Zacks Small-Cap Research

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# Duma Energy Corp. (DUMA-OTCBB)

**DUMA: Second quarter production impacted by equipment replacement.**

| | |
|---|---|
| **Current Recommendation** | **Outperform** |
| Prior Recommendation | N/A |
| Date of Last Change | 09/17/2012 |
| Current Price (03/27/13) | $1.98 |
| **Six- Month Target Price** | **$5.00** |

## OUTLOOK

Duma Energy Corp. is an oil and gas company with ownership of producing properties in Texas and Illinois. The company has a significant ownership of leases under exploration in Namibia, Africa that exceed 5 million aces with possibly a billion bbl of oil from just one structure.

The company is currently profitable and oil and gas production is expected to increase throughout 2013 and 2014.

We rank the stock as "outperform" with a price target of $5.00.

## SUMMARY DATA

| | |
|---|---|
| **52-Week High** | **$2.49** |
| **52-Week Low** | **$1.41** |
| **One-Year Return (%)** | **N/A** |
| **Beta** | **0.0** |
| **Average Daily Volume (sh)** | **9,734** |
| **Shares Outstanding (mil)** | **13.281** |
| **Market Capitalization ($mil)** | **26.5** |
| **Short Interest Ratio (days)** | **N/A** |
| **Institutional Ownership (%)** | **0.0** |
| **Insider Ownership (%)** | **26** |
| **Annual Cash Dividend** | **$0.00** |
| **Dividend Yield (%)** | **0.00** |
| **5-Yr. Historical Growth Rates** | |
| **Sales (%)** | **N/A** |
| **Earnings Per Share (%)** | **N/A** |
| **Dividend (%)** | **N/A** |
| **P/E using TTM EPS** | **N/A** |
| **P/E using 2013 Estimate** | **N/M** |
| **P/E using 2014 Estimate** | **N/M** |

| | |
|---|---|
| **Risk Level** | **N/A,** |
| **Type of Stock** | **N/A** |
| **Industry** | **Oil-Us Exp&Prod** |

## ZACKS ESTIMATES

**Revenue**
(in millions of $)

| | Q1 (Oct) | Q2 (Jan) | Q3 (Apr) | Q4 (Jul) | Year (Jul) |
|---|---|---|---|---|---|
| **2011** | **$0.11A** | **$0.12A** | **$1.26A** | **$1.93A** | **$3.41A** |
| **2012** | **$1.56A** | **$1.84A** | **$1.88A** | **$1.88A** | **$7.17A** |
| **2013** | **$2.03A** | **$1.69A** | **$2.30E** | **$2.50E** | **$8.52E** |
| **2014** | **$3.00E** | **$3.20E** | **$3.20E** | **$3.50E** | **$12.90E** |

**Earnings per Share**
(EPS is operating earnings before non recurring items)

| | Q1 (Oct) | Q2 (Jan) | Q3 (Apr) | Q4 (Jul) | Year (Jul) |
|---|---|---|---|---|---|
| **2011** | **-$0.01A** | **-$0.05A** | **-$0.06A** | **-$0.11A** | **-$0.22A** |
| **2012** | **-$0.49A** | **-$0.03A** | **$0.01A** | **-$0.02A** | **-$0.45A** |
| **2013** | **-$0.05A** | **-$0.04A** | **-$0.02E** | **-$0.02E** | **-$0.11E** |
| **2014** | **$0.00E** | **$0.01E** | **$0.00E** | **$0.00E** | **$0.02E** |

Zacks Projected EPS Growth Rate - Next 5 Years % **50**

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## RECENT NEWS

Duma Energy reported its 2013 second fiscal quarter on March 26, 2013. During the quarter the company replaced some equipment in two of the fields in operation. This is normal for oil companies but for small ones it causes significant fluctuations in production. As Duma grows these fluctuations will smooth out.

Second quarter oil production declined from 18.3 thousand bbls in 1Q13 to 14.8 thousand, which was slightly higher than production in 2Q12. Pricing increased sequentially but was below the 2013 level. Duma is still able to sell its oil at above the price for WTI Cushing (the Nov. to Jan. average was $89.77) due to its superior quality.

Natural gas production was well below year ago levels but prices have been improving over the past nine months and is now back at mid 2011 levels. Since some wells produce more gas than oil the type of well that is shut down to replace equipment would alter the profit matrix beyond our ability to forecast revenue in the short term.

Galveston Bay currently has four producing wells with positive cash flow and Duma intends to open up a number of shut-in wells in this area. Additional infrastructure improvements should enhance the oil recovered (and sold) at minimal costs thereby increasing cash flow.

The company intends to drill a second well on the Curlee prospect in South Texas. The first well provided important data on the oil bearing formation that, together with 3D seismic data, should enable continued production from existing leases. Two additional wells will be drilled in South Texas.

The Markham City Field in Illinois is currently producing a small amount of oil under a pilot waterflood program and data is being obtained that will lead to a recommendation on expanding the waterflood program later this year.

| DUMA Energy Corp. | 2010 | 1Q11 | 2Q11 | 3Q11 | 4Q11 | 1Q12 | 2Q12 | 3Q12 | 4Q12 | 1Q13 | 2Q13 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Fiscal Year July 31. | | | | | | | | | | | |
| | | | | | | | | | | | |
| Oil, 1000 Bbls | 6.400 | 1.381 | 1.173 | 12.274 | 13.372 | 13.179 | 14.437 | 15.966 | 17.418 | 18.288 | 14.754 |
| ASP Oil per Bbl | $72.89 | $73.80 | $85.26 | $98.03 | $128.25 | $103.05 | $112.45 | $112.29 | $96.20 | $103.67 | $105.54 |
| Gas Million MMcf | 15.700 | 2.871 | 4.542 | 13.785 | 38.302 | 47.013 | 62.885 | 36.161 | 76.941 | 47.113 | 36.616 |
| ASP Gas MMcf | $3.95 | $3.81 | $3.57 | $4.03 | $5.50 | $4.36 | $3.44 | $2.38 | $2.72 | $2.81 | $3.62 |
| Mcfe gross | 54,400 | 1,159 | 11,581 | 87,428 | 128,432 | 126,085 | 149,505 | 131,957 | 181,453 | 156,884 | 125,140 |
| ASP per Mcfe | $9.78 | $97.50 | $10.02 | $14.40 | $14.99 | $12.40 | $12.31 | $14.23 | $10.38 | $12.93 | $13.50 |
| Oil revenue | $0.47 | $0.10 | $0.10 | $1.20 | $1.72 | $1.36 | $1.62 | $1.79 | $1.68 | $1.90 | $1.56 |
| Gas revenue | $0.06 | $0.01 | $0.02 | $0.06 | $0.21 | $0.20 | $0.22 | $0.09 | $0.21 | $0.13 | $0.13 |
| Namibia: | | | | | | | | | | | |
| All revenue in $ millions | $0.53 | $0.11 | $0.12 | $1.26 | $1.93 | $1.56 | $1.84 | $1.88 | $1.88 | $2.03 | $1.69 |

On December 26, 2012 Duma Energy announced its first fiscal quarter 2013 results. Revenue was $2.0 million versus our $2.1 million estimate and lease operating expense was $1.1 million, the same as our estimate. Oil production was slightly below our estimate of 20.0 thousand barrels. Gas production was

close to that produced last year but well below the 4Q12 level. Overall pricing increased from 4Q12 levels.

