

Oil and Gas Eye

Q2 2010

Ernst & Young's Oil and Gas Eye index monitors the performance of AIM oil and gas companies on a weekly basis and can be viewed at www.ey.com/uk/oilandgaseye. Movements and analysis of the index are reported in this quarterly publication. *Oil and Gas Eye* also provides regular analysis and commentary on activity driving the AIM market.

The Oil and Gas Eye index is constructed on the same basis as the major indices with a normal value of 1,000 assigned to the index levels as of 1 January 2004. It is calculated using the top 20 AIM-listed oil and gas shares by market weight representing around 57% of the total AIM oil and gas universe.

Ernst & Young produces a similar index for the mining sector, which can be viewed at www.ey.com/uk/miningeye.

To receive copies of the *Oil and Gas Eye*, please contact Victoria Lea on +44 (0)20 7951 9051 or email vlea@uk.ey.com; to receive copies of the *Mining Eye*, please contact Julia Davies on +44 (0)20 7951 4250 or jdavies@uk.ey.com.

The recovery runs out of steam

- ▶ Ernst & Young's Oil and Gas Eye index fell by 6.7% over the course of the second quarter of 2010, bringing to an end a run of five consecutive quarters of growth in the index.
- ▶ Our coverage has been expanded to cover the Main Market oil and gas players from this quarter. This group experienced a 27% fall during the period, much greater than that suffered in the junior ranks, with the direct and indirect impact of the Gulf of Mexico (GoM) oil spill.
- ▶ No reflection on Q2 2010 would be complete without a perspective on the events in the GoM, and included this quarter is a special article looking at some of the possible implications for the oil and gas sector.
- ▶ Several of AIM's oil and gas companies, such as EnCore Oil and Nautical Petroleum, participated in the significant Catcher discovery in the UK North Sea. These companies saw their share prices increase by over 200% during the quarter. The much larger Premier Oil, which also owns a major stake in Catcher, saw its shares rise just 0.6% during the quarter, emphasizing the greater impact a single piece of news flow can have (positively or negatively) on junior players.
- ▶ IPOs were briefly back on the agenda last quarter, with EnQuest and Essar Energy each completing successful Main Market listings. There were no oil and gas IPOs on AIM in the period, and the disappointing outcome from Fairfield Energy's float cancellation after quarter-end suggests the IPO window maybe shut for a period of time.
- ▶ Secondary fund-raising activity within the AIM universe stood at a very strong £467 million in the second quarter – AIM investors appear content with the 100 or so existing companies rather than actively pursuing a wave of new targets.

Oil and Gas Eye index Q2 2010 in review

Recovery in the value of junior oil and gas stocks stalls on wider economic concerns

Ernst & Young's Oil and Gas Eye index fell by 6.7% over the course of the second quarter of 2010, bringing to an end a run of five consecutive quarters of growth in the index. Oil and gas stocks were hit by the wider sell-off in equities as investors anxiously watched the sovereign debt crisis in Europe unfold. There are also lingering concerns over the strength of global economic growth, particularly with many governments proposing substantial and wide-ranging spending cuts in an attempt to reduce their fiscal deficits.

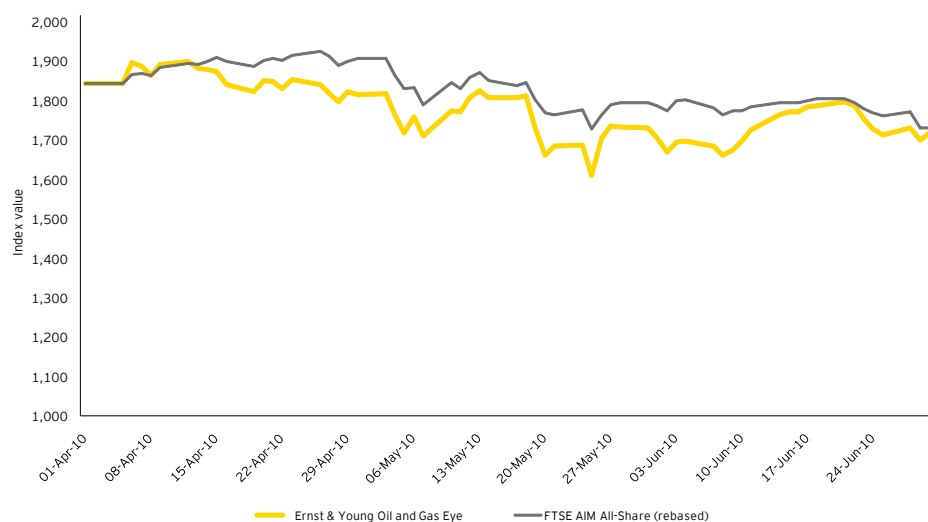
Since the start of 2010, the Oil and Gas Eye index has risen by almost 12% and by the end of the second quarter was 149% higher than at the beginning of 2009.

The relatively stable oil price environment has provided some support to oil and gas equities. The average Brent crude price in the second quarter was US\$78.47 per barrel, some 2.7% higher than the average for Q1 2010. However, the index has yet to recover all of the losses incurred in 2008 and remains 14% below the level at the start of 2008.

Junior oil and gas stocks marginally underperformed the wider AIM All-Share index in the second quarter with the latter falling by 6% in the three months to the end of June 2010. Equity markets have been unnerved by the sovereign debt crisis, which has hit already fragile eurozone economies hard. Mixed economic data is preventing consensus building around the sustainability of economic recovery, and confidence returning to the investment community. Investors tend to look for safe-havens in uncertain times, which could hamper the ability of perceived riskier junior oil and gas stocks to attract funding. However, junior oil and gas companies out-performed their larger peers listed on the London Stock Exchange's Main Market during the second quarter.

