

Orca Exploration Group (ORC.B-T, \$4.90)

Tuesday, June 1, 2010

Rating: **SECTOR OUTPERFORM**
 Target Price: **\$7.00**
 Return: **42.9%**
 52 wk Perf: **113.0%**
 Risk Profile: **SPECULATIVE**

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O While delays in gas plant expansion have pushed out the timing for expected material cash flow increases to late 2010, the drilling of SS10 and resultant increase in production capability has enhanced the reserve and backstops the Company's expanding marketing efforts. This is a value story - while growth is slower than originally expected, it is nevertheless moving forward.

First Quarter Meets Our Forecast

Event: Q1/10 financial and operating results released.

Impact - Neutral: Financial results met our expectations.

- **Forecasts** – We have not revised our forecast.
- **Target Price, Ratings** – We have maintained our target price of \$7.00 and our rating of Sector Outperform.

Issues:

- **Q1/10 production of 34.9 mmcf/day (new high for Orca) and CFPS of \$0.15 were on track with our forecast.** The Company has provided cash flow guidance of \$25MM to \$30MM for 2010, which is in line with our forecast of \$24.2MM.
- Orca had a working capital balance of \$20.9MM at March 31, 2010, up 24% from year-end. Cash totalled \$15.5MM at the end of the quarter.
- Orca reiterated its objective of **acquiring two new high potential oil prospects** that can be drilled within two years. This will provide the Company with exploration exposure outside of Tanzania and the potential for growth, with drilling success, over that expected from the plans in place for Tanzania.

Valuation: Our target price of \$7.00 reflects a price to diluted 2011F CFPS ratio of 6.9x (basic 6.9x). This premium multiple is supported by the extensive reserves that allow the Company the opportunity to materially increase production as markets develop, and maintain production at these peak levels until 2026.

Catalysts: 1) Ratification of the recently signed exploration PSC; 2) Approval to run the gas plant at the rerated 105 mmcf/day would allow increases in production and marketed natural gas; 3) Commitment by Songas to expand the Songo Songo gas plant, expected by early 2011, which could lead to an increase to 200 mmcf/day.

Investment Brief: Orca has established a material natural gas resource in Tanzania. A steady cash-flow stream and minimal capital commitments provide the opportunity for a steady return to shareholders. There is potential material upside related to the Songo Songo West prospect which could be drilled in H2/11.

Forecast Risk	High
Financial Risk	Moderate
Valuation Risk	High
Political Risk	Moderate
52-Week High/Low	\$5.43/ \$3.00
Dividend/Yield	\$0.00/0.0%
Shares O/S (mm)	29.5 (basic) 32.3 (F/D)
Market Capitalization	\$144.5 million
Net Debt (Cash)	-\$21.9 million
As at Jun 30/09	
Enterprise Value	\$122.6 million
Cash	\$14.5 million
Working Cap. (Def'y)	
Daily Volume	18,300
Currency	C\$ unless noted

Company Profile

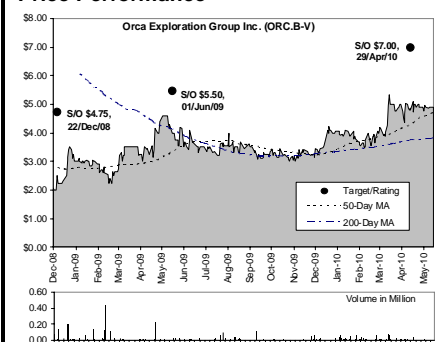
www.orcaexploration.com

Orca is a natural gas producer with operations focused in Tanzania.

Company CEO – W. David Lyons

Forecast	2009A	2010F	2011F
Gas (Ind) - mmcf/d	5.7	9.2	10.2
Gas (Pwr) - mmcf/d	22.8	27.0	27.6
Total - mmcf/d	28.6	36.3	37.9
Total - boe/d	4,759	6,046	6,310
Cash Flow - \$mm	12.7	24.2	30.0
CFPS - diluted	\$0.47	\$0.83	\$1.02
Cap. Ex. - \$mm	9.5	7.0	7.0
Net Debt (cash) - \$mm	(16.8)	(32.1)	(54.4)

Price Performance



Source: Haywood Securities & Capital IQ

Please see rating structure, important disclosures, risk profile parameters,

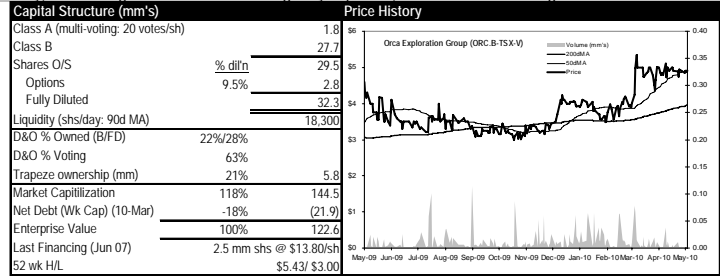


Orca Exploration Group Inc. TSX-V:ORC.B Price **\$4.90** Rating: **Sector Outperform**
Dividend: \$0.00 Yield: **0.0%** Implied All-in Return: **43%** Target: **\$7.00**