Operating earnings per share were below our estimate of $0.2 million at $0.4 million. Non operating income includes gains and losses on for sale securities, changes in derivative warrant liabilities and acquisition related costs. We adjust the operating EPS by these amounts as well. The net result was a loss of $0.04 per share as compared to our estimate of a loss of $0.01 a share.

The first quarter included a non-cash charge of $37.2 million. When Duma acquired its interest in NEI (and the Namibia concession) the deal included 22.41 million shares to be paid to the sellers when certain milestones were achieved over the next 10 years. The estimated fair value of these shares was $31.6 million. Other shares included in the NEI charge were valued at $5.6 million. In the 1Q13 a charge of $4.4 million was recognized from the issuance of stock to SPE Navigation. We have treated these charges as non-reoccurring and excluded them from operating earnings per share.

Hydrocarb Energy has released more details of the field outcrop study (mentioned below) done in the Namibia concession, in which Duma has a 39%working interest. The study has indicated significant porosity and the presence of degraded crude oil. These studies indicate excellent porosity within the carbonate reservoir of the Huttenberg Formation. High porosity suggest that oil extraction costs would be low, depending on the pressure at the well. Hydrocarb Energy estimates that the Oponono Prospect could include between 1.1 billion bbls (10% probability) and 235 million bbls (90% probability) if oil is present.

Duma Energy has reported its full year 2012 and 4Q12 results, which were below our expectations. We had expected an acquisition to occur, which did not happen, oil production did increase but this was offset by a decline in oil prices. On the positive side natural gas prices are increasing as power generating stations switch from coal to gas and petrochemical feedstocks moved from oil to gas and gas liquids such as ethane and propane.

Oil production increased by 9% from the prior quarter and 30% from year ago levels. However, the price of oil declined from $128 a bbl to $96.2 a bbl. Our assumptions assume that the price of oil will average $105 a bbl in over the next 12 months and that natural gas will increase from $2.50 to $3.25 during the fiscal year.

There is a strong probability that Duma will make an acquisition within the next twelve months but this no longer in our estimates.

Over the last few months the company added one well in Illinois, bringing the total to three, and the number of productive wells dropped from 24 to 23. A development well in Galveston Bay is undergoing testing and evaluation. An on-shore well in Nueces County, Texas was drilled into a non-economic zone.

This well was redirected into a pay zone and is under evaluation. A well on the Curlee prospect came up dry but this area is being re-examined for another drill well. As a result of increased drilling activity the gross margin percentage dropped from 49.5 in the third quarter to 36.4 in the fourth quarter.

Independent analysis of a soil sample from the vicinity of the Etosha 5-1A well in Namibia by Weatherford Laboratories of Houston TX has confirmed the presence of crude oil. The 5-1A well is, so far, the only well in the Owambo Basin to penetrate the top of the prospective carbonate section. The carbonate basin is of similar age and structure as those oil bearing structures in North Africa, Siberia and the Oman. These results are preliminary and further studies are needed to delineate the structures by airborne high-resolution magnetic surveys.

Duma Energy Corp. has announced the closing of the Share Exchange Agreement whereby Duma has the right to acquire all of the shares of Namibia Exploration Inc. in exchange for up to 24.9 million unregistered shares of Duma Energy.

## KEY POINTS

- Coverage has been initiated by Zacks Investment Research.
- Revenue and earnings are expected to show significant growth over the next few years.
- Namibia ownership interest is now 39% of the over 5 million acres in the Owampo Basin concession.
- Profitable third quarter, zero debt and positive cash flow from operations.
- 2012 year end production is projected to exceed 1,000 boe/d gross, or over 90,000 boe a quarter. That equates to 540 MMcfe a quarter. At the current price per MMcfe of $14.24 per Mcfe that equates to revenue goal of $7.8 million. Year end 2013 production is projected to be 2,500 boe/d gross or 230 Mbbl a quarter. At $100 a bbl that would be a $23 million quarterly run rate.
- Booked reserves are close to $12 million or $1 reserve value per share. Proven resources exceed $77 million.

## OVERVIEW

Incorporated under the laws of the State of Nevada on April 12, 2005 under the name “Carlin Gold Corporation” the company changed its name to “Nevada Gold Corp.” on July 19,2005. On October 18, 2005,the name was changed to “Gulf States Energy, Inc.” to better reflect the new direction of the company. Authorized capital was increased from 100,000,000 shares of common stock to 500,000,000

shares of common stock, par value $0.001 per share. On September 5, 2006, the name was changed to “Strategic American Oil Corporation”, and in April 2012 the name became Duma Energy Corp.

Duma Energy owns 100% of the issued and outstanding share capital of (1) Penasco Petroleum Inc., a Nevada corporation, (2) Galveston Bay Energy, LLC, a Texas Corporation and (3) SPE Navigation I, LLC, a Nevada limited liability corporation.

The company owns oil and natural gas producing properties and royalty interests in Texas and Illinois and a working interest of 39% in part of the Owambo Basin in Northern Namibia. At one time Duma Energy had a royalty interest in three leases in Northeastern Louisiana, but this was sold back to the operator.

## Texas

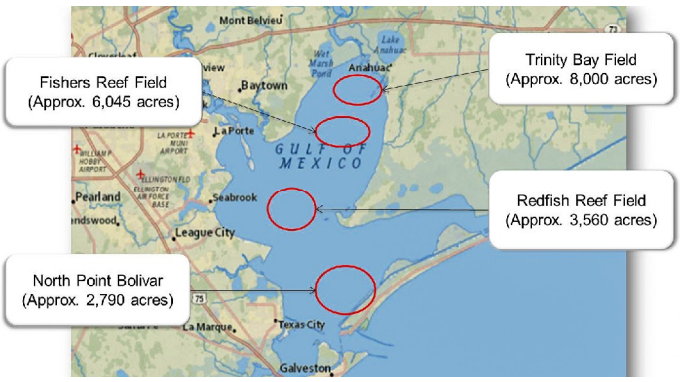
The company owns over 100 wells in Texas but not all are producing oil or gas. Of these 27 to 30 are in Galveston Bay, most in shallow water 4' to 15' deep. Other areas are The Welder Lease, the Janssen Lease and the Koliba Lease, although the Koliba Lease is no longer active.

### *Galveston Bay Energy (GBE)*

The fields are wholly owned by Duma Energy. The oil is of very high quality and sells at a premium to WTI Cushing crude.

Duma Energy owns the four fields in Galveston Bay through its subsidiary GBE. The fields were shut-in in September 2008 due to a direct hit from Hurricane Ike. The then owner went into bankruptcy and the fields were later acquired by Duma Energy. The fourth field was brought on line in April 2012 and GBE is focused on working to increase output from this field. Product is sent to shore by pipeline, the natural gas is separated from the oil and sent out by pipeline. The oil is trucked out by third party vendors.

As of mid year 2012 the fields were producing oil, albeit at lower than pre hurricane levels. The company intends to improve the infrastructure and develop the wells to increase production.






