

Richmond Energy Partners

AIM LISTINGS & AFRICA

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Agenda



- “ Richmond Energy Partners and the role of the independent analyst
- “ AIM listed E&P companies in Sub Saharan Africa
- “ African E&Ps performance since IPO/Admission
- “ Lessons learned

Richmond Energy Partners



- “ An independent, conflict free approach to research and advice on smaller oil companies
- “ Research based on deep industry knowledge and an understanding of how oil companies are successful
- “ Our research is built on bottom up technical evaluations of assets and realistic commercial assessments of value and risk
- “ Our global network provides insights into both assets and people

What We Do



Insights into smaller and mid-cap oil and gas companies

E&P Company Analysis



- “ Detailed bottom-up company evaluations
- “ Regional Exploration and Production Reviews
- “ Global coverage

Research for Investment Funds



- “ Identify Growth Companies
- “ Predicting Value Changing Events
- “ Analysis of Hot Sectors

E&P Transaction Support

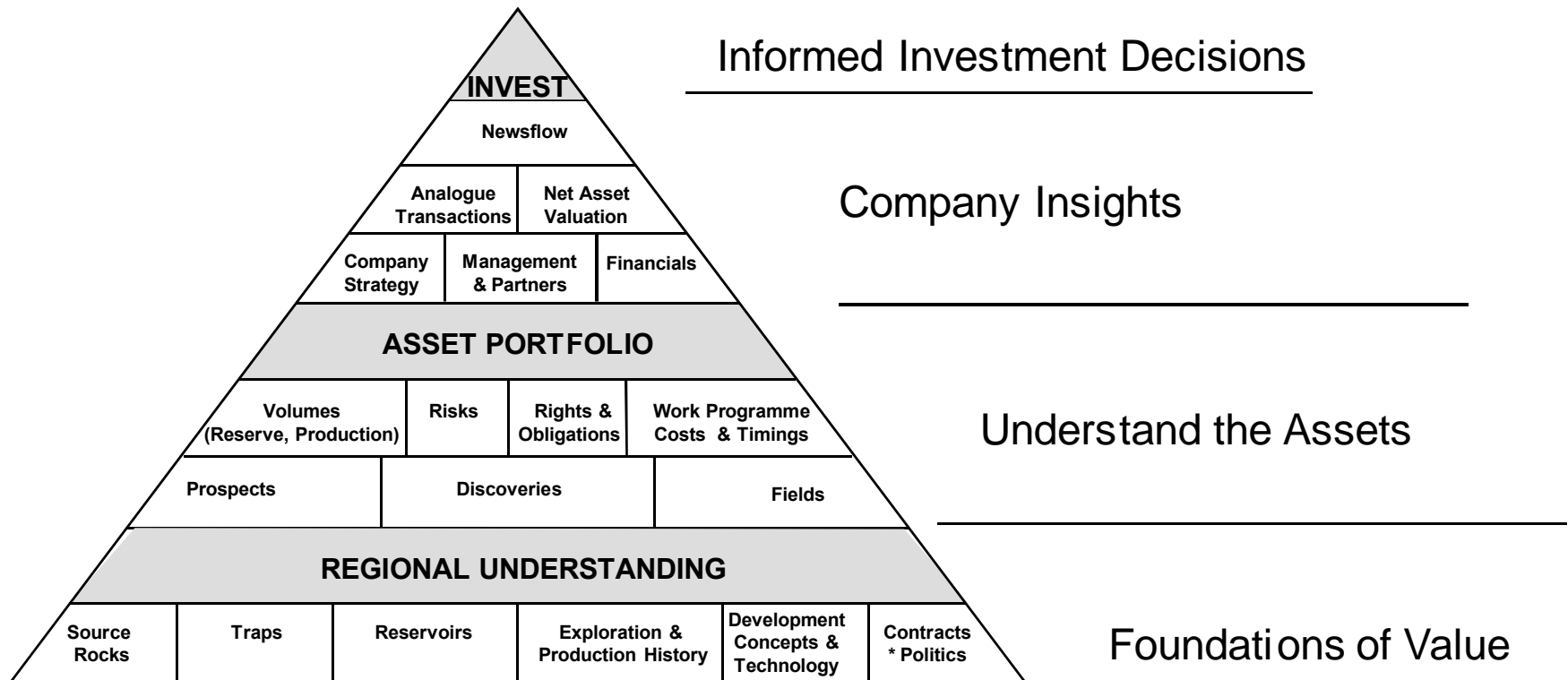


- “ Evaluate M & A Targets
- “ Advice and Consultancy on E&P Finance and Mergers and Acquisitions

Our Approach



To understand small oil and gas companies you have to get down to the rocks.



Why Sub-Saharan Africa?



- “ Geology - Large resource base
- “ Undeveloped discoveries
 - . Nigeria onshore, supermajor portfolios