Performance of the Oil and Gas Eye index over Q2 2010

Source: Ernst & Young, Thomson Datastream



Performance of the Oil and Gas Eye index since 2008

Source: Ernst & Young, Thomson Datastream



Large oil and gas stocks fare even worse, impacted by Macondo

The FTSE 350 Oil & Gas Producers' index of the Main Market closed the quarter down 27%. Many larger oil and gas companies saw the value of their shares fall following the spill in the GoM. Investors are concerned about the potential regulatory and financial implications of the incident for the industry and the concerns are not limited to companies with exposure to deepwater GoM. Companies with access to deepwater acreage in other parts of the world have also seen their shares hit due to uncertainty over the longer-term consequences, if any, for deepwater drilling beyond the region. Furthermore, the opening of new, environmentally sensitive areas, such as the Arctic, to exploration may be delayed or previous permissions revoked.

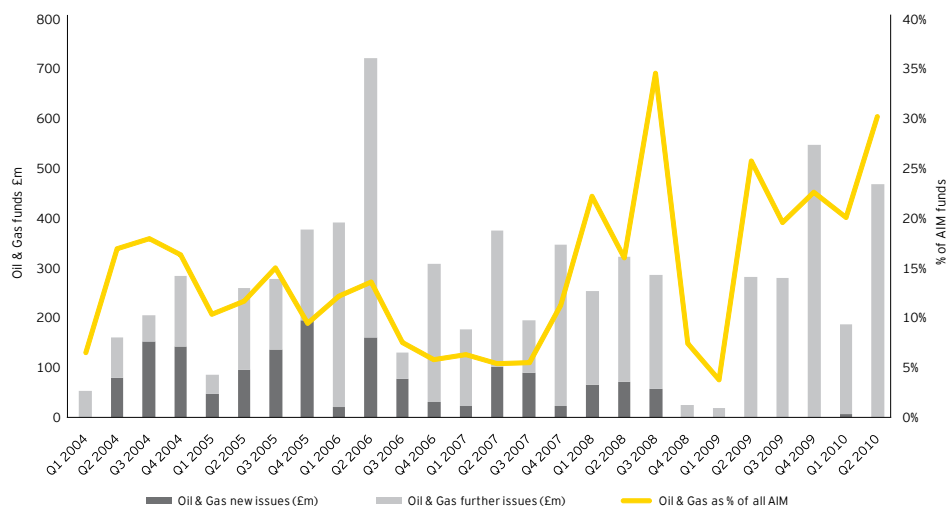
Secondary fundraising activity continues alongside some IPO success

Against this backdrop, two new oil and gas companies joined the Main Market in the second quarter. On 6 April 2010, EnQuest was formed from the demerged UK North Sea assets of Petrofac Limited and Lundin Petroleum AB. EnQuest was admitted to trading on both the London Stock Exchange and the NASDAQ OMX Stockholm. On listing, EnQuest PLC went into the FTSE 250 index and OMX Nordix Index. EnQuest has interests in 16 production licences covering 26 blocks or part blocks in the UKCS, of which 15 licences are operated by EnQuest. The company is focused on increasing production from its existing assets in its core hub areas.

Shares in Essar Energy were admitted to trading on the London Stock Exchange in May following the successful completion of its IPO. Essar Energy, an India focused energy company, said that a London listing would open the business up to global capital to fuel future growth ambitions and to address India's significant energy deficit. On listing, Essar Energy went into the FTSE 100 Index. During June, Fairfield Energy announced its intention to proceed with an IPO and a listing on the Main Market. However, the UK focused independent

Quarterly trend of funds raised on AIM – oil and gas, and all sectors

Source: Ernst & Young analysis of AIM market statistics



announced after the quarter end that, in light of current market conditions, it had decided against proceeding with its IPO at this time.

The Essar Energy IPO raised £1.2 billion and accounted for 55% of total funds raised from new issues on the Main Market in Q2 2010. There were no new oil and gas IPOs on AIM during the second quarter and two companies chose to delist, highlighting that fund raising for some junior oil and gas companies remains challenging.

Secondary fundraising in the oil and gas sector of the Main Market totalled £21.3 million in the second quarter, with just one company raising additional funds. The total raised was 50 times lower than in the first quarter and 95% less than the amount raised by oil and gas companies

listed on AIM. Secondary fundraising in the oil and gas sector on AIM totalled £467 million in the second quarter. This was more than double the amount raised in the previous quarter and 66% higher than the total raised in the second quarter of 2009. However, although the total amount raised was higher, the investment was restricted to a select group of junior oil and gas companies, with just 18 of the 99 strong universe of oil and gas companies on AIM successfully raising additional funds during the second quarter. A significant proportion of those raising funds in the second quarter intend to use the proceeds to progress developments in order to deliver on promises to shareholders and project partners.

Oil and gas funds raised in 2010 (£ million)

	AIM		Main Market	
	New issues	Further issues	New issues	Further issues
Q2 2010	0.0	467.0	1,271.7	21.3
Q1 2010	6.0	182.3	0.0	1,064.8
Total	6.0	649.4	1,271.7	1,086.1

Source: London Stock Exchange

Winners in Q2 2010 had exploration successes

In Q2 2010 35% of the companies in the AIM oil and gas universe recorded share price gains. The "winners" in this quarter were those companies able to show exploration success with important oil and gas discoveries.

Shares in **Rockhopper Exploration** rose by 552% over the second quarter following news of a potentially significant oil discovery. In May, the company announced that a well on its 100% owned Sea Lion prospect was an oil discovery, the first in the North Falkland Basin. The following month, Rockhopper Exploration released a technical update on the oil discovery saying that analysis of the data from the Sea Lion well suggests that there is significant potential upside to the company's acreage. Rockhopper Exploration will now focus on testing Sea Lion, which will be a key step on the road to proving commerciality.