*The Welder Lease (Barge Canal), Texas*

The lease, with two working wells and a salt water disposal well, was purchased from OPEX Energy LLC in November, 2006 with an effective date of August 1, 2006. The lease is about 81 acres located in Calhoun County, Texas. The agreement was for 100% working interest and 72.5% net revenue interest less a 10% payout. The payout was acquired on January 1, 2010 and Duma Energy now owns 100% of the working interest. There are additional pay zones that are accessible at low cost. In October, 2011 a third producing well, the Welder #5 was recompleted.

*Janssen Lease, Texas*

Duma Energy purchased a 25% working interest and a 18.75% net revenue interest in close to 140 acres of an oil and gas lease in Karnes County Texas from Rockwell Energy. Attempts to open up existing wells were not successful and the lease was renegotiated with the mineral owners. The working interest was farmed out to ETG Energy Resources, with Duma Energy retaining a 3% working interest. ETG was able to re-complete a well and Janssen A-1 is now producing small amounts of natural gas and condensate.

**Illinois**

The company has acquired numerous oil and gas leases in Jefferson and other counties in Illinois totaling about 237 acres (the Markham City prospect). This is an old field that was operated in the 1980s that has been "rediscovered". There are a lot of well logs and production history. A pilot well (once used for water flooding) is a good prospect for oil production of about 7 to 10 bbls a day. In January 2011 Duma farmed out its interest to Core Minerals Management II, LLC but retained a 10% working interest. If Core recoups an earnings threshold of $1.35 million the holding of Duma will increase to 25%

## Owambo, Namibia

Duma Energy announced on August 8, 2012 that it had acquired Namibia Exploration Inc. (NEI), a Nevada company, and that NEI would be a wholly owned subsidiary of Duma. NEI holds the rights to a 39% ( 43.33% cost responsibility) working interest in an onshore Namibian petroleum concession measuring about 5.3 million acres in the Owambo Basin in Namibia. Hydrocarb Namibia will own 51% (56.67 % cost responsibility) and the Namibian National Petroleum Corporation will own 10%. The concession is covered by Petroleum Exploration License No. 0038 and exists of Owambo blocks 1714A, 1715, 1814A and 1815A. These blocks are north of and adjacent to the Etosha National Park and Etosha restricted area but none of the blocks are restricted in their development.

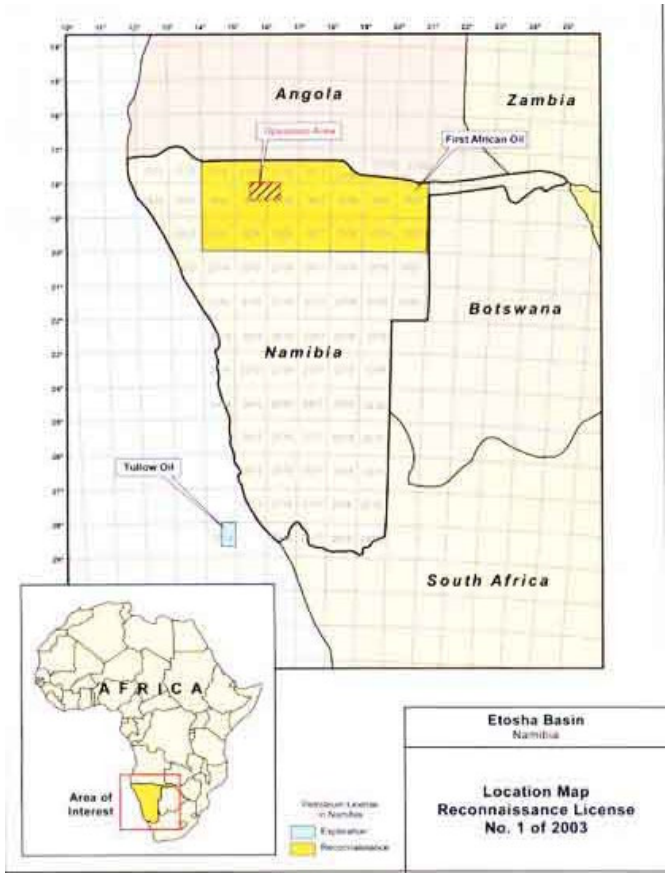
These are close to the blocks 1717 and 1817 that were awarded to Frontier Resources International, London England. In January 2012 the Frontier Resources Group was granted its first exploration license in Namibia, Petroleum Exploration License #0049. Under the terms of the license agreement the Group has committed to geological and geophysical studies and the acquisition of aeromagnetic and aerogravity data within the next few years. The onshore Blocks awarded, covering approx. 18,900 sq kms, are located in the Owambo Basin in the northern part of the country near the border with Angola. While this basin remains largely underexplored, there are some older seismic lines available. Under the terms of the license, Frontier is obligated to gather all available data on the blocks in addition to reprocessing and re-interpreting the existing seismic data and conducting a reconnaissance geochemical sampling program

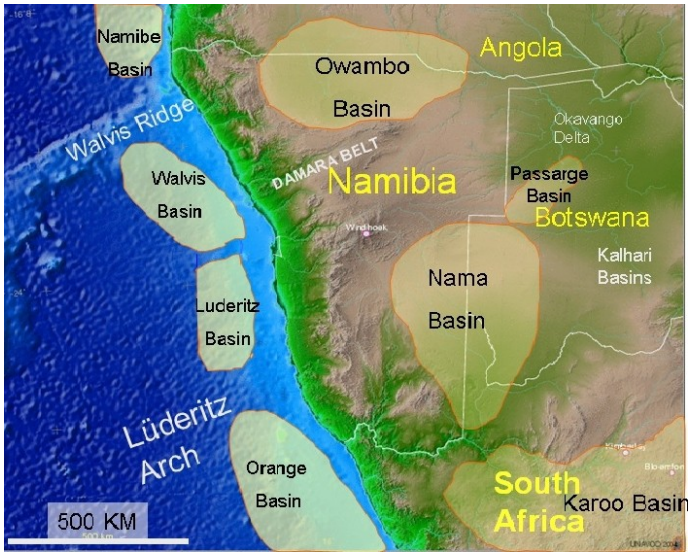
to high grade any structures identified. Other exploration companies operating in the onshore basin include a local company, Preview Energy.

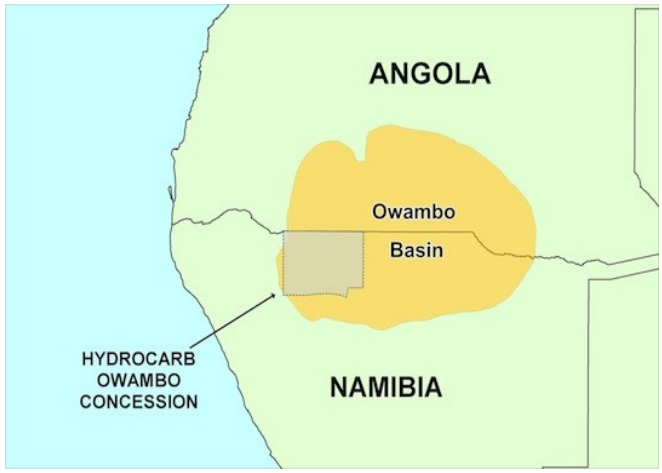
Exploration interest in Namibia's Owambo Basin is being driven by the similarity of the geological formations which have the same geological history as some oil producing regions in the Middle East. Neither onshore nor offshore Namibia has a significant history of oil or gas production, but the geological data is believed to indicate a great deal of potential. In the past the Namibian Government has granted concessions to Circle Oil Plc , Buliround Company and China-Shine HF Ltd. Although wells have been drilled no significant oil deposits have been identified even though the geological structures are highly favorable.