Alpha: While delays in gas plant expansion have pushed out the timing for expected material cash flow increases to 2010, the drilling of SS10 and resultant increase in production capability has enhanced the reserve and backstops the company's expanding marketing efforts. This is a value story, that while growth is slower than originally expected, is nevertheless moving forward.

Investment Highlights

- Orca is in a position to contract all its existing, material natural gas reserves through 2009 and generate a steady cash-flow stream that would continue through 2026. The expected annual cash flow would require minimal capital commitment, therefore putting the Company in the position of potentially paying an annual dividend.
- The company has experienced delays with respect to the timing of facility capacity expansion, partially due to regulatory issues and the timing of such filings. Unfortunately the company relies on Songas, the owner of the facility (which is also funding the expansion costs) and its schedule which does not always align with the timing of Orca. The first stage of the planned facility expansion, the installation of new Joule Thomson valves, was completed at the beginning of 2009 and has resulted in the plant capacity increasing to 90 mmcf/day from 70 mmcf/day. All of the increment, once marketed, would accrue to Orca's account as Additional Gas.
- The company has received a resource report for Songo Songo West (McDaniel) which estimated a mean, unrisks recoverable resource of 552 bcf. The chance of success was estimated at approximately one in two. This prospect is likely to be drilled post 2010, and with success could double the company's reserves. The well is likely to be able to be funded from accumulated cash flow if drilled after 2010.
- Orca has commenced construction of a CNG (compressed natural gas) facilities in Dar es Salaam that is expected to result in an incremental 15.0 mmcf/day of Additional Gas sales over the next several years.



Financial (US\$m/m's)	2008A	2009F	2010F	2011F	% Chg '11/'10
Revenue	23.8	25.3	32.3	37.9	28%
Cash Flow	9.8	12.7	24.2	30.0	91%
CFPS Basic (USD\$)	\$0.33	\$0.43	\$0.82	\$1.02	91%
CFPS Basic (CDNS)	\$0.35	\$0.49	\$0.83	\$1.02	70%
CFPS Diluted (CDNS)	\$0.35	\$0.47	\$0.83	\$1.02	77%
Consensus (USD\$)			\$0.71	\$0.93	n/a
Earnings (loss)	(9.5)	3.3	10.9	14.4	227%
EPS Basic (USD\$)	(\$0.32)	\$0.11	\$0.37	\$0.49	234%
EPS Basic (CDNS)	(\$0.34)	\$0.13	\$0.37	\$0.49	187%
EPS Diluted (CDNS)	(\$0.34)	\$0.13	\$0.37	\$0.49	187%
Consensus (USD\$)			\$0.32	\$0.48	n/a
Capital Expenditures - E&D	7.7	9.5	7.0	7.0	-26%
Reinvestment Ratio	0.8x	0.7x	0.3x	0.2x	-61%
Capital Expenditures - incl. acq.	7.7	9.5	7.0	7.0	-26%
Net Debt (Working Capital)	(3.2)	(16.8)	(32.1)	(54.4)	n/a
Net Debt/CF	n/m	n/m	n/m	n/m	n/a

Undeveloped Land (net acres)	2007A	2008A	% Chg '08/'07	Cur Est	% of Total
Songo Songo, Tanzania	0	0		0	n/a

Does not include Songo Songo developed land. Orca has relinquished all its undeveloped land in Tanzania.

Netbacks (US\$/boe)	2008A	2009F	2010F	2011F	% Chg '11/'10
Revenue	\$16.48	\$14.58	\$16.72	\$18.83	15%
Operating Costs	\$1.02	\$1.62	\$0.82	\$0.79	-49%
Net Operating Revenue	\$15.46	\$12.96	\$15.90	\$18.05	23%
Cash Flow	\$6.76	\$7.30	\$10.98	\$13.02	50%
D&D	\$3.78	\$2.33	\$2.50	\$2.62	7%
Earnings	(\$6.60)	\$1.91	\$4.92	\$6.26	158%

Production	2008A	2009F	2010F	2011F	% Chg '11/'10
Gas - Industrial (mcf/d)	4,030	5,742	9,225	10,225	11%
Gas - Power (mcf/d)	19,631	22,811	27,049	27,635	2%
Total (mcf/d)	23,661	28,553	36,274	37,860	4%
Total (boe/d)	3,944	4,759	6,046	6,310	4%