Rockhopper Exploration was one of two companies that were promoted to the Oil and Gas Eye index at the end of the second quarter. The other company to join the index was **Faroe Petroleum**, which announced in May that drilling of the Norwegian Sea Maria well had commenced. This followed the gas and condensate discovery at the nearby Fogelberg prospect, which was announced in April.

In early June, **Nautical Petroleum** and its joint venture partners announced that a significant light oil discovery had been made on the Catcher exploration well in the UK Central North Sea. Following the drilling of side-track wells, which also encountered oil, estimates of oil in place for the Catcher area were revised upwards to 300 million

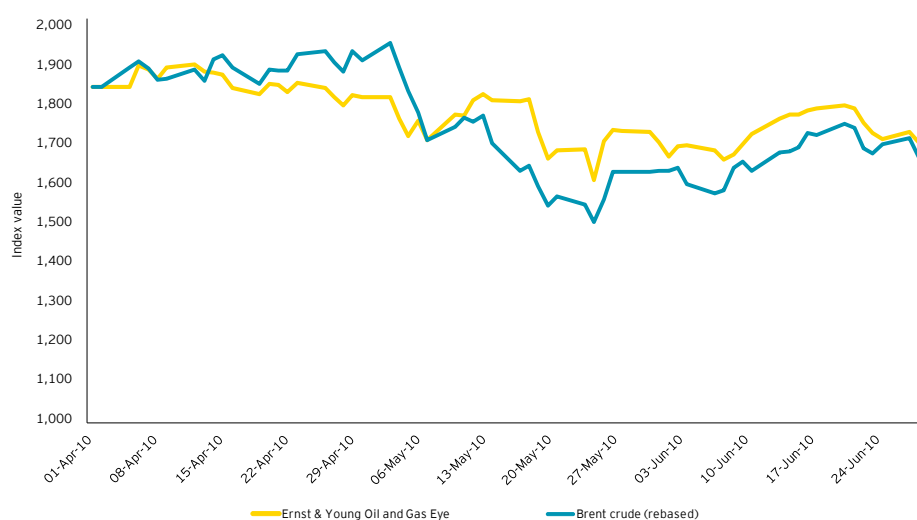
barrels. This would make the discovery the largest in the North Sea since Buzzard in 2002. Shares in Nautical Petroleum, which has 15% equity in the prospect, ended the second quarter up by 267%. **EnCore Oil**, which also has a 15% interest in the well and is the operator, saw its share price rise by 200% over the quarter.

The share price of **Caza Oil & Gas** ended the second quarter up 114% following the announcement that drilling of the Matthys-McMillan Gas Unit #2 development well in Texas had encountered multiple gas bearing sands. Caza, which is the operator of the well, intends to test and complete the well as a natural gas producer.

In April, **Desire Petroleum** announced that the Liz well 14/19-1 in the North Falkland Basin had been plugged and abandoned as a gas discovery. The company said that Liz was the first in a multi-well campaign to explore the North Falkland Basin. Rockhopper will drill two wells in the North Falkland Basin and BHP one in the East Falkland Basin before returning the rig to Desire for further drilling later in the year. Desire's share price was 78% higher at the end of the second quarter.

Performance of the Oil and Gas Eye index and oil price over Q2 2010

Source: Ernst & Young, Thomson Datastream



Fallers in Q2 2010 suffer operational and contractual setbacks

65% of companies in the AIM oil and gas universe registered a fall in their share price in the second quarter. The main factors impacting the share price of the fallers were disappointing drilling results and disputes with authorities over contractual rights.

Shares in **Regal Petroleum** lost 59% of their value in the second quarter. In June, Regal reported that it had received an order dated 30 March from the Minister of Environmental Protection requiring a suspension of the company's operations in Ukraine until matters relating to Regal's compliance with certain legislation relating to operations at two of its gas and condensate fields were rectified. Regal said that it was not aware of the order until it received a copy of it on 21 May, at which time the company immediately engaged with officials in Ukraine to understand the circumstances surrounding the order and discussions are ongoing.

Regal Petroleum was one of two companies that exited the Oil and Gas Eye index at the end of the second quarter. The other company to exit the index at the end of June was Serica Energy.

In April, **Xtract Energy** confirmed that the production testing operations at the Sarikiz-3 well on the onshore Alasehir licence in southwest Turkey had been completed. Xtract said that the production test did not encounter hydrocarbons in recoverable quantities and that it did not consider the well to be commercial. Shares in the company ended the quarter down 52%.

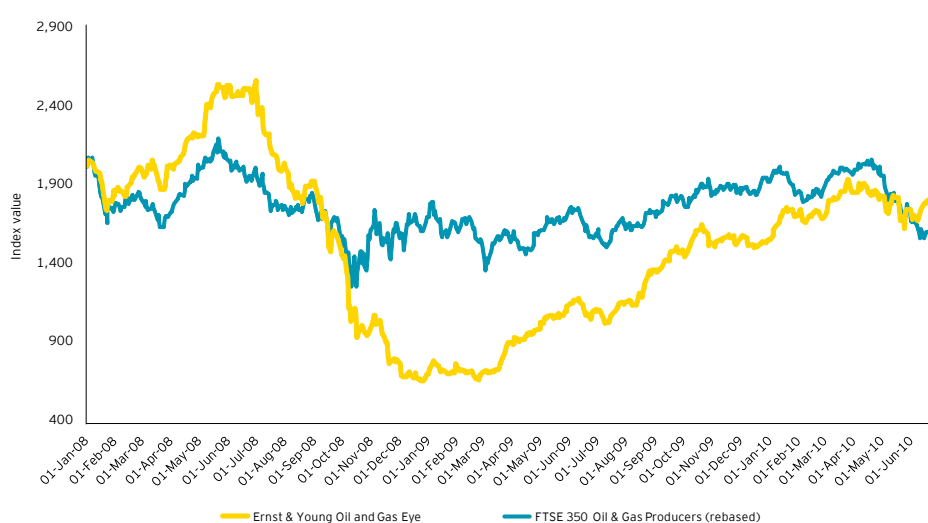
In April, **Caspian Holdings** announced that the Supervisory Board in the civil and administrative cases of Kazakhstan's Supreme Court had confirmed the judgment of the Appeal Court to revoke the Zhengeldy sub-soil use contract held by a 100% owned subsidiary of the company. Caspian Holdings said it would seek additional routes to reinstate investors' rights in accordance with Kazakhstan legislation but that it was impossible to say if a remedy could be achieved. The share price of Caspian Holdings was down 50% at the end of the second quarter.