Namibia is considered by the CIA to be a stable democracy. The official language is English.



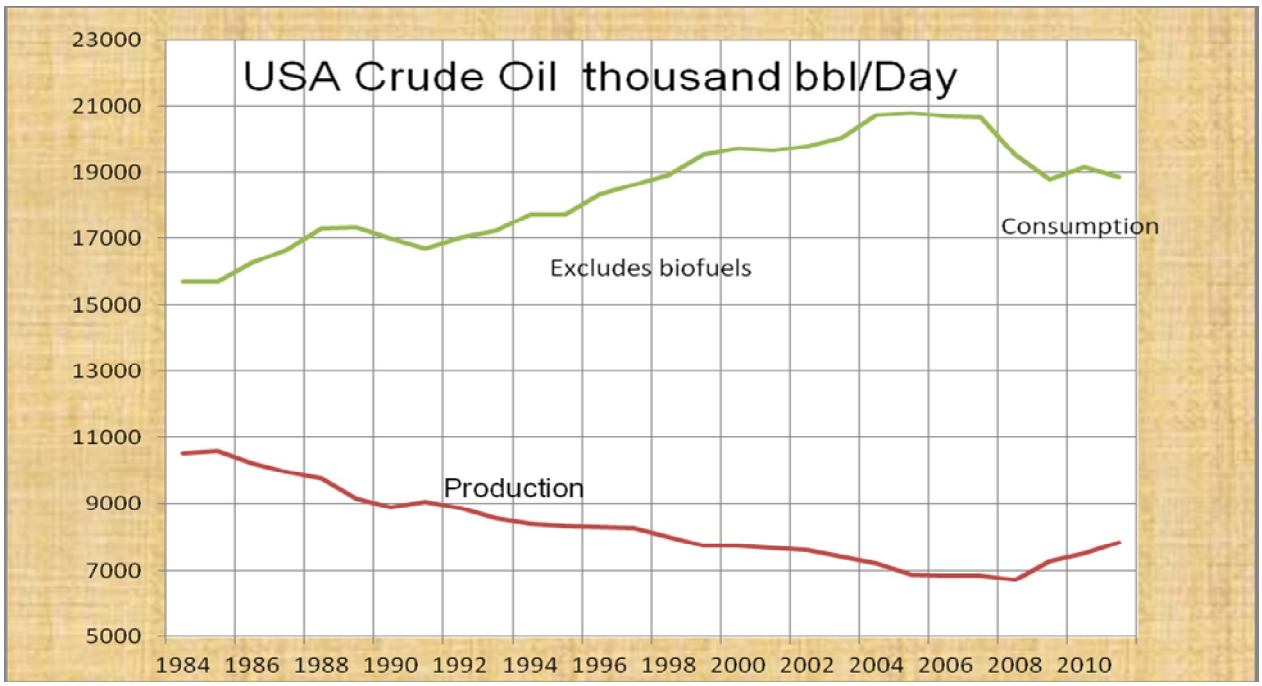



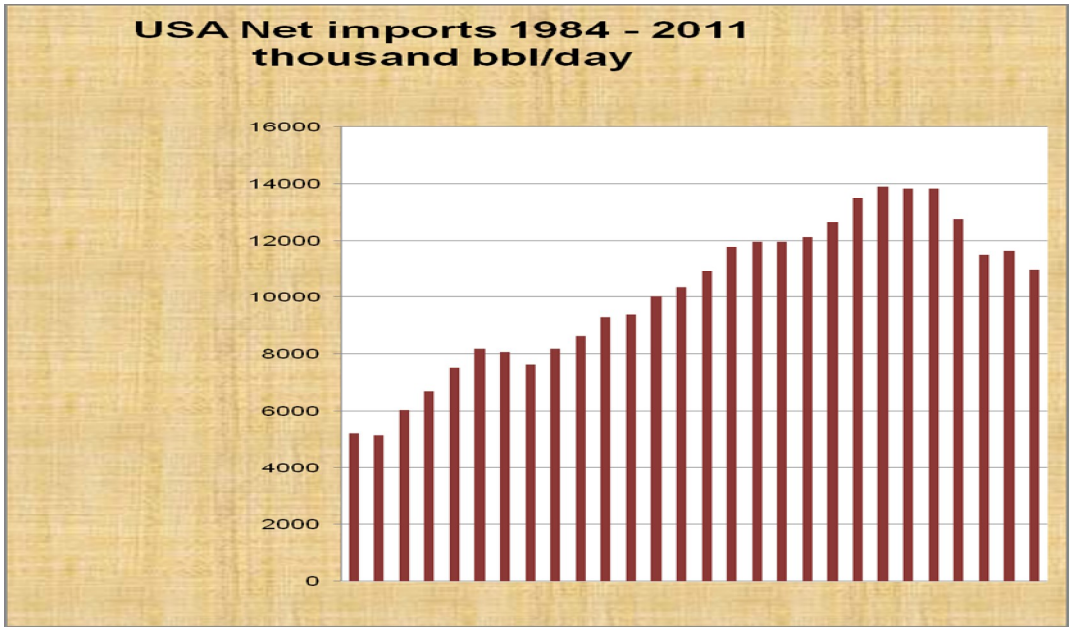


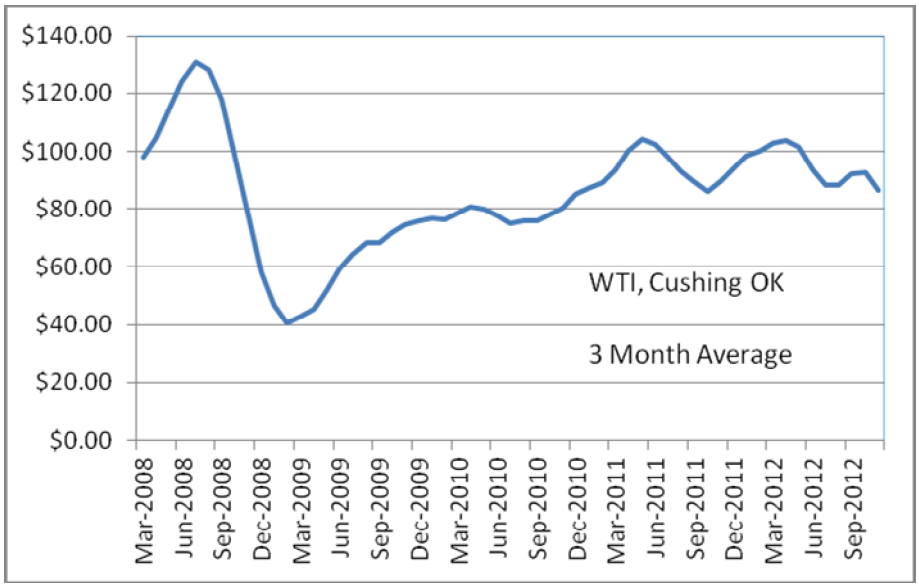

http://www.hydrocarb.com/operations.

