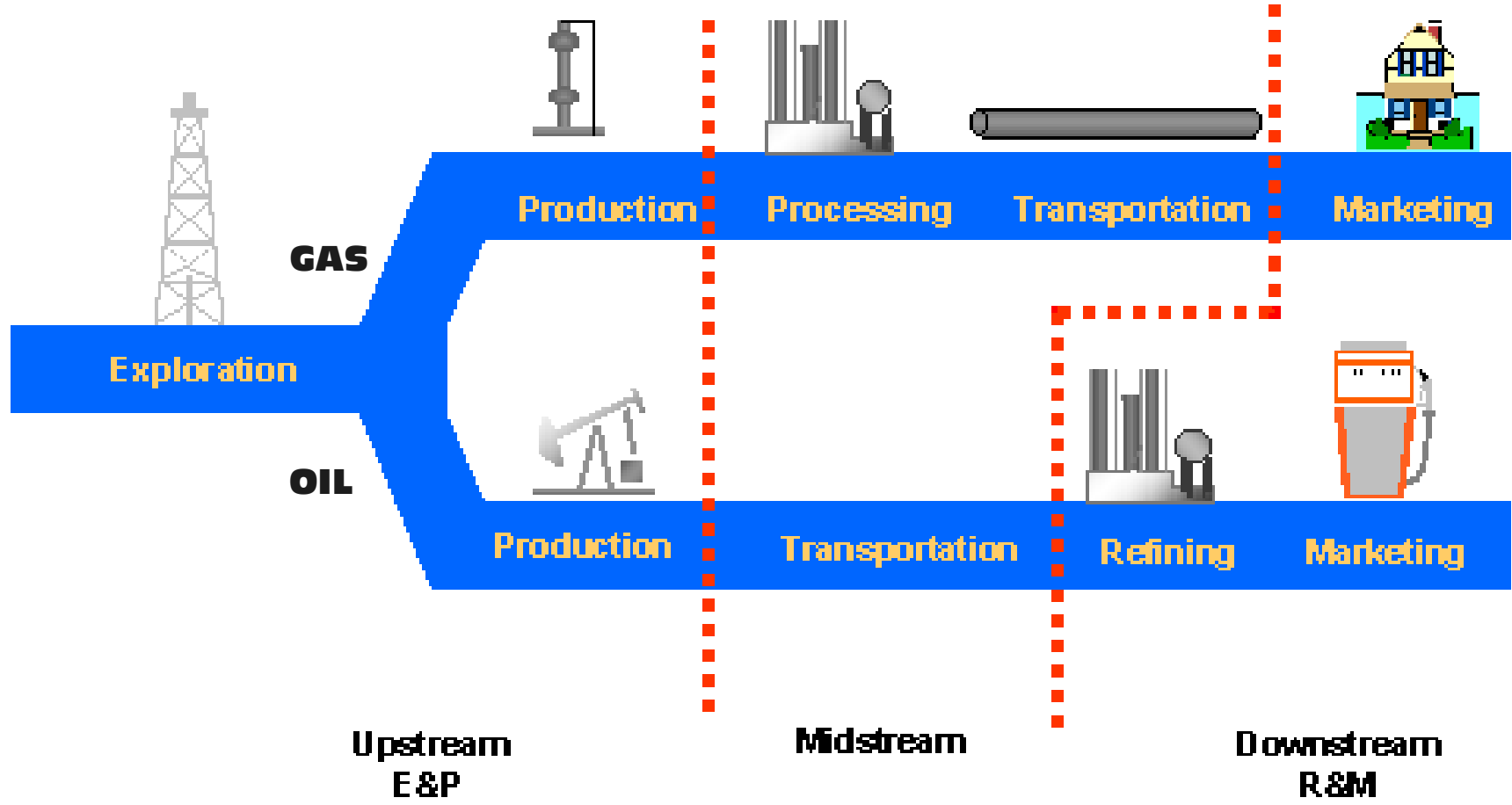
Our 3 Strategic Imperatives (What do we need to do)



Our Strategic Initiatives (How)



