

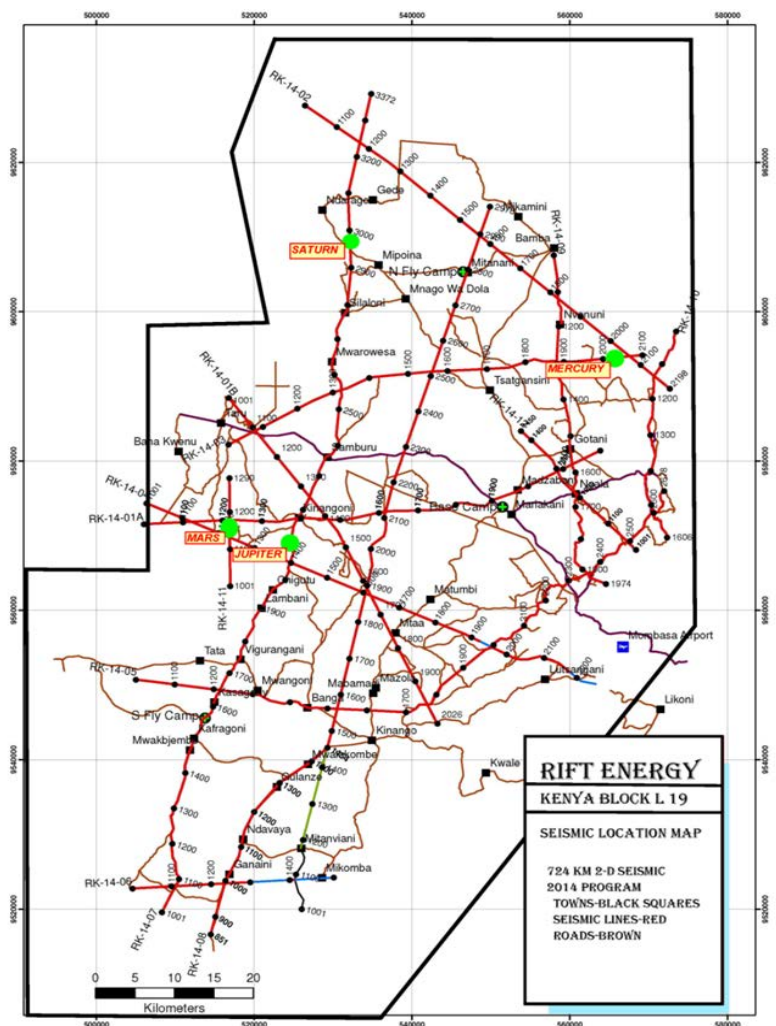
# Q4 2015 SHAREHOLDER UPDATE

Dear Shareholder/Investor,

We continue to make significant progress on our oil and gas exploration activities within East Africa:

**Kenya:** On Block L19, we own a 100% participating interest in the block, which currently covers approximately 9,000 KM<sup>2</sup> (2.2 million acres) near the port city of Mombasa. Our pre-drilling technical work is now complete, resulting in four drill-ready prospects and 20+ additional leads with significant reserve potential. As such, we are now ready to commence an exploratory drilling program during Q1 2016.

- We are in advanced discussions with several potential farm-in partners that will provide additional technical and financial support for our initial exploratory drilling program.
- The Environmental Impact Assessments for four drill-ready prospects are in the final stages of completion. Drilling tenders are being evaluated and discussion with the suppliers of other goods and services pertaining to the drilling program are ongoing. Due to the world-wide depressed oil prices, we expect a notable decrease in drilling costs, as compared to prior year estimates.
- Our current resource reserve estimates for our four drill-ready prospects include a total mid-range recoverable resource reserve estimate of 856 MMbbls oil and 13.6 TCF gas.



- In the event of a commercial oil or gas discovery, we are uniquely positioned to quickly bring oil and/or gas production to market due to our close proximity to industrial and power companies in Mombasa.