- “ Overlooked plays onshore/offshore
 - . Cabinda, Congo, Gabon, Ghana, Cote D'Ivoire
- “ Partnering with indigenous companies
 - . Onshore and shallow water Angola, Nigeria
- “ Path-finding in frontier basins
 - . E.g. Fusion, Hardman, Sterling

Margins OK but not exceptional



Costs and margins for selected mid-cap E&Ps 2007

\$/BOE	Tunisia PA Resources	Turkmenistan Dragon	UK Oilexco	Nigeria Addax	Russia West Sib
Revenue	78	51.1	79.2	74.2	34.9
DD and A	12.9	8.7	27.2	12.6	7.3
Operating Costs	14.6	8.3	11.9	6.8	22.2
Operating Margin	50.5	34.1	40.1	54.8	5.5
G&A Expenses	6.8	1.6	9.2	1.5	2.1
Other Costs/(Income)	0.1	1.2	1.0	0.6	-3.1
Tax & Royalty	16.5	6.9	9.6	39.4	1.1
Net Income	26.9	26.0	17.8	10.5	2.8

Data from company preliminary 2007 reports

AIM Listed E&Ps in Africa



List Date	Company	% Change in share price list to 07/04/08 (or on exit)	Market Cap. \$m 07/04/08 (or on exit)	Assets	M & A
28/09/2000	FUSION OIL AND GAS	(-20%)	76	Mauritania, Gabon	Acquired by Sterling Energy Oct 2003
19/03/2002	HARDMAN	(+246%)	1162	Mauritania, Uganda	Acquired by Tullow Oil Sept 06
07/12/2004	BOWLEVEN	-4%	522	Cameroon, Gabon	
09/12/2004	EQUATOR	-94%	22	Nigeria, JDZ	
08/02/2005	FIRSTAFRICA OIL	(-93%)	60	Gabon	Acquired by Bowleven Nov 06
10/02/2005	WHITE NILE	-57%	208	Sudan	
14/03/2005	AFREN	553%	700	Nigeria, Angola, Ghana, JDZ, Congo, Cote D'Ivoire	
17/01/2006	TOWER RESOURCES	71%	34	Uganda, Namibia	
12/12/2006	DOMINION	-41%	138	Uganda, Tanzania, DRC, Kenya	

