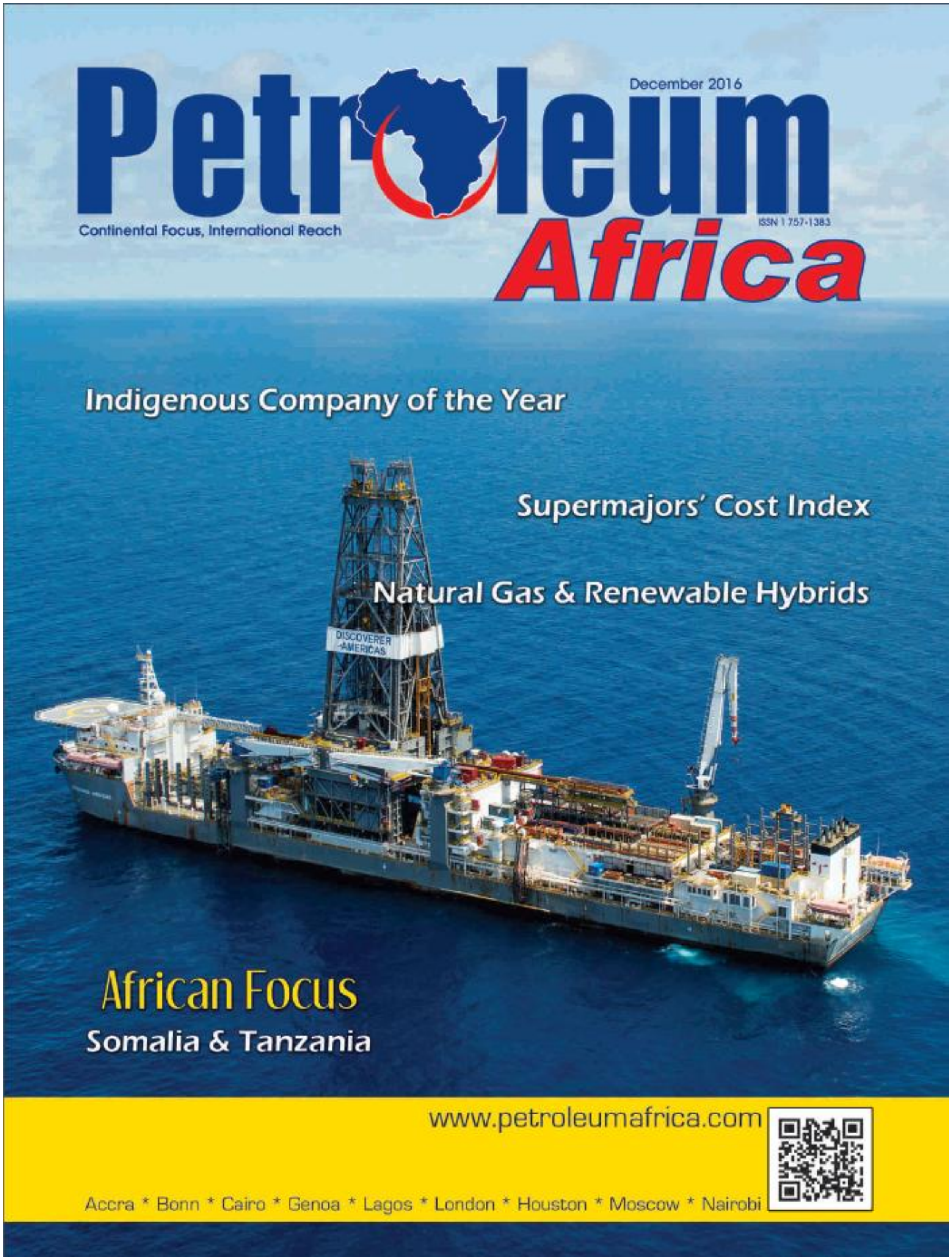
Rhino Resources Ltd.

PIERPONT

Publication: Petroleum Africa
Date: December, 2016



Rhino Resources Ltd.