Providence Resources announced during May that it had elected not to complete the acquisition of 40% of the Kinsale Head

Assets because the upfront investment required was at a significant variance to the original proposal and the economics of the deal had therefore changed materially. Providence added that while the long-term economics of gas storage are compelling, the short-term marked erosion in gas prices, combined with a different planned capital structure going forward, had led the company to withdraw. Shares in Providence Resources were almost 46% lower by the end of the second quarter compared with the start.

Performance of the Oil and Gas Eye index since 2008

Source: Ernst & Young, Thomson Datastream



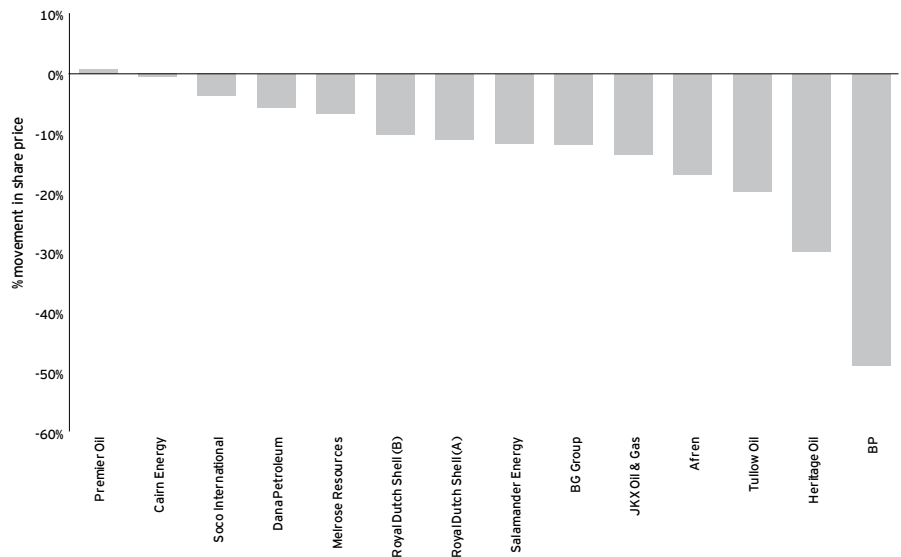
Main Market movers

On the Main Market, the principal factor impacting the share price of oil and gas companies in the FTSE 350 was concerns over the implications of the Macondo well oil spill for future deepwater drilling projects. BP, as operator of the Macondo well, recorded the largest share price fall, ending the quarter down 49%. Other oil and gas companies in the FTSE 350 that saw their share price fall over the quarter included Heritage Oil (-30%), Tullow Oil (-20%), Afren (-17%), JXX Oil & Gas (-13%) and BG Group (-12%). All of these companies have some, albeit in some cases limited, exposure to deepwater prospects. However, most of this acreage is located in Africa and Brazil and at this point it is unclear what the ramifications of the GoM oil spill, if there are any, will be for deepwater projects in other countries.

Only one oil and gas company in the FTSE 350 posted a share price rise over the second quarter. The share price of **Premier Oil**, which has a 35% interest in the Catcher discovery, was just 0.6% higher

Share price movements of FTSE 350 Oil & Gas Producers over Q2 2010

Note: Essar Energy and EnQuest entered the FTSE 350 Oil & Gas Producers' index during Q2 2010
Source: Thomson Datastream



at the end of the second quarter compared with the start. This fractional movement, compared to the impact of the discovery on some of the smaller players in the Catcher

asset, highlights how sensitive juniors can be to single items of news, whether positive or negative.

Ins and outs of the AIM oil and gas universe

The AIM oil and gas universe (including oilfield services companies) stood 99 strong at the end of Q2 2010 compared with 105 in the previous quarter. This compares with 118 companies at the beginning of 2009. Having joined AIM in 2005, Great Eastern Energy Corporation graduated to the Main Market of the London Stock Exchange during the second quarter of 2010.

In May, CDS Oil & Gas Group announced the proposed cancellation of its listing on AIM. The company said that the cancellation would significantly reduce its administration costs at a time when

the only source of funding available to CDS are loans provided by the principal shareholders.

Plant Offshore Group cancelled its AIM listing in May. The rationale for the cancellation was the company's belief that its AIM listing no longer sufficiently offered it the advantages of providing access to capital, which was the principal reason for originally joining AIM. Trading in Pan Andean Resources' shares on AIM was cancelled in April following the acquisition of the company by Petrominerales Ltd. The previously announced acquisition of Island Oil & Gas

by San Leon Energy completed during the second quarter and trading in shares in Island Oil & Gas ceased in May.

At the request of the company, trading on AIM of shares in Resaca Explotacion was temporarily suspended on 24 June. On that day, Resaca announced that its annual meeting of shareholders had approved the company's merger with Cano Petroleum. On 30 June, Resaca announced that its public offering of shares of its common stock had been postponed due to market conditions and requested that London Stock Exchange lift the suspension on the trading on AIM of its shares.