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



Source: Petrostrategies

Downstream



Upstream



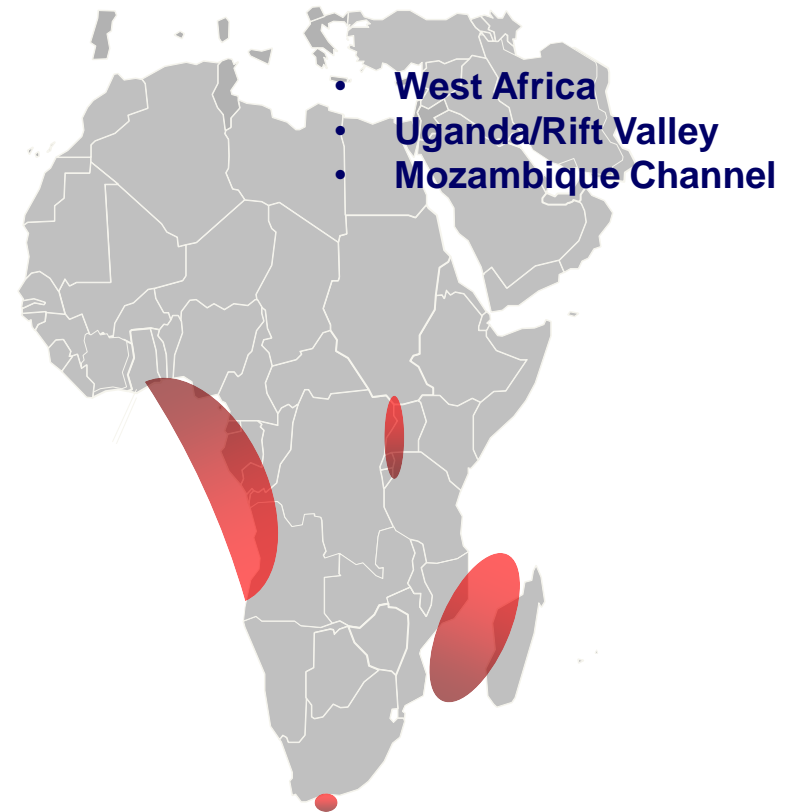
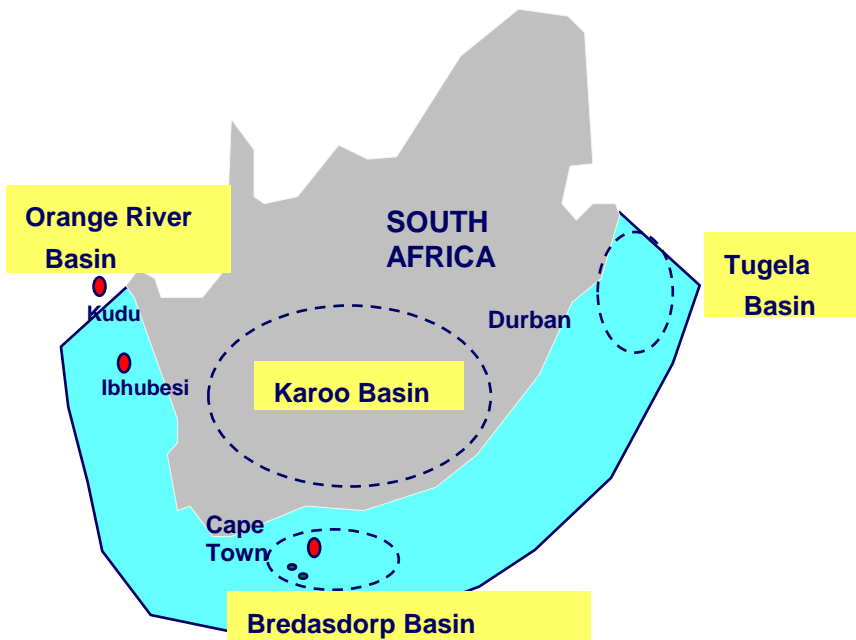
At \$85/barrel oil upstream activities account for almost 88% of net margin in the value chain