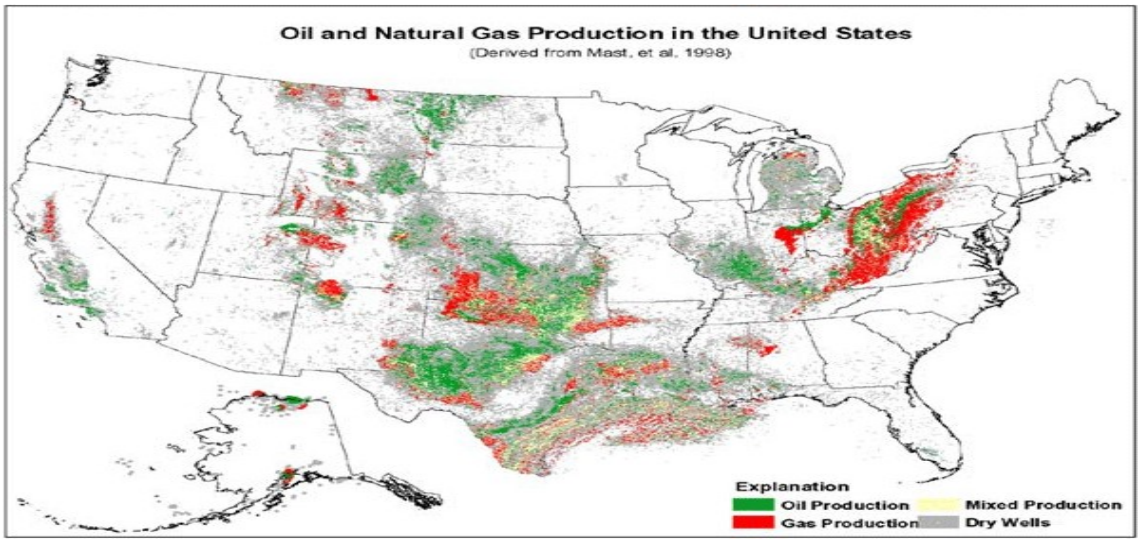
## INDUSTRY OUTLOOK






Over the past three to four years the poor economic conditions world-wide have reduced the demand for both oil and gas. The current cost of corn has resulted in a lack of profits by the ethanol industry causing plant closures. If a waiver is not granted to the ethanol/gasoline blenders there will not be enough ethanol to meet the quotas and ethanol will be replaced by gasoline from crude oil. When the economies recover crude demand will increase, as will the price.



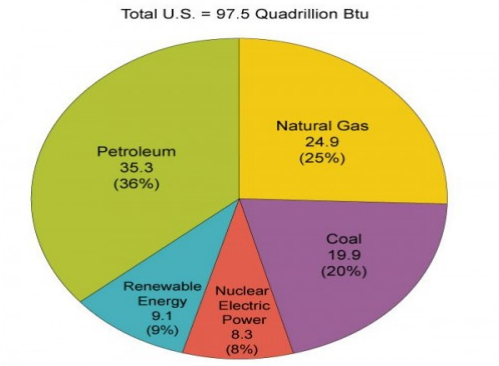



Much of the interest is in the new fields that contain both oil and gas. However, there is still a large gap between production and consumption, one that is unlikely to shrink to much less than 10,000,000 barrels a day. So there will always be a demand for domestic sources of crude oil. Natural gas is hard to transport outside of a pipeline. As a result the current transportation infrastructure is not in place to transport oil from such places as the Bakken shale formation to refineries, or for gas production from shale fracking in the Marcellus, Utica and Huron structures in New York, Pennsylvania and Ohio. This has had a negative impact on gas prices as supply exceeds local demand.

Oil and gas are the predominant sources of energy in the world and are likely to remain so in the foreseeable future. Natural gas will remain a "local" fuel. Given the reluctance to replace the nuclear power stations in Japan, Germany and the United States, the dependence, worldwide, on oil will increase over time. The EPA is pressurizing the coal fired generating stations to close or switch to cleaner fuels thereby moving electricity generation to natural gas where available or to fuel oil, although at present prices gas is cheaper than coal. Natural gas currently exceeds coal as the energy source for power stations in the US.

**Primary Energy Use by Source, 2011**

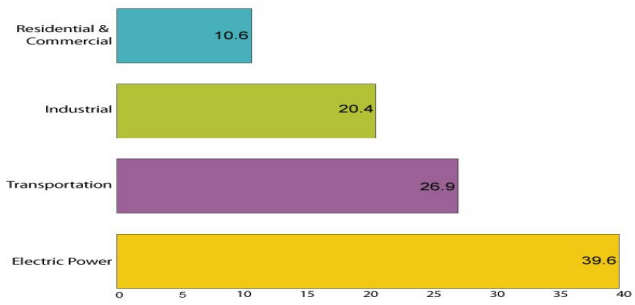
Quadrillion Btu and Percent




Source: U.S. Energy Information Administration, *Monthly Energy Review,* Table 1.3 (April 2012), preliminary 2011 data.

**Primary Energy Use by Sector, 2011**

Quadrillion Btu




Source: U.S. Energy Information Administration, *Monthly Energy Review,* Table 2.1 (April 2012), preliminary 2011 data.

In the 2012 Annual Energy Outlook the U.S. Energy Information Administration estimates that net imports of crude oil will decline from 49% of consumption in 2010 to 35% (of a higher rate of consumption) in 2035. The reference and high price targets in 2035 are $140 a bbl and $200 a bbl.

Figure 3. Total U.S. petroleum and other liquids production, consumption, and net imports, 1970-2035
(million barrels per day)

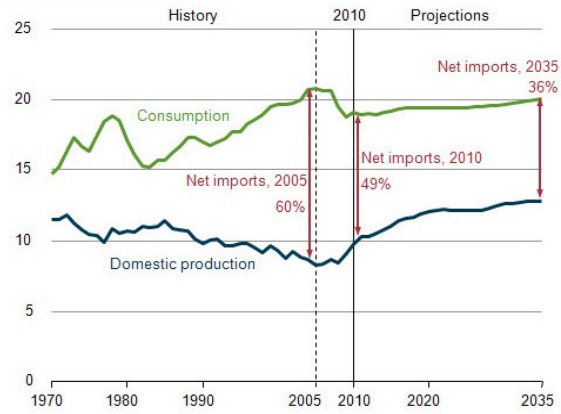
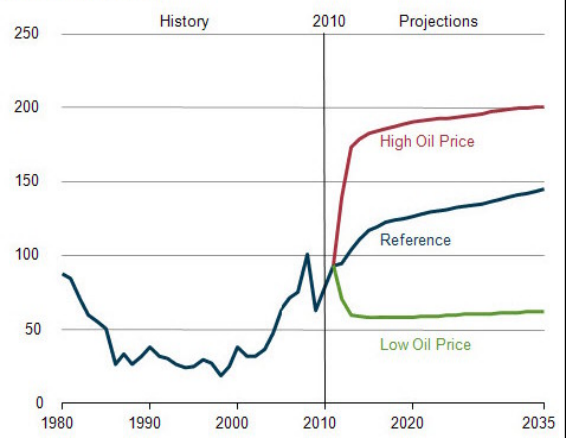



Figure 18. Average annual world oil prices in three cases, 1980-2035
(2010 dollars per barrel)




## INDUSTRY POSITION

Duma Energy is one of a number of small oil and gas companies in an industry dominated by very large multinational companies. The industry is highly competitive at all levels as well as competing with other sources of energy such as coal and synthetic fuels. Duma Energy is not able to control its selling prices which are set by the international markets. The oil and gas industry is subject to changes in regulation and legislation that may not be favorable to small companies

## VALUATION

Based on the P/S and EV/S ratios the stock is selling at a significant discount from the group average. As product sales increase and the Namibia Owambo concession is more closely defined regarding the amount of oil and its accessibility we would expect the valuation to move closer to the group median. Given our sales per share estimate for 2013 and the mean P/S ratio of the peer group our price target is $5.00 a share. The market capitalization per barrel of oil reserves is at the low end of the group that reports such data. If the stock price reaches the group median the stock price would be slightly over $5 a share.