PIERPONT

CONTACT US

Deputy Editor
Jennifer Nickle
jnickle@petroleumafrica.com

Senior Correspondent
Mark Pabst

Contributors
Alexander Vasilyev
Dr. Mostefa Ouki
Intertec
Muktadir Ur Rahman
Ramin Lakani
Rob Tims
Sumit Rath

Operations Manager
Alan Younes

Art Director
Mario Saad

Client Relations and Digital Media Manager
Basma Awdan

Circulation Manager
Silvia Rafaat

Distribution Coordinator
Amira A.Wahab

Database Coordinator
Olabisi Ijeh

Senior Accountant
Said Adly

Advertising/Sales
Jina Sellers

IT and Social Media
Farrah Younes

Administrative Assistant
Dalia Abd El-Wahab

Africa Headquarters
10G Ahmed Abd El-Aziz St.,
New Maadi, Cairo, Egypt
Tel/Fax: +2 02 2517 7454
egypt@petroleumafrica.com

Advertising Representatives
Austria, Germany, Switzerland
Eisenacher Medien
Erhardt Eisenacher
Tel: +49 0228 2499 860
info@eisenacher-medien.de

Ghana
Research Development & Financial Consultants Ltd.
Janice Odonkor
Tel: +233 302 767 919
janice.odonkor@rdfcafica.com

Italy
Ediconsult Internazionale
Anna De Bortoli
Tel: +39 02 477 100 36
energia@ediconsult.com

Nigeria
Oil & Gas Soft Skills
Emmanuel Emielu
Tel: +234 803 308 4541
ogs@petroleumafrica.com

North & South America
Eric Freer
Tel: +1 281 384 8793
eric@freerpub.com

Russia
Oil & Gas Eurasia
Tel: +7 495 781 8836
russiasales@petroleumafrica.com

United Kingdom
Gayle Meikle
Tel: +44 (0) 20 7193 8224
uk@petroleumafrica.com

Global Inquiries
Farrah Younes/Jina Sellers
Tel/Fax: +1 713 867 9394
advertise@petroleumafrica.com

Subscriptions
subscribe@petroleumafrica.com
or visit **www.petroleumafrica.com**

Petroleum Africa Magazine is a Texas, United States-registered company. PO Box 1571 Montgomery, TX 77356

Guest Editorial

By Rob Tims, CFO
Rhino Resources

OIL AND GAS EXPLORATION IN AFRICA

Time to get things back on track

The discovery of oil off the coast of Ghana in 2007 – and subsequent hydrocarbon finds in Uganda, Kenya, Tanzania and Mozambique – sparked an exuberant international response, with oil and gas investors and companies initially flocking to what many saw as a new frontier for the energy industry.

The excitement was understandable. The oil and gas finds in Mozambique had the potential to increase its GDP five-fold by 2040. Ghana's economy, too, was being transformed. Commodity prices were booming and the 'Africa Rising' narrative that was taking hold across the world was changing investor perceptions.

Nine years on with the oil price having been more than halved, the enthusiasm of those early days has faded somewhat. While there have been significant successes in oil and gas exploration in Africa, many of the discoveries have yet to make it into production. Ghana is the one notable exception where discoveries are now generating revenues for the country.

Africa's 'above ground' risks, such as political complexity, insecurity, fiscal instability and regulatory change put the continent at a distinct disadvantage compared to established markets. When the oil price is high, and capital abundant, investors are able to balance these risks with the potential of outsized returns. However, at low oil prices, many investors look for less risky geographies to commit their scarce capital.

Yet for some reason the low oil price environment has not yet brought about a realization for the need to create a more collaborative and investment-friendly environment in Africa, one that will benefit both host governments and industry players. When prices were at $100 a barrel, some governments (particularly those new to oil) were lulled into a false sense of security and assumed they had the upper hand in negotiating inward investment. Today, with little movement on things like licens terms – which in many cases just don't work in a low price world – the pace of investment in oil and gas has continued to slow.

With the low oil price looking to persist for the foreseeable future there now is an even more pressing need for African governments to do what is necessary to make the investment climate as conducive as possible.

Despite these tough times in the market and continued regulatory obstacles, there are some companies out there that see this as an ideal time to invest in Africa, such as Dallas-based Rhino Resources. These companies are taking advantage of the low oil price environment to aggressively build a portfolio of high quality frontier exploration assets through direct negotiation with host Governments.

Governments need to recognize that new entrants like Rhino represent the future of oil and gas exploration in Africa and need to do everything possible to welcome them. Leaving acreage with terms that only work at $100 a barrel in the hands of companies without access to capital isn't going to contribute to the growth of Africa's economies or benefit its people.

This is the fourth oil price slump I have witnessed in my career. The timing of the recovery is unclear, but when it does happen, and the dust settles, the winners in Africa will be the countries that were able to attract investment dollars despite the downturn while the losers will be those inflexible destinations who stuck to the old rules that worked in a $100 per barrel world.

Africa's nations need to use this time to secure their position among the winners by creating a robust investment environment, avoiding the 'feast and famine' scenario that all too often accompanies oil price cycles.

***About the Author:** Rob Tims is Chief Financial Officer for Rhino Resources, a privately owned early stage oil and gas exploration company focused on Africa. A 25-year veteran of the oil and gas industry who has advised a number of landmark transactions in Africa. Tims' experience spans operations, finance, banking and consulting.*