



## Sumatec Receives Green Light from Bursa Malaysia

Sumatec Resources Berhad ("Sumatec"), on 29<sup>th</sup> of January 2013, has been given the go-ahead approval by Bursa Malaysia on its Proposed Regularization Plan, which the central point of focus involves the Joint Investment Agreement with Markmore Energy (Labuan) Limited ("Markmore Energy") and CaspiOilGas LLP ("CaspiOilGas") to operate and develop the Rakushechnoye Oil Field in Kazakhstan.

Based on the agreement, Sumatec will be appointed as the operator of the field by Markmore Energy and CaspiOilGas, which is wholly owned by Markmore Energy and is the sole concessionaire of the Rakushechnoye Oil Field. Sumatec's main tasks will be to manage the field operations and to develop the field to increase its oil and gas production. Sumatec will be compensated a fee by way of 100% net cash flow from the oil sale proceeds up to 2,000,000 barrels and 50:50 split of the net cash flow there after.

The Joint Investment Agreement will cost Sumatec USD135 million, out of which USD40 million is Performance Deposit which will be refunded to Sumatec by setting off with the royalty to be paid to CaspiOilGas by Sumatec. The net entry cost to Sumatec is therefore USD95 million.

Chris Dalton, the CEO of Sumatec said, "This is an elegantly structured deal. We have effectively secured oil and gas reserves without having to purchase the oil field. In today's situation where oil corporations are scrambling to secure reserves, a direct acquisition of an oil and gas field will cost between USD5 to USD7 per barrel of reserves. The Rakushechnoye Field has a 3P recoverable reserve of 331.7 million barrel of oil equivalent, which means our minimum cost would be USD827 million @ 5USD per bbl equivalent if we were to acquire 50% direct stake in the field. Instead, through the Joint Investment Agreement, we have managed to indirectly secure 50% of the reserves at a net cost of USD95 million or 57 US cents per barrel."

When asked about the risks involved in oil and gas production business, Chris Dalton said, "The upstream oil and gas industry is a high risk high return game. The highest risks lie in the exploration phase, during which the chance of the first exploratory well striking commercial oil is only 10% even after performing extensive geological surveys and studies. You have 90% chance of losing your money in drilling the first exploration well. You can't get certified reserves without drilling exploration wells. Luckily for Sumatec though, the exploration hurdle for the Rakushechnoye Oil Field has been passed. It already has 47 wells drilled and 3D seismic data covering the entire concession area. The oil and gas reserves have been certified. In fact the Rakushechnoye Oil Field is already in production phase. The Rakushechnoye Oil Field is also an onshore oil field, meaning that production cost is much lower

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compared to offshore oil fields, which we are more used to in Malaysia. So for Sumatec, there is not much more of the high risks. We only enjoy the high returns. We could not have landed a better deal.”

On the future plan for Sumatec, Chris Dalton said, “Of course we have plans for future direct acquisitions of oil and gas fields. But we are not an oil major company yet like Shell or ExxonMobil or Petronas. We cannot afford to take such risks yet. Our priority focus now is to achieve strong and sustainable cash flows for Sumatec. The Rakushechnoye Field is a good starting platform for us to establish ourselves in this sector because we get immediate production. Let us prove ourselves first. The right time will come for us to expand.”



**CHRIS DALTON**  
Chief Executive Officer  
Sumatec Resources Berhad