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| COMPARISON TABLE | Ticker | Price | Mkt | ROE | P/E | P/E | P/B | P/S | EV/Sales | EV/EBITDA | PEG | Inst. | Mkt. Cap per |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 3/28/13 | Cap | (%) | L4Q | N4Q | LQ | L4Q | L4Q | L4Q | | Ownership | Reserve BBL |
| | | | (in million) | | | | | | | | | % | |
| | | | | | | | | | | | | | |
| **Duma Energy Corp.** | **DUMA*** | **$1.98** | **$26** | **-13.12%** | **-3.7** | **-16.2** | **2.12** | **3.67** | **2.15** | **98.49** | **N/A** | **N/A** | 2.19 |
| | | | | | | | | | | | | | |
| Abraxas Petroleum Corp. | AXAS | $2.31 | $213.1 | 43.20 | N/A | 14.44 | 4.53 | 3.08 | 5.01 | 11.70 | N/A | 42.9 | N/A |
| Clayton Williams Energy Inc. | CWEI | $43.73 | $531.9 | 9.72 | 15.15 | 21.54 | 1.41 | 1.27 | 3.15 | 5.27 | N/A | 40.5 | 18.34 |
| Dejour Energy Inc. | DEJ | $0.20 | $30.2 | N/A | N/A | N/A | 1.59 | 4.71 | 5.14 | N/A | 0.79 | 1.2 | N/A |
| Hyperdynamics Corp | HDY | $0.61 | $102.1 | N/A | N/A | N/A | 1.46 | N/A | N/A | N/A | N/A | 25.50 | N/A |
| Lucas Energy, Inc | LEI | $1.33 | $35.5 | N/A | N/A | 14.40 | 1.26 | 4.30 | 6.40 | N/A | N/A | 5.5 | 4.03 |
| Native American Energy Group | NAGP | $0.11 | $4.1 | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| New Western Energy Corp. | NWTR | $0.15 | $10.1 | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 0.68 |
| Primary Petroleum Corp. | PETEF | $0.07 | $10.6 | 10.65 | N/A | N/A | 0.40 | N/A | N/A | N/A | 1.97 | N/A | N/A |
| Bowood Energy Inc. | ROAOF | $0.47 | $41.6 | N/A | 1.34 | N/A | 0.22 | N/A | N/A | 19.19 | N/A | N/A | 14.34 |
| Royale Energy Inc. | ROYL | $2.08 | $23.2 | N/A | N/A | N/A | 3.80 | 4.38 | 4.46 | N/A | N/A | 9.3 | 4.00 |
| Samson Oil & Gas Inc. | SSN | $0.54 | $53.6 | N/A | N/A | N/A | 1.01 | 7.15 | 5.86 | N/A | N/A | 0.5 | 53.60 |
| Triangle Petroleum Corp. | TPLM | $6.60 | $292.8 | N/A | N/A | 11.19 | 1.44 | 7.11 | 8.61 | N/A | N/A | 50.3 | N/A |
| Xtreme Oil & Gas Inc. | XTOG | $0.01 | $0.6 | N/A | N/A | N/A | 0.16 | N/A | N/A | N/A | N/A | N/A | N/A |
| * Duma ROE & EV/Sales are based on N4Q estimates. | | | | | | | | | | | | | |
| Data from Yahoo Finance and Zacks Investment Research | | | | | | | | | | | | | |
| **Mean** | | | | 15.86 | 4.25 | 9.08 | 1.62 | 4.46 | 5.10 | 33.66 | 1.38 | | 13.88 |
| **Median** | | | | 10.19 | 1.34 | 14.40 | 1.43 | 4.34 | 5.08 | 15.45 | 1.38 | | 4.03 |

## RISKS

- To be able to develop current and future oil and gas leases the company must obtain additional financing.
- Exploration and drilling may not result in commercially viable quantities of oil and gas.
- Drilling for and production of oil and gas may cause environmental damage resulting in expensive remediation activities.

- Government regulations at all levels may change the economics of exploration and production which could cause the company to operate at a loss.
- Falling oil and gas prices in local markets may result in operating losses.
- Exploration and production in remote areas may not have the necessary infrastructure to transport oil and gas to markets.
- Political events in developing countries may result in the loss of lease ownership and the inability to recapture prior expenses.
- The company owns four fields in Texas that are in areas that are frequently hit by hurricanes.

## INSIDER TRADING AND OWNERSHIP

Jeremy Driver, CEO and a director, owns 26% of the outstanding shares. This includes 767,750 shares acquired from 09/06/2012.

Directors and Executive Officers other than Mr. Driver own less than 3%of the outstanding shares.

Institutional ownership is unknown.

