

# Mossberg's Investor Digest

Best Idea Profile:

Hyperdynamics Corp (NYSE:HDY)

## DESCRIPTION:

Headquartered in Houston, Texas; Hyperdynamics is an emerging independent oil and gas exploration company. The Company's wholly-owned subsidiary, SCS Corporation, possesses certain contract rights for and engages in the exploration and exploitation of oil and gas in an approximately 9,650 square mile concession off the coast of the Republic of Guinea in West Africa. The Company's rights in Guinea derive from a hydrocarbon production sharing contract that Hyperdynamics entered into in 2006 with the Republic of Guinea. Under that agreement, Hyperdynamics was granted certain exclusive contractual rights by Guinea to explore and exploit offshore oil and gas reserves, if any, off the coast of Guinea.

## KEY INVESTMENT CONSIDERATIONS:

**World Class Hydrocarbon Play** – Hyperdynamics holds a 77% interest of rights to a 9,650-sq-mi licensed area offshore of the Republic of Guinea in Northwest Africa (the equivalent of 2,500 Gulf of Mexico blocks). The Guinea prospects are centered in a virgin basin among multiple highly prospective trends. The surrounding area has attracted a number of major exploration and production companies such as Anadarko, Chevron, Lukoil, Vanco, Petroci, Sabre, Kosmos and Tullow which are planning multiple new offshore exploration wells in Sierra Leone, Liberia, Ivory Coast, and Ghana, during 2011.

**Positive Data** – Hydrodynamics Geochemical analysis of oil seeps indicates multiple working petroleum systems. The property has direct hydrocarbon indications on both 2D and 3D seismic surveys. Multiple leads and prospects for these properties have been identified with a potential for giant fields in 200-2,500 meter water depths.

**Recent Reserve Estimates** – The Company's Offshore Guinea concession has multiple leads in several different play types. The Prospective estimates for the three play types covered in a current 3D survey from independent third parties is ~2.3 billion Bbls of oil un-risked on just 15% of the concession. Netherland Sewell and Associates has estimated 750 million barrels of oil on a risked basis.

**Recent Offering** – On March 25, 2011 Hyperdynamics announced that its public offering of 25,000,000 shares of its common stock was priced at \$5.00 per share for gross proceeds of approximately \$125,000,000. The total size of the offering was 28,750,000 shares for gross proceeds of approximately \$143,750,000.

**NYSE Listing** – The Company successfully completed listing requirements for the NYSE and began trading there on July 11, 2011.

**Financial Strength** – The Company currently has \$152MM in cash and no debt. Hyperdynamics is fully funded for the current 2 well programs and for some deep water exploration.

**Seasoned Management** – Robert Solberg, the Non-Executive Chairman of the Company is a retired President of Worldwide E&P Development for Texaco, Inc. CEO Ray Leonard was a Division Geologist for West Africa and V.P with Amoco. He also served in executive capacities with YUKOS, MOL, and as Vice President of Kuwait Energy Company.

## VALUATION:

Proven and unproven reserves leave Hyperdynamics with a potential valuation far beyond its current market capitalization. With 2.3 Billion plus barrels on only 15% of its concession and the possibility of vast future reserves, this hydrocarbon play is highly undervalued.

### Hyperdynamics (NYSE:HDY) Investment Data (as of 7/29/11)

|                                |                 |
|--------------------------------|-----------------|
| <b>Recent Price</b>            | <b>\$5.30</b>   |
| 52-Week Range                  | \$1.04 - \$7.78 |
| Fiscal Year End                | Jun             |
| Shares Outstanding             | 156MM           |
| Average Trading Volume (3 mos) | 3.4MM           |
| Market Capitalization          | \$824MM         |
| Cash                           | \$152MM         |
| Long Term Debt                 | NA              |
| Enterprise Value (EV)          | \$659MM         |
| BV/ Share                      | \$1.23          |
| TTM Revenue                    | NA              |
| P/ Revenue                     | NA              |
| TTM EPS                        | NA              |
| P/ EPS                         | NA              |
| TTM EBITDA                     | \$(11)MM        |
| EV/ EBITDA                     | NA              |

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