Secondary fundraising holds up well

There were no new IPOs on AIM in the oil and gas sector during the second quarter. There were seven IPOs in other sectors on London's junior market in the second quarter. On the wider AIM market, £144.6 million was raised via new issues in the second quarter. This was 39% lower than the amount raised in the previous quarter and 35% less than the total raised in the second quarter of 2009.

Secondary fundraising in the oil and gas sector in Q2 2010 was £467 million, 66% higher than the amount raised in the comparable quarter of 2009, and 156% more than the total raised in Q1 2010. Secondary fundraising across the wider AIM market was £1,404.3 million in the second quarter of 2010, which compares with £694 million raised in the previous quarter. The AIM listed oil and gas companies that were successful in raising funds in the second quarter included:

Gulf Keystone Petroleum raised gross proceeds of £114.2 million by way of a placing. The funds raised will primarily be used to secure the company's development and appraisal programme across its assets in Kurdistan for the remainder of 2010 and early 2011.

Petroceltic International raised gross proceeds of £81 million via a placing of ordinary shares. The proceeds will be used to fund the company's appraisal program, to optimize the development plans for the discoveries on the Isarene permit in Algeria and to facilitate the drilling of a further well to determine the quality and extent of the oil discovery on the Elsa field in the Adriatic, offshore Italy.

Faroe Petroleum raised £69.8 million before expenses through a rights issue. The funds will be used to advance the company's exploration and appraisal program,

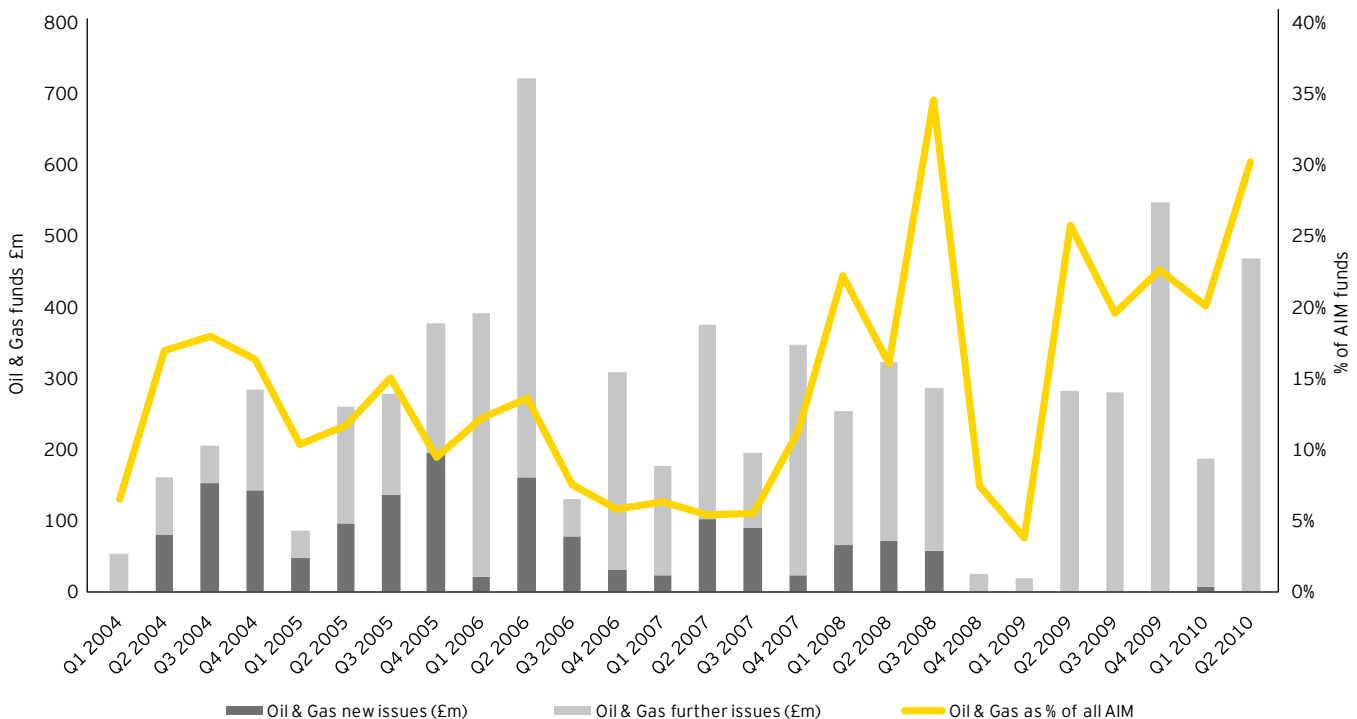
specifically to commit to drilling up to eight new wells over the next two years, to apply for new exploration licences in the UK, Norway and Greenland and implement plans to enhance reserves production.

Rockhopper Exploration raised £48.5 million before expenses through a placing. The proceeds will be used to progress the company's current drilling program in the North Falkland Basin, including flow testing of its Sea Lion exploration well and drilling an exploration well on its Ernest prospect.

Maple Energy raised gross proceeds of £19 million via a placing of ordinary shares. The funds raised, along with private equity investment, will enable the company to satisfy its remaining equity contribution requirement in connection with its Ethanol Project located on the northwest coast of Peru.

Oil and gas funds raised as a proportion of total funds raised on AIM

Source: Ernst & Young analysis of AIM market statistics



Oil field services industry in focus

The oil field services (OFS) industry was enjoying one of its most prolonged up-cycles in memory until the global recession reared its ugly head. After adjusting to the new financial environment and beginning to show positive signs again, the spill in the GoM arrived. Despite this, we believe the prospects for the overall OFS sector are set to remain fair for some time yet, albeit there will be winners and losers.