# PROJECTED INCOME STATEMENT & BALANCE SHEET

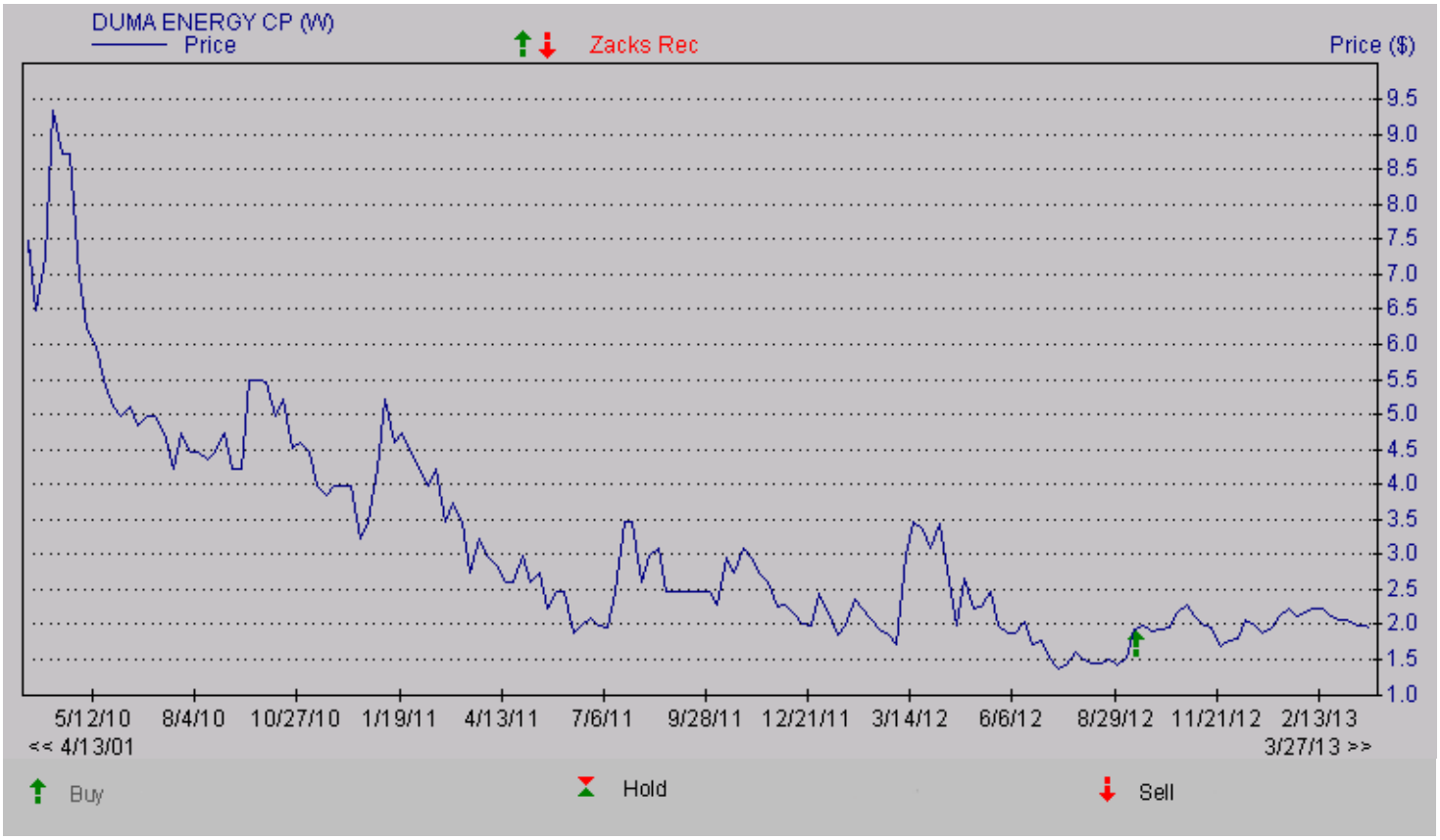
| DUMA Energy Corp. | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Consolidated Statements of Operations | | | | | | | | | | | | | | | | | |
| (Dollars in thousands except per share data) | | | | | | | | | | | | | | | | | |
| **Fiscal Year July 31.** | **2010A** | **1Q11** | **2Q11** | **3Q11** | **4Q11** | **2011A** | **1Q12** | **2Q12** | **3Q12** | **4Q12** | **2012A** | **1Q13** | **2Q13** | **3Q13** | **4Q13** | **2013E** | **2014E** |
| | | | | | | | | | | | | **Est.** | | | | | |
| Oil revenue | $0.470 | $0.102 | $0.100 | $1.203 | $1.715 | $3.120 | $1.358 | $1.623 | $1.793 | $1.676 | $6.659 | $1.896 | $2.346 | $2.700 | $3.300 | $10.518 | $14.160 |
| Gas revenue | $0.060 | $0.011 | $0.016 | $0.056 | $0.211 | $0.295 | $0.205 | $0.216 | $0.086 | $0.209 | $0.507 | $0.132 | $0.220 | $0.240 | $0.276 | $0.592 | $1.018 |
| | | | | | | | | | | | | | | | | | |
| **Net sales** | **$0.53** | **$0.11** | **$0.12** | **$1.26** | **$1.93** | **$3.41** | **$1.56** | **$1.84** | **$1.88** | **$1.88** | **$7.17** | **$2.03** | **$2.65** | **$3.00** | **$3.50** | **$11.18** | **$26.55** |
| % Change | | | | | | | | | | | | 29.75 | 44.02 | 59.74 | 85.76 | 56.00 | 137.52 |
| Cost Goods | 0.57 | 0.10 | 0.04 | 0.65 | 0.91 | 1.70 | 0.81 | 1.06 | 0.95 | 1.20 | 4.01 | 1.11 | 1.33 | 1.41 | 1.65 | 5.49 | 10.62 |
| G & A | 1.56 | 0.84 | 0.38 | 0.61 | 0.13 | 1.97 | 1.41 | 0.93 | 0.74 | 0.77 | 3.85 | 0.83 | 1.20 | 1.50 | 1.70 | 5.23 | 8.60 |
| In process R&D | 0.00 | 0.00 | 0.14 | 0.00 | 0.00 | 0.14 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Accretion | 0.02 | 0.00 | 0.00 | 0.10 | 0.12 | 0.21 | 0.14 | 0.15 | 0.15 | 0.51 | 0.94 | 0.23 | 0.14 | 0.14 | 0.49 | 1.00 | 0.95 |
| Depr. & Amort. | 0.09 | 0.02 | 0.03 | 0.16 | 0.09 | 0.31 | 0.18 | 0.21 | 0.20 | 0.43 | 1.02 | 0.27 | 0.20 | 0.20 | 0.20 | 0.87 | 1.10 |
| Op Income GAAP | (1.71) | (0.85) | (0.47) | (0.27) | 0.68 | (0.91) | (0.97) | (0.51) | (0.16) | (1.03) | (2.67) | (0.42) | (0.21) | (0.25) | (0.53) | (1.41) | 5.28 |
| Interest Expenses | 0.07 | 0.03 | (0.01) | 0.07 | 0.07 | 0.15 | 0.07 | 0.04 | 0.02 | 0.04 | 0.16 | 0.04 | 0.00 | 0.00 | 0.00 | 0.04 | 0.00 |
| Interest Income | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Non Op Income | (1.71) | (0.09) | (0.19) | (7.99) | (0.95) | (9.22) | (3.12) | 0.08 | (0.03) | 0.19 | (2.88) | (37.41) | 0.00 | 0.00 | 0.00 | (37.41) | 0.00 |
| Other | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Calc.Pretax | (3.49) | (0.97) | (0.65) | (8.33) | (0.34) | (10.29) | (4.16) | (0.46) | (0.21) | (0.87) | (5.70) | (37.87) | (0.21) | (0.25) | (0.53) | (38.86) | 5.28 |
| Taxes | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.04 | (0.17) | (0.28) | (0.71) | (1.12) | 0.00 | (0.03) | (0.04) | (0.09) | (6.22) | 0.85 |
| Tax Rate | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | (1.01) | 37.15 | 133.96 | 81.24 | 19.65 | 0.00 | 16.00 | 16.00 | 16.00 | 16.00 | 16.00 |
| Other Income | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Pro-forma adj. | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.07 | 0.67 | 0.00 | 0.74 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Net Income | (3.49) | (0.97) | (0.65) | (8.33) | (0.34) | (10.29) | (4.20) | (0.29) | 0.07 | (0.16) | (4.58) | (37.87) | (0.18) | (0.21) | (0.45) | (38.71) | 4.44 |
| Costs and expenses are on a pro-forma basis | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | |
| Net For Common | (3.49) | (0.97) | (0.65) | (8.33) | (0.34) | (10.29) | (4.20) | (0.37) | (0.59) | (0.16) | (5.32) | (0.54) | (0.18) | (0.21) | (0.45) | (1.38) | 4.44 |
| | | | | | | | | | | | | | | | | | |
| Shares Used, millions | 1.83 | 2.13 | 2.14 | 6.64 | 8.00 | 4.40 | 8.52 | 10.79 | 14.35 | 10.21 | 10.22 | 11.71 | 16.00 | 16.00 | 16.00 | 16.00 | 16.00 |
| | | | | | | | | | | | | | | | | | |
| Earnings Per Share | | | | | | | | | | | | | | | | | |
| **EPS** | **($1.91)** | **($0.45)** | **($0.30)** | **($1.26)** | **($0.04)** | **($2.34)** | **($0.49)** | **($0.03)** | **($0.04)** | **($0.02)** | **($0.52)** | **($0.05)** | **($0.01)** | **($0.01)** | **($0.03)** | **($0.09)** | **$0.28** |
| **Pro Forma EPS** | **($1.91)** | **($0.45)** | **($0.30)** | **($1.26)** | **($0.04)** | **($2.34)** | **($0.49)** | **($0.03)** | **$0.01** | **($0.02)** | **($0.45)** | **($0.05)** | **($0.01)** | **($0.01)** | **($0.03)** | **($0.09)** | **$0.28** |