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%

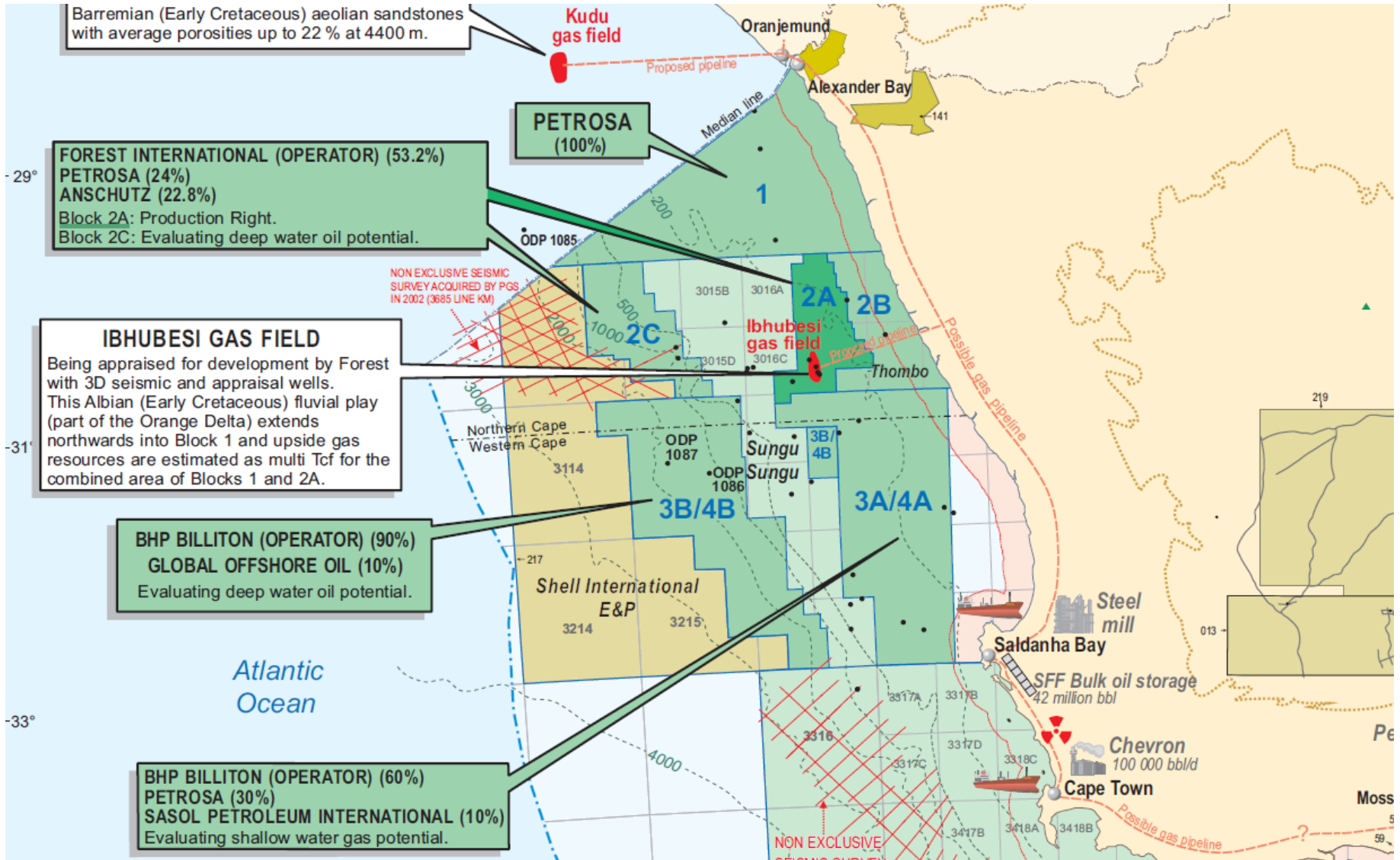
Source: Petrostrategies 2007, adjusted for \$85/bbl crude price

South African upstream activity has two key drivers:

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



West Coast upstream activity



Source: Petroleum Agency of South 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 Island Point.**