The current ban for the remainder of 2010 on deep water drilling in the Gulf of Mexico (GoM) is likely to have repercussions throughout the global OFS market.

The likely winners, and losers, in the short term future of OFS organizations will depend on their geographical spread, sub sector specialization, customer base and order book.

The geographical impact

Those OFS organizations, which concentrate in the GoM, are likely to be those who will suffer the greatest in the short term. The larger and global players will absorb the pain and continue to march onward. So far, the impact includes:

Alaskan offshore drilling has been delayed until at least 2011 and the lease sale for offshore Virginia has been cancelled.

UK Department of Energy and Climate Change has instructed increased inspection of rigs and monitoring of offshore compliance with greater regulation.

For the moment, no suspension in deepwater exploration drilling has been brought into UK waters, although this has been suggested by the EU. This would have a de-stabilizing effect at a time when deepwater activities are playing an increasing role, given the opportunities West of Shetlands. It would also be at a time when there have been some significant new discoveries and there has been

unprecedented interest in developing oil and gas fields in the latest UK licensing rounds.

Norway will not award deepwater licences, in its 21st licensing round, until there is more clarity around the GoM spill events.

Brazil, where some of the world's current largest deepwater opportunities exist, has no plans for any moratorium on deepwater drilling.

West Africa has not made any official announcements and, given other political issues in many of the territories and the government's need for oil revenues, there is unlikely to be a significant change.

Sub-sector specialisms:

Deepwater rigs

Looking at the impact on deepwater rigs, many will be relocated from the GoM for the remainder of 2010 in order to reduce lost days. However, this is likely to come at a cost to rig companies with competition for work and reduced day rates. This potential relocation of deepwater rigs and related service providers to international opportunities is also likely to further delay the start up of new projects once the moratorium is lifted.

Increased liability limits will remove many independent Exploration & Production (E&P) companies from the GoM and have pricing implications for those companies who remain.

However, the good news for rig companies and their related supply chain is that increased regulation (which is inevitable), particularly in relation to age-related equipment, will lead to increased refurbishment and possibly earlier replacement. Initial recommendations already being discussed include independent recertification of blow out preventers (BOPs) for floating rigs,

more rigorous inspection requirements, additional safety training and additional spill containment equipment. This will result in a permanently changed environment with an increased cost base. While this may result in short-term gains for a number of OFS players, it may have longer term repercussions through some major projects being delayed.

Delays to subsea related activities in the GoM and Norway will also have an impact on floating production storage and offloading vessels (FPSOs), umbilicals, remotely operated vehicles (ROVs), and installation for example.

Training, operations, maintenance and inspection

Organizations involved in training, operations, maintenance and inspection, with proven health and safety and successful delivery records, are likely to flourish as customer demands (International Oil Companies (IOCs), National Oil Companies (NOCs), and Independents) are increased in these areas. More advanced health and safety regulation, more third party certification work and more process will all be good news for the OFS sector, although increased regulation will lead to higher costs.

The scale of investment being made in boosting oil production capacity globally offers tremendous opportunities for OFS companies. NOC control most of these opportunities. Their needs in relation to the development of these opportunities are driving some key changes in the OFS sector.

Compared with IOCs, the relationship between OFS companies and NOCs is based on a mutual need - NOCs are the resource owners and need OFS companies to develop those resources. The largest opportunity for OFS companies to work alongside NOCs is in countries where IOCs have been frozen out

or where there has been a prolonged period of underinvestment in the oil and gas sector.

Until the global recession, most OFS companies increased their backlogs over the preceding three years, as a result of previously sanctioned projects and the high level of oil and gas activity across maintenance, upgrades and enhanced oil recovery.

As a result of lower crude prices and lack of finance available to many E&P companies, contracts are typically being awarded at lower prices, thus adversely impacting OFS company gross margins. There is also a risk to OFS companies that existing contracts within the backlog are retendered or postponed in order to take advantage of reducing costs.

However, there are opportunities here for OFS companies to demonstrate to their E&P customers that by actually increasing their spend, E&P companies can achieve greater efficiencies. Although hard to achieve, cost reduction in a safe and environmentally friendly manner should be the starting point for E&P companies, with improved effectiveness being the goal. It will be the more innovative and flexible OFS companies that will flourish in these cost-cutting times.

Expanding the scope of services

Instead of diversifying, some OFS companies have chosen to expand the scope of the services they provide. The remit for many OFS companies has moved beyond that of being purely a supplier of equipment or services. OFS companies are being asked by some of their clients to assume more risk to benefit from greater rewards.

It is likely that only the top tier of players will have the appetite and capability to take on greater risk. These companies have the capacity and financial strength to manage the more complex projects being tendered.

However, even the major players need to ensure that there is an appropriate balance of risk-based and fixed contracts in their work program. The rewards need to be more than sufficient to compensate for the increased risk.

Improving outlook for the transactions market

Looking ahead, there is likely to be more corporate mergers and acquisitions activity (the respective deals with Baker Hughes/BJ Services and Acergy/Subsea 7 this year alone were worth \$8 billion) resulting from further OFS consolidation. We can also expect to see non-core disposals following corporate mergers, as well as forced disposals arising from distressed and over-leveraged groups.

There is also likely to be continued private equity activity with a healthy appetite for OFS companies that have strong management teams and display the right blend of geographical spread, sub-sector specialization, customer base and order book that make them likely winners in the sector. However, deal valuations will continue to be constrained by a lack of liquidity in debt markets and continued volatility in the public markets.