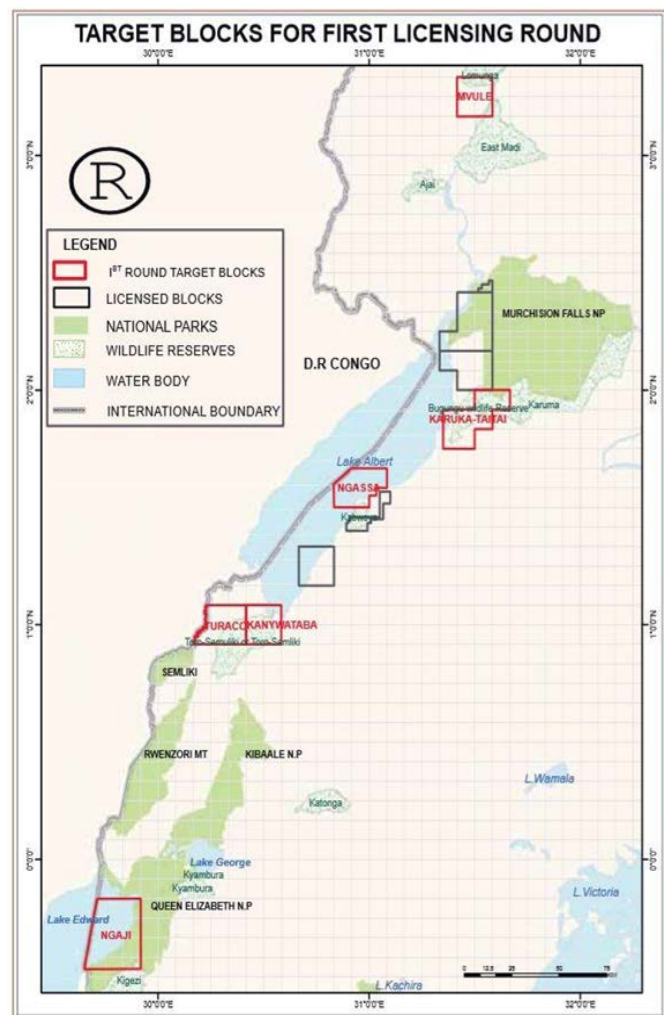
**Kenya Outlook:** Kenya currently imports all of its petroleum products and has an estimated GDP growth in excess of 6% projected for 2015. Although major oil and gas discoveries have been made in a remote

section in northeast Kenya in recent years, those discoveries will not come online until a pipeline is constructed—projected completion is currently 2018 at the earliest. In that respect, Block L19’s location near Mombasa puts us in a distinct competitive advantage, because in the event of a commercial discovery, the lead time to first production will be significantly less.

There continues to be serious security concerns on the border with Somalia and in the northeastern section of the country. There are significantly less security issues on Block L19, as it is located in the southern part of Kenya and away from areas of historical conflict. During 2014, in conjunction with a third party security firm, we conducted a 724 line KM 2D survey that took six months with a camp of 250 people with no security incidents. To be prudent and diligent, we plan to continue to use third party security services for all future operations on Block L19.

**Uganda:** On October 1<sup>st</sup> we received the official bid package for *Uganda’s Licensing Round for Petroleum Exploration, Development and Production* bid round. Six blocks in the Lake Albert area are now up for bid and we are one of sixteen qualified bidders. We expect to bid for one or more blocks during January 2016 and have interest from several industry players that would also like to partner with us in Uganda.