Offshore



Gas Plant



Power Plant

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

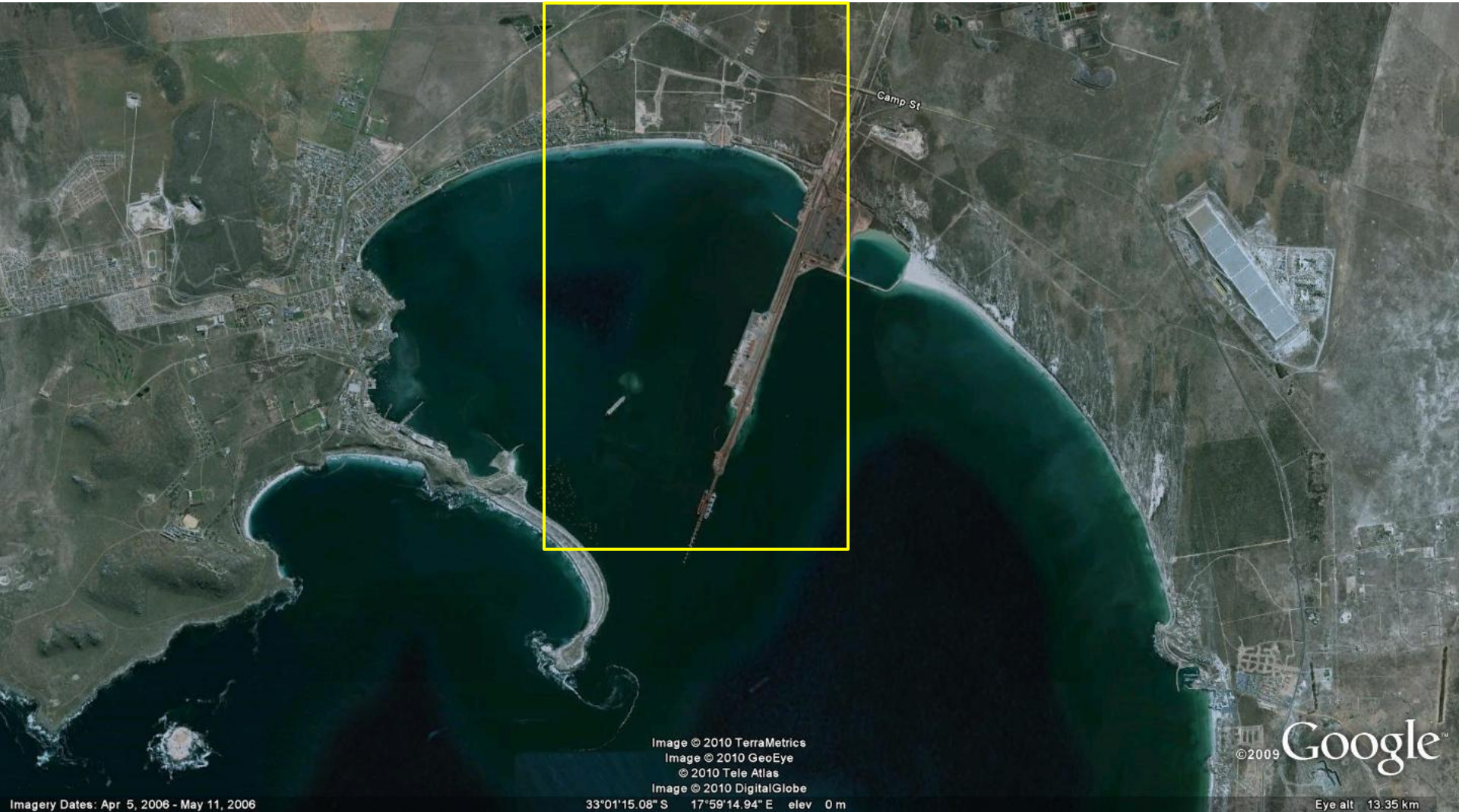


The Australian Marine Complex near Perth gives some idea of the potential at Saldanha Bay