Oil and Gas Eye index constituents at start of each quarter

Source: Ernst & Young, Thomson Datastream

Q4 2009	MV £m	Q1 2010	MV £m	Q2 2010	MV £m	Q3 2010	MV £m
Afren Plc	575	Amerisur Resources Plc	129	Bankers Petroleum Ltd	1,380	Bankers Petroleum Ltd	1,050
Bankers Petroleum Ltd	596	Bankers Petroleum Ltd	852	Borders & Southern Petroleum Plc	226	Borders & Southern Petroleum Plc	295
BowLeven Plc	171	Borders & Southern Petroleum Plc	264	BowLeven Plc	240	BowLeven Plc	250
Circle Oil Plc	128	BowLeven Plc	175	Coastal Energy Company	316	Coastal Energy Company	317
Coastal Energy Company	270	Coastal Energy Company	340	Cove Energy Plc	179	Cove Energy Plc	171
Desire Petroleum Plc	241	Desire Petroleum Plc	293	Desire Petroleum Plc	165	Desire Petroleum Plc	293
Energy XXI (Bermuda) Ltd	149	Energy XXI (Bermuda) Ltd	313	Energy XXI (Bermuda) Ltd	708	Energy XXI (Bermuda) Ltd	652
Falkland Oil & Gas Ltd	129	Falkland Oil & Gas Ltd	187	Falkland Oil & Gas Ltd	190	Falkland Oil & Gas Ltd	357
Faroe Petroleum Plc	141	Faroe Petroleum Plc	138	Geopark Holdings Ltd	218	Faroe Petroleum Plc	206
Green Dragon Gas Ltd	444	Geopark Holdings Ltd	157	Green Dragon Gas Ltd	554	Geopark Holdings Ltd	244
Gulf Keystone Petroleum Ltd	417	Green Dragon Gas Ltd	498	Gulf Keystone Petroleum Ltd	443	Green Dragon Gas Ltd	503
Gulfsands Petroleum Plc	296	Gulf Keystone Petroleum Ltd	441	Gulfsands Petroleum Plc	386	Gulf Keystone Petroleum Ltd	457
Indus Gas Ltd	626	Gulfsands Petroleum Plc	277	Indus Gas Ltd	928	Gulfsands Petroleum Plc	308
Petroceltic International Plc	242	Indus Gas Ltd	732	Ithaca Energy Inc.	226	Indus Gas Ltd	913
Providence Resources Plc	122	Ithaca Energy Inc.	136	Petroceltic International Plc	193	Ithaca Energy Inc.	208
Regal Petroleum Plc	340	Petroceltic International Plc	206	Regal Petroleum Plc	208	Petroceltic International Plc	201
ROC Oil Company Ltd	230	Regal Petroleum Plc	253	Serica Energy Plc	154	Rockhopper Exploration Plc	562
Sterling Energy Plc	303	Sterling Energy Plc	340	Sterling Energy Plc	311	Sterling Energy Plc	319
Valiant Petroleum Plc	154	Valiant Petroleum Plc	219	Valiant Petroleum Plc	239	Valiant Petroleum Plc	271
Volga Gas Plc	166	Volga Gas Plc	170	Volga Gas Plc	166	Volga Gas Plc	163

Exits
Geopark Holdings Ltd
Iofina Plc
Maple Energy Plc
Northern Petroleum Plc
Rift Oil Plc
Serica Energy Plc

Exits
Afren Plc
Circle Oil Plc
Providence Resources Plc
ROC Oil Company Ltd

Exits
Amerisur Resources Plc
Faroe Petroleum Plc

Exits
Regal Petroleum Plc
Serica Energy Plc

Entrants
Energy XXI (Bermuda) Ltd
Faroe Petroleum Plc
Gulf Keystone Petroleum Ltd
Providence Resources Plc
Sterling Energy Plc
Volga Gas Plc

Entrants
Amerisur Resources Plc
Borders & Southern Petroleum Plc
Geopark Holdings Ltd
Ithaca Energy Inc.

Entrants
Cove Energy Plc
Serica Energy Plc

Entrants
Faroe Petroleum Plc
Rockhopper Exploration Plc

Funds raised on AIM to Q2 2010

Source: Ernst & Young analysis of AIM market statistics

New issues include placings, introductions, transfers and readmissions (money raising and non-money raising)

New issues	Oil and gas		All AIM		Oil and gas as % of all AIM	
	No. of companies/issues	Funds raised (£m)	No. of companies/issues	Funds raised (£m)	No. of Companies/issues	Funds raised
Q2 2010	0	0	18	144.6	0.0%	0.0%
Q1 2010	1	6.0	14	237.4	7.1%	2.5%
Q4 2009	0	0.0	18	396.8	0.0%	0.0%
Q3 2009	0	0.0	4	117.75	0.0%	0.0%
Q2 2009	0	0.0	8	223.0	0.0%	0.0%
Q1 2009	0	0.0	5	3.0	0.0%	0.0%
2008	13	190.4	115	1079.4	11.3%	17.6%
2007	17	233.8	284	6,828.6	6.0%	3.4%
2006	28	287.5	462	9,908.6	6.1%	2.9%
2005	38	470.6	519	6,460.8	7.3%	7.3%
2004	20	374.0	356	2,776.0	5.6%	13.5%
2003	5	27.8	163	1,095.4	3.1%	2.5%
2002	6	29.1	161	490.1	3.7%	5.9%
2001	3	1.0	177	593.1	1.7%	0.2%