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| DUMA Energy Corp. | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Consolidated Balance Sheet (in $ millions) | | | | | | | | |
| Fiscal Year July 31. | | | | | | | | |
| | 2010A | 2011A | 1Q12 | 2Q12 | 3Q12 | 4Q12 | | 1Q13 |
| **ASSETS** | | | | | | | | |
| Cash & Equiv. | 0.25 | 1.08 | 4.74 | 3.07 | 1.83 | 1.10 | | 1.94 |
| A/R, Oil & Gas | 0.04 | 0.88 | 0.57 | 0.52 | 0.72 | 1.09 | | 0.67 |
| Inventories | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | 0.00 |
| Other | 0.25 | 0.52 | 0.93 | 2.19 | 1.45 | 0.57 | | 0.82 |
| Total current assets | 0.54 | 2.48 | 6.23 | 5.78 | 3.99 | $2.77 | | $3.43 |
| Oil & Gas properties | 1.19 | 7.40 | 11.53 | 11.50 | 12.73 | 15.89 | | 16.13 |
| Acc. Impairment | (0.73) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | 0.00 |
| Resticted Cash | 0.04 | 6.72 | 6.65 | 6.65 | 6.65 | 6.89 | | 6.93 |
| Other PP&E | 0.01 | 0.02 | 0.04 | 0.05 | 0.04 | 0.05 | | 0.98 |
| Other | 0.02 | 0.33 | 0.35 | 0.38 | 0.52 | 0.19 | | 0.23 |
| **All Assets** | 2.53 | 16.94 | 24.80 | 24.35 | 23.93 | 25.78 | | 27.70 |
| | | | | | | | | |
| **LIABILITIES AND NET WORTH** | | | | | | | | |
| Debt Due 1 Yr | 0.00 | 1.36 | 1.36 | 0.00 | 0.00 | 0.10 | | 0.81 |
| Notes Payable | 0.11 | 0.26 | 0.18 | 0.00 | 0.17 | 0.30 | | 0.30 |
| A/P | 0.58 | 1.68 | 2.56 | 2.40 | 3.44 | 2.30 | | 4.31 |
| Taxes | 0.00 | 0.00 | 0.16 | 0.00 | 0.00 | 0.00 | | 0.00 |
| Other, inc w arrant liability | 1.50 | 3.03 | 2.33 | 3.64 | 2.22 | 1.93 | | 1.37 |
| Total current liabilities | 2.19 | 6.32 | 6.59 | 6.04 | 5.83 | 4.63 | | 6.79 |
| Conv. Debt | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | 0.00 |
| L.T.Debt | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.01 | | 0.81 |
| Other LT | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | 9.05 |
| Def. Taxes & ITC | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | 0.00 |
| Other | 0.06 | 3.99 | 5.45 | 5.55 | 5.70 | 8.83 | | 0.00 |
| All Liabilities | 2.25 | 10.31 | 12.04 | 11.60 | 11.54 | 13.48 | | 16.65 |
| Pref.Stock | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | 0.00 |
| Common Stock | 0.05 | 0.17 | 0.27 | 0.27 | 0.01 | 0.01 | | 0.01 |
| Surplus | 11.29 | 27.81 | 37.97 | 38.34 | 38.83 | 38.96 | | 74.83 |
| Retained Earnings | (11.06) | (21.35) | (25.55) | (25.84) | (25.77) | -25.93 | | -63.80 |
| Other | 0.00 | 0.00 | 0.06 | (0.01) | (0.68) | -0.74 | | 0.00 |
| Treasury Stock | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | 0.00 |
| Net Worth | 0.28 | 6.63 | 12.76 | 12.76 | 12.40 | 12.30 | | 11.05 |

| DUMA Energy Corp. | | | | |
|---|---|---|---|---|
| Condensed Consolidated Statements of Cash Flows | | | | |
| thousands of dollars | | | | 1Q13 |
| Fiscal Year July 31. | **2010A** | **2011A** | **2012A** | **2013 E** |
| Cash flow from operations: | | | | |
| Net (Loss) Income | (3.49) | (10.29) | (4.58) | (37.87) |
| Depreciation & amortization | 0.18 | 0.34 | 1.02 | 0.27 |
| Depletion &Accretion | 0.02 | 0.21 | 0.94 | 0.23 |
| | | | | |
| Stock issued for services | 0.52 | 5.51 | 0.62 | 0.08 |
| Stock based compensation | 0.64 | 0.47 | 0.69 | 0.22 |
| Impairment | | 0.14 | | |
| Misc. | | | | |
| Other | (0.50) | 1.34 | 1.94 | 38.24 |
| **Net cash provided by (used in) operating activites** | **(2.63)** | **(2.27)** | **0.63** | **1.17** |
| | | | | |
| Investment in Oil & Gas properties | (0.57) | (0.36) | (2.22) | 0.40 |
| Purchase of PP&E | 0.00 | 0.02 | 0.07 | |
| Proceeds from disposal of PP&E | | 1.43 | 0.07 | |
| Other | (0.00) | (8.53) | 2.95 | (0.64) |
| **Net cash provided by (used in) investing activities** | **(0.57)** | **(7.45)** | **0.86** | **(0.24)** |
| | | | | |
| Cash flow from financing activities: | | | | |
| Proceeds from issuance of common stock | 3.50 | 9.23 | | |
| Proceeds (payment) on lines of credit, net | | | 0.30 | (0.10) |
| Proceeds from debt - related parties | | 1.55 | | |
| Proceeds from debt | | | | |
| Payment on debt - related parties | | (0.23) | (0.01) | |
| Payment on debt | | | (1.75) | |
| Other | (0.06) | | (0.01) | |
| **Net cash provided by (used in) financing activities** | **3.44** | **10.55** | **(1.47)** | **(0.10)** |
| | | | | |
| Increase (decrease) in cash and equivalents | 0.23 | 0.83 | 0.02 | 0.84 |
| Cash & equivalents at beginning of period | 0.02 | 0.25 | 1.08 | 1.10 |
| Cash & equivalents at end of period | 0.25 | 1.08 | 1.10 | 1.94 |

## HISTORICAL ZACKS RECOMMENDATIONS




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