AIM in Africa Wells Drilled



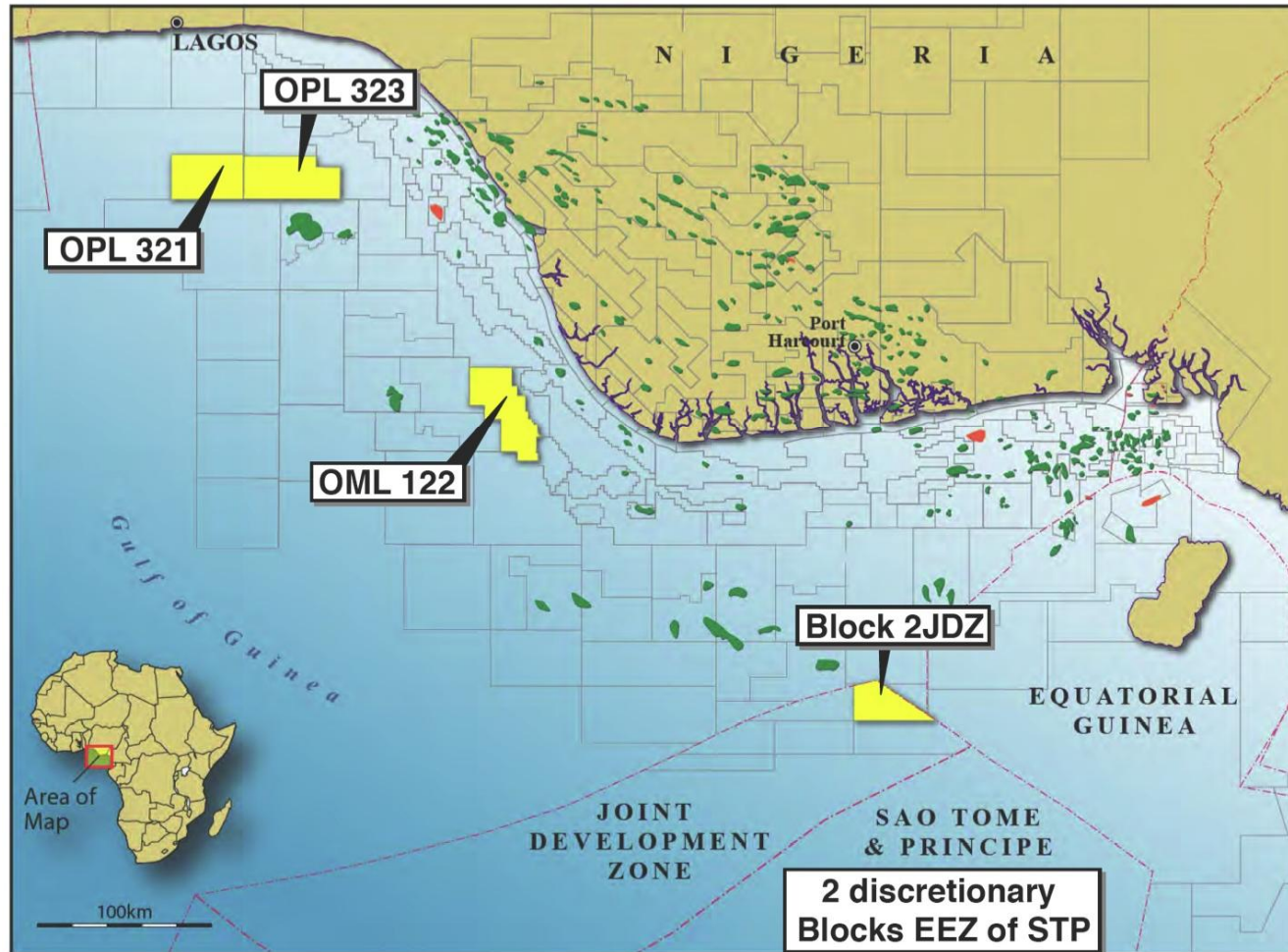
Company	% Change in share price list to 07/04/08 (or exit)	Assets	Production	Total Wells	Exploration Wells	Discoveries (Commercial)	Appraisal Wells	Development Wells
FUSION OIL AND GAS	-20%	Mauritania, Gabon	No	11 *	7	3 (1)	4	0
HARDMAN	246%	Mauritania, Uganda	Yes 6mbd	35	16	8 (3)	8	11
BOWLEVEN	-4%	Cameroon, Gabon	No	5	4	1 (0)	1	0
EQUATOR	-94%	Nigeria, JDZ	No	5	1	1 (0)	3	1
FIRSTAFRICA OIL	-93%	Gabon	No	4	0	0	0	4
WHITE NILE	-57%	Sudan	No	1	1	0	0	0
AFREN	553%	Nigeria, Angola, Ghana, JDZ, Congo, Cote D'Ivoire	No	6	3	1 (0)	3	0
TOWER RESOURCES	71%	Uganda, Namibia	No	0	0	0	0	0
DOMINION	-41%	Uganda, Tanzania, DRC, Kenya	No	0	0	0	0	0
Total				56	25	11 (3)	15	15