Further issues	Oil and gas		All AIM		Oil and gas as % of all AIM	
	No. of companies/issues	Funds raised (£m)	No. of companies/issues	Funds raised (£m)	No. of companies/issues	Funds raised
Q2 2010	62	467.0	679	1,404.3	9.1%	33.3%
Q1 2010	68	180.6	580	694.0	11.7%	26.0%
Q4 2009	97	547.2	739	2027.5	13.1%	27.0%
Q3 2009	86	278.9	699	1,312.0	12.3%	21.3%
Q2 2009	59	281.0	692	871.1	8.5%	32.3%
Q1 2009	20	18.1	466	560.6	4.3%	3.2%
2008	238	693.1	3,148	3214.5	7.6%	21.6%
2007	287	858.6	3904	9,610.2	7.4%	8.9%
2006	261	1,262.3	3,389	5,734.3	7.7%	22.0%
2005	186	527.0	2,506	2,481.2	7.4%	21.2%
2004	144	328.9	2,024	1,880.3	7.1%	17.5%
2003	80	193.4	1,473	999.7	5.4%	19.3%
2002	67	22.7	1,126	485.8	6.0%	4.7%
2001	39	8.3	1,026	535.3	3.8%	1.6%

Total issues	Oil and gas		All AIM		Oil and gas as % of all AIM	
	No. of companies/issues	Funds raised (£m)	No. of companies/issues	Funds raised (£m)	No. of companies/issues	Funds raised
Q2 2010	62	467.0	697	1,548.9	8.9%	30.2%
Q1 2010	69	186.6	594	931.4	11.6%	20.0%
Q4 2009	97	547.2	757	2,424.3	12.8%	22.6%
Q3 2009	86	278.9	703	1,429.8	12.2%	19.5%
Q2 2009	59	281	696	1094.3	8.5%	25.7%
Q1 2009	20	18.11	471	563.5	4.2%	3.2%
2008	251	883.5	3263	4293.9	7.7%	20.6%
2007	304	1,092.5	4,188	16,423.7	7.3%	6.7%
2006	289	1,549.8	3,851	15,642.9	7.5%	9.9%
2005	224	997.6	3,025	8,942.4	7.4%	11.2%
2004	164	702.9	2,380	4,656.2	6.9%	15.1%
2003	85	221.2	1,636	2,095.2	5.2%	10.6%
2002	73	51.8	1,287	975.8	5.7%	5.3%
2001	42	9.3	1,203	1,128.4	3.5%	0.8%

For further information on the Ernst & Young *Oil and Gas Eye*, or any associated services from Ernst & Young, please contact:

Alec Carstairs	acarstairs@uk.ey.com	+44 (0)1224 653 196
Jon Clark	jclark5@uk.ey.com	+44 (0)20 7951 7352
Ally Rule	arule@uk.ey.com	+44 (0)131 777 2396
Will Ethelston	wethelston@uk.ey.com	+44 (0)20 7951 7763

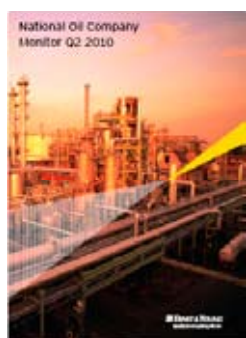
Other recent and upcoming Ernst & Young Oil & Gas publications are detailed below. Publications can be viewed and downloaded at www.ey.com/oilandgas or contact vea@uk.ey.com for copies.



Global Oil and Gas Tax Guide 2010

This is the second annual global oil and gas tax guide from Ernst & Young. More than your standard tax guide, you will find yourself using this resourceful tool again and again to quickly identify taxes applicable to all oil tax regimes, specifically those affecting your region. Our guide summarizes the oil and gas corporate tax regimes in 57 countries and provides a directory of global oil and gas tax contacts at Ernst & Young.

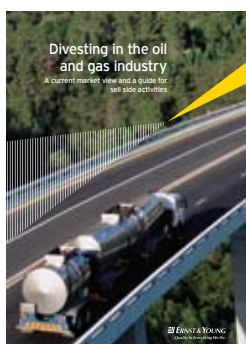
Available now



National Oil Company Monitor Q2 2010

In our quarterly reports "NOC Monitor" offers insight into the changing economic and political landscape around the world, examining activity in partnerships, M&A, consolidations, and government policy developments between IOCs and NOCs.

Available now



Divesting in the oil and gas industry

In this paper, we look at the current market trends, offer our explanation for the current high levels of divestment activity and explore some of the key issues associated with selling a downstream asset.

Available now

In an effort to reduce our impact on the environment, we are minimizing our distribution list. Please email vea@uk.ey.com if you would like to receive future copies of the *Oil and Gas Eye* by email.

Thank you

Ernst & Young

Assurance | Tax | Transactions | Advisory

About Ernst & Young

Ernst & Young is a global leader in assurance, tax, transaction and advisory services. Worldwide, our 144,000 people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve their potential.

Ernst & Young refers to the global organization of member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit www.ey.com

About Ernst & Young's Global Oil & Gas Center

The oil and gas industry is constantly changing. Increasing regulatory pressures, price fluctuations and geopolitical complexities all present significant challenges. Ernst & Young's Global Oil & Gas Center brings together a worldwide team of professionals to help you achieve your potential – a team with deep technical experience in providing assurance, tax, transaction and advisory services. The Center works to anticipate market trends, identify the implications and develop points of view on relevant industry issues. Ultimately it enables us to help you meet your goals and compete more effectively. It's how Ernst & Young makes a difference.

© 2010 EYGM Limited.
All Rights Reserved.

EYG no. DW0072



In line with Ernst & Young's commitment to minimize its impact on the environment, this document has been printed on paper with a high recycled content.

This publication contains information in summary form and is therefore intended for general guidance only. It is not intended to be a substitute for detailed research or the exercise of professional judgment. Neither EYGM Limited nor any other member of the global Ernst & Young organization can accept any responsibility for loss occasioned to any person acting or refraining from action as a result of any material in this publication. On any specific matter, reference should be made to the appropriate advisor.

1014724.indd (UK) 07/10. Creative Services Group.