

Uncovering Hidden Value

Bearish commodity market conditions continue to squeeze some of the world's natural resources companies. For the right players, however, this has been a period of great opportunity, with well-capitalised businesses taking advantage of the bottom of the cycle.

Esstel Group Middle East (EGME) is one of the very few energy players to take advantage of the downturn in global commodity prices and actually increase its market share. Born in the low oil price environment, the company has experienced remarkable growth, decisively investing at a point where costs are at an all-time low to acquire natural resources and energy assets across Africa and North America. And with its ambitious and experienced management team and strong financial position, it has become one of the leading, low-cost natural resources companies in the world.

Now the company is continuing to strengthen its portfolio, expand its global footprint and build on its success. Having watched EGME become a billion dollar business in just 500 days, Punkaj Gupta, Group CEO, is confident that it will make further gains as the markets improve. "We believe in the long-term prospects for the industry" he explains. "And we are positioning EGME to benefit from medium-term growth in the oil and gas markets in particular."

A JOURNEY OF GROWTH FOR NEARLY A CENTURY

As part of Essel Group—an Indian multinational conglomerate with a 90-year history in developing and promoting businesses and net assets of approximately \$20bn – EGME is now expanding across Europe, the Middle East, Africa and the Americas under the leadership of Gagan Goel, Founder and Managing Director and Punkaj Gupta. The company is building a diverse portfolio that focuses on the exploration,

development and production of hydrocarbon, energy and mining assets.

Both leaders are bringing a wealth of experience to the operation. Goel has spent more than 13 years building and leading international companies, including overseeing Essel Group's diversification into natural resources before founding EGME in 2012 and establishing its natural resources operations in 2015. On the other hand, Gupta has spent over 20 years working with natural resources and industrial companies. After joining Essel Group in 2012, he spearheaded a rapid drive in the Middle East & Africa to establish an upstream oil and gas business. He is now managing expansion across multiple sectors including potash, iron ore, relief supplies and logistics for international aid agencies such as the UN and the EU. "EGME has been able to leverage Essel Group's previous work and establish relationships in Africa to identify resource opportunities" Gupta says. "We have secured a number of cost-effective, early-stage oil and gas assets with excellent, high impact potential."

This growth has been boosted by an agreement signed last year with Simba Energy – a Toronto-listed oil and gas exploration junior—which saw EGME take a stake in the company's five production sharing contracts on assets in Kenya, Guinea, Liberia, Ghana and Chad. Under the agreement, EGME is funding exploration costs in return for a 60% participating interest in Simba's portfolio of African oil and gas prospects. EGME is now the company's single largest shareholder. In April 2016, Gupta was appointed Simba's CEO while Goel joined the company's Board as Chairman.



(L-R) Punkaj Gupta, Group CEO and Gagan Goel, Founder and Managing Director



Despite their numerous roles and hectic schedules, it is not only these two leaders running the show. EGME's success is in large part due to the strength and expertise of its management team. Senior executives in the Group have worked at some of the world's most well-renowned resources companies—including Exxon, Essar, Cairn Energy, Baker Hughes, Halliburton, BP and Shell—bringing extensive technological know-how to the business.



PREPARING TO DRILL

By targeting low-cost, competitively valued assets in underdeveloped markets with near-term production potential, EGME has been able to navigate the current volatile environment, taking on projects that are located in proven basins and with good access to existing infrastructure links. "A good example of this is our Kenyan asset, Block 2A, which has good access to end markets in Asia" says Gupta. "It lies close to two of Kenya's key transport corridors at Lamu and Mombasa, which will enable us to minimize transportation costs when it becomes operational."

Block 2A is near the town of Wajir in North Eastern Kenya, in the East African Rift System. Falling within its confines are sections of two basins that already have proven petroleum systems—Mandera and Anza, with estimated resources of 3 billion barrels of oil. Several 2D seismic lines have been planned and carried out to estimate depths and volumes for primary and secondary targets and pinpoint the optimum locations for drilling. The next phase will be to process data to form an overall picture of the block's prospects. EGME also holds an interest in a four other assets across Africa, including a production sharing contract on Blocks I and II in Guinea's Bove Basin, which Simba is close to finalising while Bell Geospace surveys the 12,000 km² project.

Simba is also in advanced negotiations with the National Oil Company of Liberia regarding an exploration permit for an asset in the Roberts-Bassa Basin. And it is in final negotiation stages for huge oil and gas projects in Ghana and Chad.



Gagan Goel and Pankaj Gupta speaking with Janne Wallenius, CEO of LeadCold Reactors in the Uranium Laboratory, Sweden

INVESTING IN SUSTAINABILITY

As well as continuing to seek out new opportunities in the hydrocarbon industry, EGME is also looking to the future by investing in energy assets. In October 2016, the company announced that it would be acquiring a stake in LeadCold Reactors, a Swedish-Canadian company developing nuclear reactors for commercial off-grid use.

LeadCold's innovative 'Swedish Advanced Lead Reactor' (or SEALER) technology can generate low-carbon nuclear power of 3 to 10 MW of electricity over a 10 to 30 year period, with no refuelling needs. Its reactor uses breakthrough corrosion resistant technology and is a safe, reliable and cost-competitive base-load power generation source. EGME's investment will enable LeadCold to complete a pre-licensing design review and fund the R&D needed to build commercial units by 2021 and to have the first unit ready for operation in 2025. "The SEALER unit is a world first in lead-cooled reactor technology" says Goel. "Having six different nuclear safety related patents, we see a solid long-term investment opportunity and we very are excited about this important step in the development of our energy resources business."

The company prides itself on its social awareness, investing heavily in the strength of its local operations and its ability to improve the lives of workers and communities. A well-established and wide-reaching programme of corporate social responsibility activities focuses on having a positive impact on a sustainable future, with more initiatives planned for the next three years. "We have implemented a local support



programme alongside our development work in Kenya and we have already created jobs for approximately 600 local people and about 85 local vehicle owners," explains Goel. The company has also carried out work to repair dams and improve the infrastructure for local schools in Wajir, as well as providing supplies to relief organizations operating in conflict zones in Libya, Yemen and South Sudan.

EGME continues to prove that a slump in global markets does not mean an end to growth as long as your strategy enables you to grab new opportunities. With many huge projects underway and many more in the pipeline, Goel and Gupta have even busier times ahead.