* Fusion participated in same wells as Hardman and are not counted separately in totals

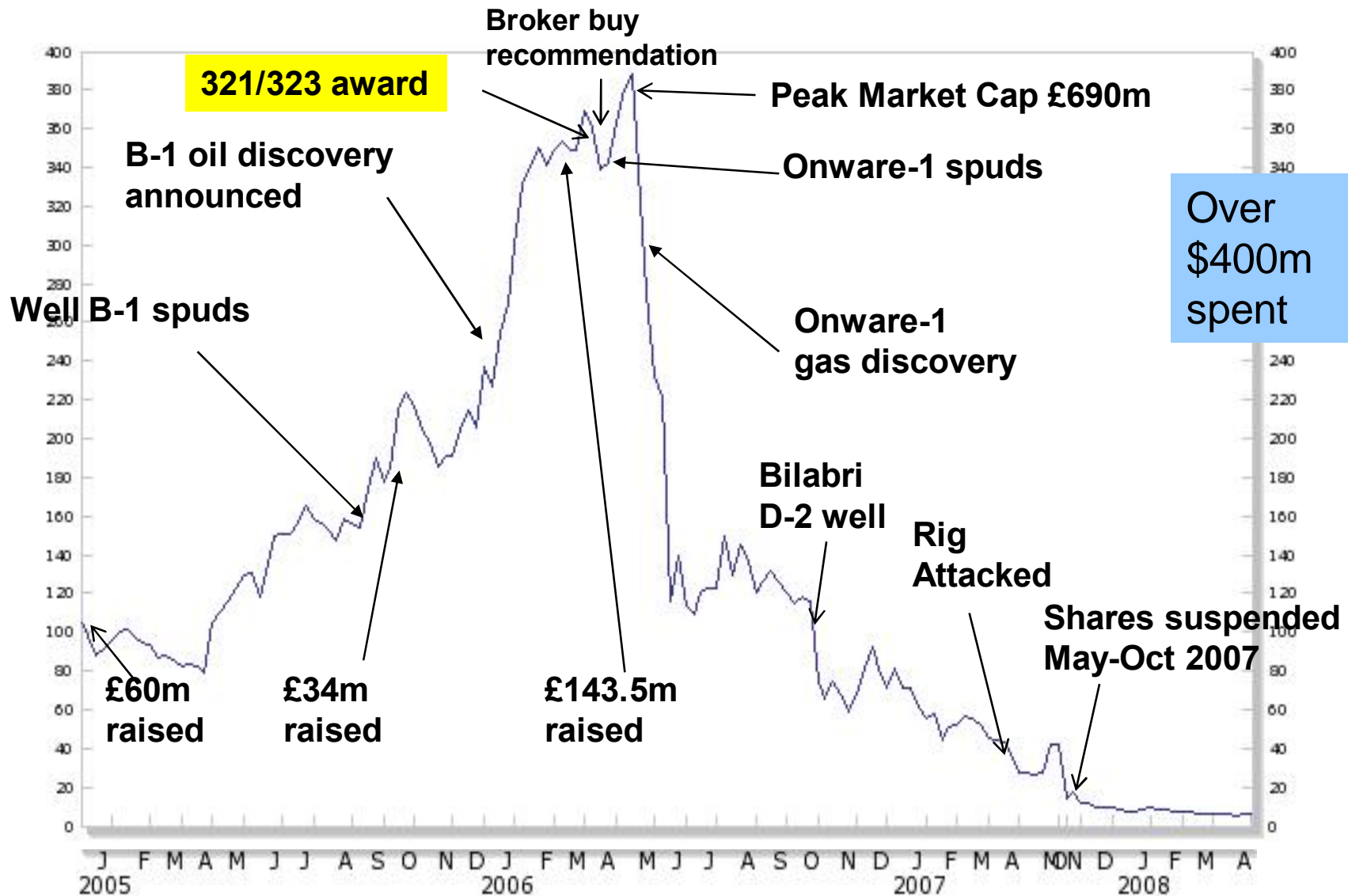
Case Study - Equator Exploration



Source: Corporate Presentation



The Equator Share Price History



Equator - Lessons



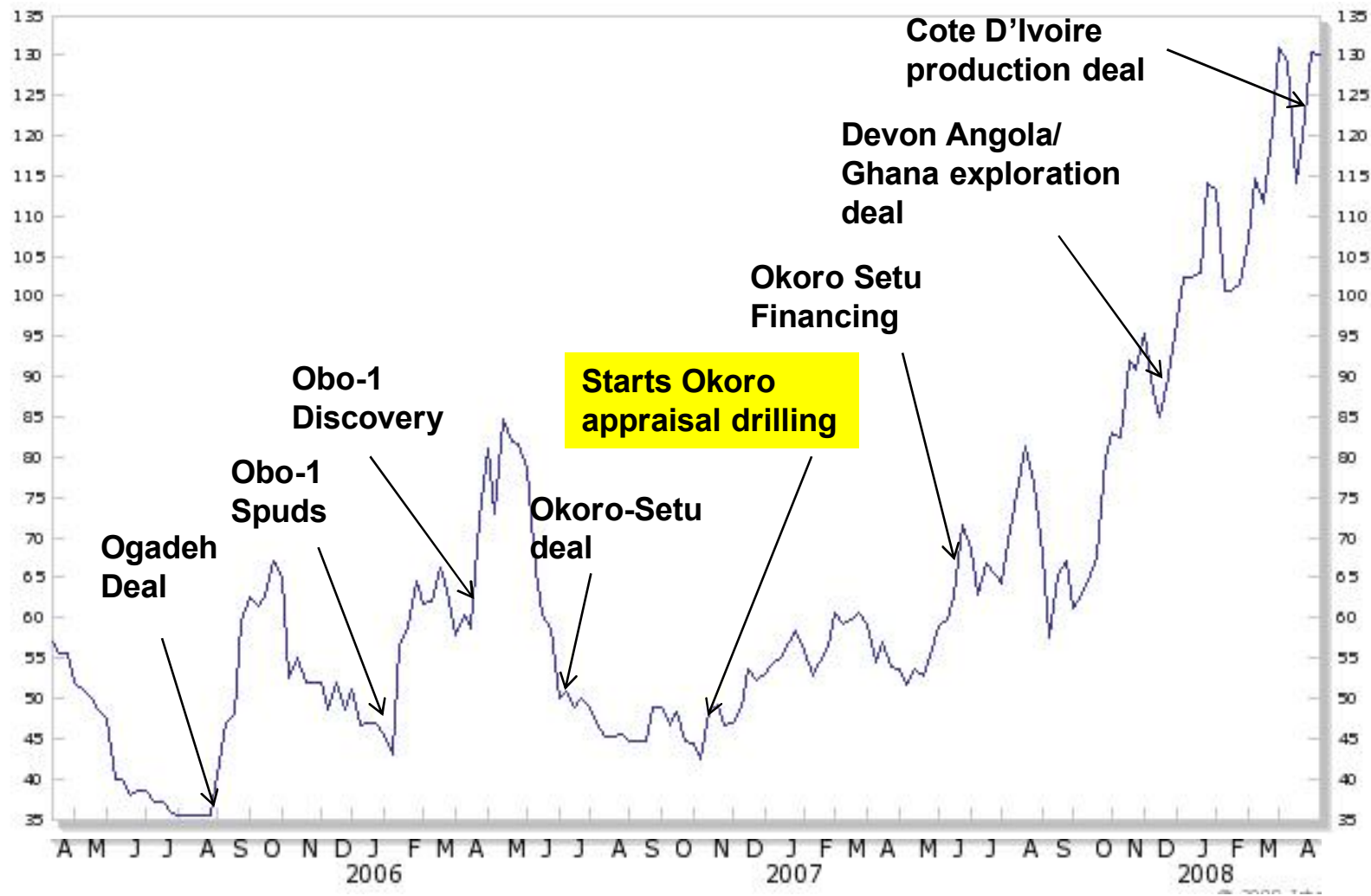
- “ The assets acquired were challenging technically with little margin for error
- “ Commitments ran ahead of financing leading to severe cash flow problems
- “ Drilling difficulties led to cost overruns - \$400m spent and four wells drilled
- “ The politics of Nigerian bid rounds led to delays in reducing commitments to deep water exploration
- “ Choose partners carefully - partner relationships have been problematic

