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Rhino Oil and Gas Exploration Right Application

Reference number: 12/3/294 ER

Background

In early 2015 Rhino Oil and Gas (the applicant) lodged an application for an Exploration Right (ER) to allow exploration for petroleum products (including oil, gas, condensate, coal bed methane, helium and biogenic gas) on a desired project area. The Petroleum Agency of South Africa (PASA) was identified to be the competent authority for the application in terms of Section 79 of the Mineral and Petroleum Resources Development Act, 2002 (No. 28 of 2002) (MPRDA), as amended. PASA accepted the ER application on 22 May 2015 (Ref: 12/3/294 ER).

Environmental Authorization

In order for PASA to make an informed decision regarding the approval or rejection of the ER and thereby provide the applicant with permission for exploration, the applicant is firstly required to obtain an Environmental Authorization (EA). An EA application was therefore submitted to PASA by the applicant and a subsequent Environmental Impact Assessment (EIA) is being conducted by the applicant in order to obtain the required EA. The EIA must be conducted by an independent Environmental Assessment Practitioner (EAP) and the applicant appointed the company SLR consulting in this role to facilitate and complete the EIA process.

Scoping Report

The first step of the EIA process is to complete a Scoping Report for the EA application. The Scoping Report was completed by the Environmental Assessment Practitioner (EAP) and went through a 30 day Public Participation Process (PPP) in order to inform the public and any potential stakeholders or interested and affected parties (I & AP's) of the proposed project and to invite them to comment or indicate any potential objections to the project. Comments and **objections** against the project

information inadequacy were submitted by Enviroworks on behalf of Free State Agriculture and VKG Agriculture. These comments were included in the Final Scoping Report by the EAP and submitted to PASA for decision making. PASA must then decide whether to accept the Final Scoping Report and thereby allow the full EIA process to continue or reject the Scoping Report whereby the EIA process will be seized. The Scoping Report was accepted by PASA on 10 June 2016 after which the full EIA process continued.

Environmental Impact Assessment

At the hand of the comments and objections provided, the initial proposed project Scope of work was revised and reduced during EIA phase. The initially requested core drilling and seismic investigation activities were removed from the proposed project scope and replaced by only low impact Aerial Full Tensor Gradiometry Gravity Survey Investigations. This is seen as a potential positive response and consideration of the comments provided.

The draft EIA Report has been completed and was available for a 30 day Public Participation Process (PPP) for further public comment and/or concerns/objection. Comments and concerns were again submitted by Enviroworks on behalf of Free State Agriculture and VKG Agriculture on 14 October 2016. The PPP also concluded on 14 October 2016 after which all comments and objections will be incorporated into a Final EIA Report. The Final EIA Report will then be submitted to PASA who will then either grant or deny the EA to the applicant. If the EA is granted, the applicant will be able to continue with his exploration processes if refused the exploration will not take place. If the EA is granted and appeals period is allowed for during which appeals against the decision to grant the EA can be lodged.

Granting of current Environmental Authorization

The early phase exploration process currently being applied for is only for Aerial Full Tensor Gradiometry Gravity Survey Investigations which entails flying a light fixed wing aircraft in grid formation over the relevant areas to obtain magnetic field data of the underlying geology of the area. There will be no physical surface impacts associated with this process and the only potential impact identified is in the form of temporary noise nuisance. Therefore, if this Final EIA Report is accepted, the applicant will only be able to conduct these Aerial Full Tensor Gradiometry Gravity Survey activities.

Future processes

Once the applicant narrows down areas containing potentially feasibly hydrocarbon/gas sources and they would require any form of additional drilling or investigations which will lead to other surface or underground impacts, they will have to complete the entire EA application and EIA process again or request for an amendment of their existing EA. Whichever route is opted for, will again require additional in depth environmental specialist studies and Public Participation Processes where the public will receive adequate opportunity to comment and/or object against the next step of the project again.

Only once these processes have been completed and potential viably sources have been identified will the applicant be able to apply for a Mining Right in order to extract/mine the desired products. Such a Mining Right will require a completely new Environmental Authorization (EA) application to be submitted to the comment authority and another Full Scoping and EIA process to be completed in order to attempt to obtain the desired Mining Right. This process will again provide and PPP and opportunity to comment and objective against the granting of the Mining Right and mining of the identified minerals/products. There can also be requested that continued monitoring and maintenance processes be implemented for Free State Agriculture and VKB Agriculture in order to ensure that operational processes take place in accordance with the relevant Environmental Management Programs.

Timeframe

The timeline on the entire process to reach an actual point of obtaining a Mining Right to start extracting/mining the desired product stretches over a number of years. As mentioned by the EAP during the PPP meeting held in Steynsrus, the expected timeframe prior to any actual extraction/operational processes commencing is in excess of 10 years from now.

For any further clarification feel free to contact me.

Regards



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