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

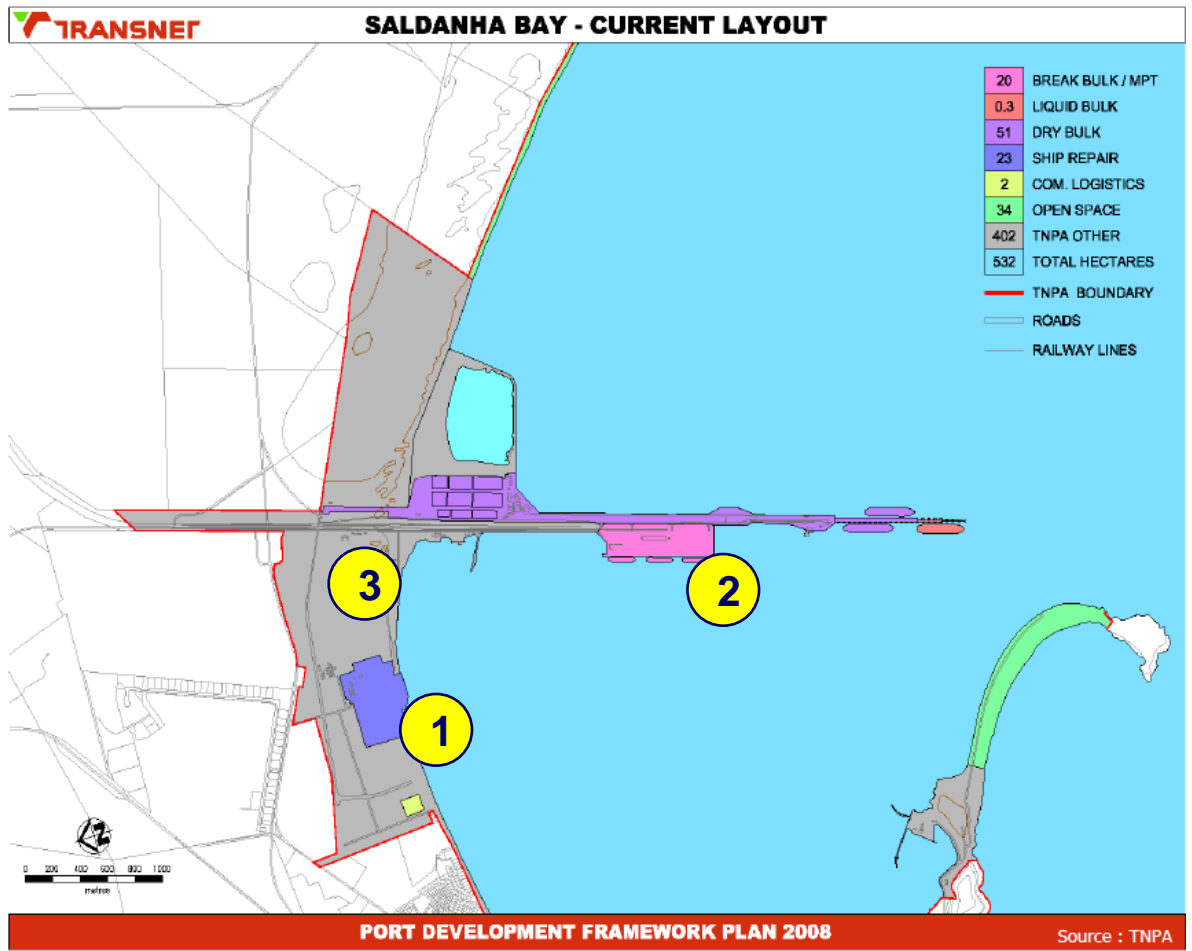


The likely focus for development in Saldanha Bay will be the area around the ore loading quay