Lessons Learned for Management



- “ Have real clarity of strategy and know what you would cut when times get tough - you can't always do it all
- “ Keep communicating externally and stay honest with the outside as you will get more support when things go wrong
- “ Be realistic on costs and timing - don't assume it's all going to turn out fine
- “ Have some contingency plans - cannot assume that it's all going to go according to plan
- “ Stay aligned with your shareholders and balance with the needs of creditors

Afren Share Price History



Lessons Learned – Afren as REP sees it



- ✓ " **Clarity of strategy** . Focus on partnering with indigenous companies, Governments and NOCs and long term gas
- ✓ " **Keep communicating externally** . Open and clear
- ? " **Be realistic on costs and timing** . Need to deliver Okoro on time/budget, track record important
- ? " **Contingency plans** . diversifying risk through building portfolio but remains to be seen
- ✓ " **Shareholder Alignment** . no apparent issues
- ✓ " **Balance creditors and shareholders** . were successful in accessing finance for Okoru-Setu

Lessons Learned for Investors



- “ Beware of hype and wishful thinking
- “ Verify that corporate governance is effective
- “ Get an independent expert view on the technical and commercial aspects of the assets
- “ Use analogues and peer comparisons to sense check volumes and values
- “ Take inability to secure debt financing for a development as a warning signal (excepting the debt crisis)
- “ Verify the management team is functional, coherent and fit for purpose

Conclusions



- “ **Nine of the ninety** or so AIM listed E&P companies have focussed on Sub-Saharan Africa
- “ **Three out of nine** companies have increased in value since listing by up to 550% and six have fallen by up to 94%
- “ **1 in 8** of the 25 exploration wells that the AIM African E&Ps have participated in since 2000 has been a **commercial** discovery
- “ The biggest risk of value destruction has come from execution risk during field development

Why have AIM start ups struggled in Sub-Saharan Africa?



- “ Numbers - Most are attracted elsewhere
 - . e.g. UK, Norway, Tunisia, Colombia
 - “ T&C re-aligned towards smaller companies
 - “ Easier Licence terms e.g. Drill or Drop; Seismic options
 - “ Regular Licence Rounds
 - “ More rapid turn-over of fallow blocks/ fallow discoveries
 - “ Heavy Promotion by the Government/ Govt Agency

- “ High Risk . Current Policies do not favour AIM companies
 - . e.g. Nigeria, Angola
 - “ Favourable terms for indigenous players rather than open-door
 - “ Huge scale of heritage acreage under long-term licence to the Majors
 - “ Slow turn-over of new and fallow blocks

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