DAILY OIL BULLETIN

November 22, 2012
Contents | Previous Article | Next Article

Alberta Oilsands Invests In Africa

Alberta Oilsands Inc. has taken its first step in its new international strategy, which primarily will be focused on the African continent.

The company says it has entered into an agreement with a subsidiary of **Pan African Oil Ltd.** to jointly pursue a production sharing agreement with respect to two blocks, the Kalembe (Block 5) and Fatuma (Block 6), in which it may earn a 43.75 per cent interest. Pan African will remain the operator of the blocks.

The blocks comprise over one million gross acres covering the Kalemie sub-basin on Lake Tanganyika in the Democratic Republic of the Congo -- and in the heart of the East African rift system. Blocks 5 and 6 are adjacent to acreage held by **Total S.A.**

"The East African Rift System has been a bright spot for discovery and investor enthusiasm, and this is one area where AOS intends to create a critical mass position in a cost-effective manner, providing shareholders with leverage and optionality to the continued and growing exploration and development success in the energy basins in this region," **Binh Vu**, interim chief executive officer and president, said in a news release. "We hope to be able to quickly build on our position in Lake Tanganyika, and in the East African Rift System, as well as other areas which meet the company's stated criteria."

Pursuant to the agreement, Alberta Oilsands has agreed to pay PAO an aggregate of $1 million in cash and five million common shares in the capital of the company at an attributed value of 10 cents per common share. The cash consideration will primarily be used to pay for the past and anticipated upcoming costs and expenses of pursuing the production sharing agreement, up to the full amount, after which time costs and expenses will be shared equally by AOS and PAO.

The common shares issued to PAO are subject to a statutory hold period of four months plus one day. The transactions contemplated under the agreement remain subject to **TSX Venture Exchange** approval.

In Canada, Alberta Oilsands has restructured its key consultants comprised of engineering, geological, solvent specialist and stakeholder specialist personnel in order to consolidate costs, and effect a turnkey solution in the critical push to permit Clearwater in a time- and cost-effective manner. It has retained **Petrospec Engineering Ltd.** to spearhead and project manage its Clearwater West SLP-SAGD application with the **Energy Resources Conservation Board** and Alberta Environment.

Gerry Chalifoux, Petrospec principal, has 25 years' experience in the oil and gas industry and is a recognized expert in cold and thermal heavy oil recovery technologies and associated completions, production and operations engineering as well as conventional gas production technologies. He has developed and delivered heavy oil and artificial lift courses to oil company technical staff on a consultancy basis.

Its technical team has made progress in respect to optimizing the process design to operate at lower pressures and is near completion with the full operating life simulations and steam containment analysis, said AOS. The primary purpose of these simulations is to confirm steam containment and verify corresponding recovery process performance. The company said it will be reporting to the ERCB shortly.

AOS said it continues to evaluate all strategic alternatives with respect to its oilsands portfolio and is also conducting a preliminary development study with associated production profiles and cumulative produced oil forecasts on its recently delineated Grand Rapids lease. AOS is still seeking a buyer for its conventional oil and natural gas assets in order to streamline its focus and eliminate overhead.

The company said it is in active discussions with potential management candidates who possess the background and experience to provide the leadership needed to guide international activities, as well as candidates with the relevant depth to guide domestic activities. It is anticipated that appointments would be made between now and the end of the first quarter of 2013.

In light of the agreement with PAO, AOS has been informed that it will be unable to close its previously-announced rights offering without an extension, as required under applicable securities legislation. As a result, the company sought to extend the offering, but was unable to obtain TSX-V approval for an extension of the offering. As a consequence, all rights issued pursuant to the offering have expired and the company is unable to issue any shares or warrants in respect of the rights that were exercised. All payments made to AOS in respect of the exercise of rights under the offering will be returned to the subscribing shareholders.

AOS said the majority of the money it spent on paperwork associated with the rights offering would have been necessary if/when the company chose to potentially do a prospectus-based financing in the future. These costs now will not have to be duplicated.

Under its international strategy, the company said it intends to identify and acquire a majority position in assets which meet the following criteria, with a primary focus on the continent of Africa:

- Geologically prospective exploration licences in existing petroleum producing basins, or discovery basins, surrounded by current and expected exploration and drilling activity;
- Geologically prospective exploration licences in basins recognized favourably by the Canadian capital markets, and for which a premium is currently being awarded for those companies who are able to secure a critical mass presence; and,
- Government granted or privately negotiated acquisitions of assets with minimal work commitments over the next 12 to 18 months, in order to provide both maximum flexibility, and optionality.

AOS said it is currently negotiating several transactions, and hopes to be in a position to announce additional accretive asset acquisitions meeting the criteria between now and the end of January 2013.