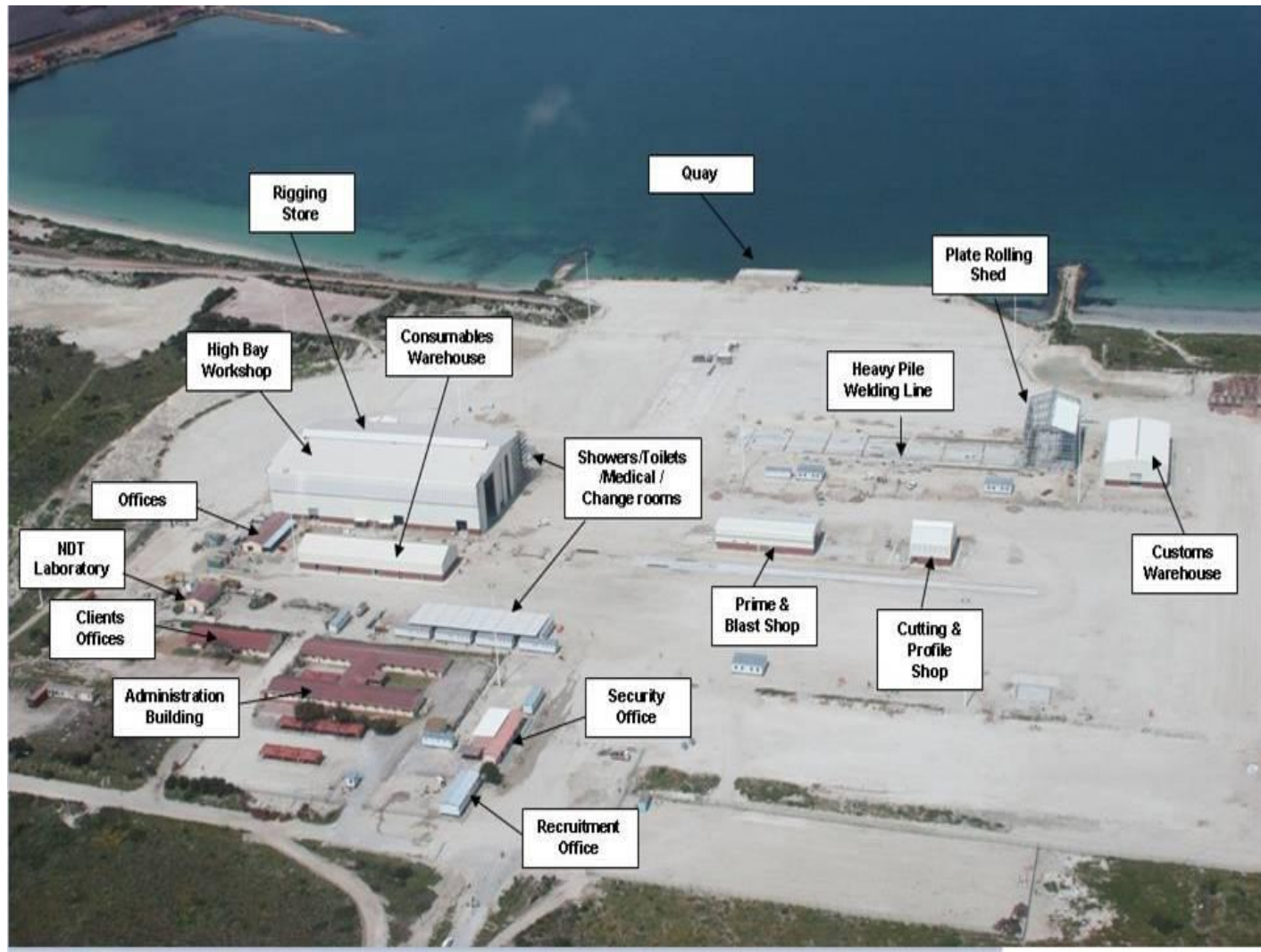


Oil and gas activities are developing quite rapidly in the Port of Saldanha Bay

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

What does this all mean for the local communities?

- **Oil and gas exploration and production off the northwest coast will NOT create a lot of direct jobs**
 - Most such jobs require highly skilled, experienced people.
 - A lot of foreign contractors and equipment will be used.
- **There will be a need to supply all sorts of services to contractors and personnel working on the oil and gas fields**
 - Supply bases at Island Point & SB, housing, transport, hotels, shops, business services etc
- **The growth of Saldanha Bay as an upstream supply hub for the region could be very significant for economic growth and employment.**
 - Rig/ship repair promises many jobs, oil and gas service companies opening facilities will create jobs etc
- **Investment in skills and training is critical if local people are going to participate in the opportunities – a global industry with global standards.**
- **Oil and gas will create opportunities but it will still take entrepreneurs, the necessary skills and hard work to take advantage of them.**



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