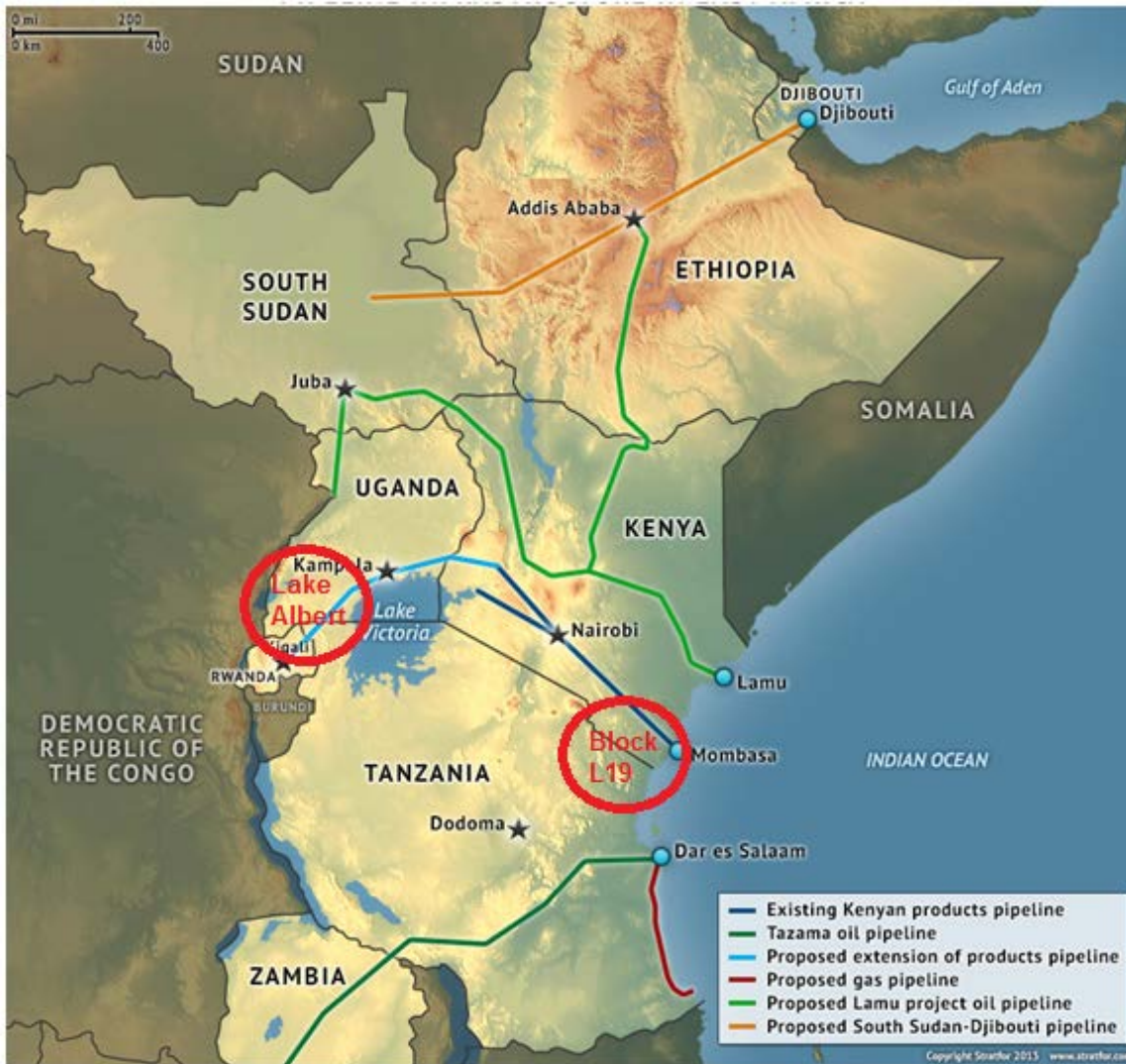
- A significant opportunity exists to acquire blocks with proved reserves. Available blocks include at least four discoveries that have been relinquished by the prior operator.
- According to the Ministry, the Albertine Graben has 6.5 billion BBLs of oil and 500 BCF of gas in place, with only 20% of the prospective area explored to date.
- Construction/planning of an export pipeline and refinery for the Lake Albert area is underway; first production is expected in about three years.
- Uganda’s oil and gas regulatory regime is now firmly in place and ready to progress forward. A standard Model Production Sharing Agreement is in place and the longstanding tax dispute between the Ugandan government and Tullow has been resolved.
- The Ministry intends to award each block to the successful bidder during early 2016.



**Uganda Outlook:** To date, Uganda has experienced unprecedented exploratory drilling success, with over 85% of the wells drilled to date having found oil and gas; resulting in 21 oil and gas field discoveries. Finding costs are also uniquely low in Uganda – about \$1.00/bbl. Currently, 100% of the petroleum

products in Uganda are imported. This will change dramatically when an export pipeline and/or a refinery is constructed within the next several years, which will unlock 125,000+ bbls per day of oil production capacity that will make Uganda energy independent with significant access to world markets.

**Strategies and Opportunities:** The currently depressed world-wide commodity price structure creates many challenges and opportunities. In East Africa, we view this environment as an opportunity to find and develop assets at a lower cost structure, which will enable us to capitalize on the upside when oil and gas prices return to historical levels.



We appreciate your continued support as we work to increase shareholder value through our mutual goals of acquiring and developing high impact assets in East Africa.

Best Regards,

Fred Zaziski, President and CEO