Cash Flow Sensitivity	CFPS 2010F	CFPS 2011F	% Chg CFPS 2010F	% Chg CFPS 2011F
Industrial Price (\$0.25/mcf)	\$0.015	\$0.020	1.8%	2.0%
Power Price (\$0.25/mcf)	\$0.017	\$0.016	2.0%	1.6%
Addnl Gas - Ind. (1.0 mmcf/d)	\$0.085	\$0.000	10.3%	0.0%
Addnl Gas - Pow. (1.0 mmcf/d)	\$0.021	\$0.000	2.5%	0.0%

Reserves (bcf)	2007A	2008A	2009A	% Chg '09/'08	R/LI - 2009
Independent Engineers:	McDaniel	McDaniel	McDaniel		
Proved Producing	247.6	253.5	300.7	19%	
Proved Non-Prod & PUDS	60.9	135.9	84.2	-38%	
Total Proved	308.6	389.4	384.9	-1%	36.9
Probable	165.0	102.0	105.3	3%	10.1
2P	473.6	491.4	490.2	0%	47.0
3P (includes Possible)	780.7	832.1	338.6	-59%	32.5
2P (6.1, mmboe)	78.9	81.9	81.7	0%	

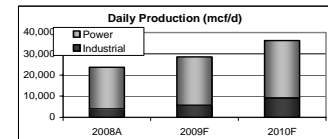
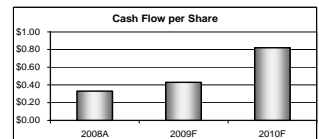
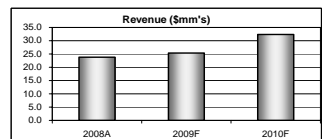
Valuation Parameters	2008A	2009F	2010F	2011F	% Chg '11/'10
Price/CF (in CDS)	14.0x	10.4x	5.9x	4.8x	-18%
Target Price/CF (in CDS)	20.0x	14.9x	8.4x	6.9x	-18%
DACF			4.7x	3.0x	-35%
Target DACF			7.3x	5.1x	-29%
EV/boe/d	\$31,100	\$25,772	\$20,286	\$19,436	-4%
Target EV/boe/d	\$46,806	\$38,787	\$30,531	\$29,252	-4%
Prod (boe)/mm shs	133.7	161.3	205.0	213.9	4%
2P boe Reserves/sh	2.8	2.8			
Recycle Ratio (2P)	8.8x	3.8x			

Songo Songo West - Resource Est (McDaniel)	P90 (Bcf)	P50 (Bcf)	Mean (Bcf)	P10 (Bcf)
Unrisks	178.6	449.8	551.6	1,145.6
Risks			280.6	
Chance of success (based on risk/unrisks volume)			52%	

Reserve Metrics	2008A	2009A	2010A	Resource Estimate for Songo Songo
PUD/Proved	20%	35%	22%	
Proved/2P	65%	79%	79%	McDaniel's
Res. Repl. Cost (2P)	\$4.86	\$1.76	\$3.44	
3-year average	\$1.68	\$2.10	\$3.93	
Res. Repl. Cost (incl. FDC, 2P)	n/a	n/a	n/a	
3-year average	n/a	n/a	n/a	
Times Prod. Replaced (2P)	8.6x	3.1x	0.9x	

Assumptions	2008A	2009A	2010F	2011F	% Chg '11/'10
WTI (US\$/bbl)	\$99.75	\$62.09	\$76.00	\$78.00	3%
FX (US/CD)	\$0.94	\$0.88	\$0.94	\$0.95	1%

Management	Directors
W. David Lyons - CEO	W. David Lyons, Chairman
Nigel A. Friend - Vice President, CFO	Peter R. Clutterbuck - Deputy Chairman
James Smith - VP Exploration	Nigel A. Friend
Pierre Raillard - VP Operations (Tanzania)	John Patterson
David W. Ross - Corporate Secretary	Pierre Raillard
	James N. Smith
	David W. Ross
	Robert Wigley (nominee)
	Michael Howard (nominee)



Consensus	Potential Upside
Average Target	\$5.89
No. Analysts	20%
Sector Outperform	3
Sector Perform	0
Sector Underperform	0
Total	3

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 Co. Operating Office: 255-22-2138737 (Tanzania) Robert Iverach, rverach@haywood.com, 403-509-1966

Source: Haywood Securities & Bloomberg





Investment Thesis

Orca presents a unique opportunity to invest in a small cap international junior that has 0.83 tcf of 3P reserves to its interest. The Company has been diligently and steadily adding to its customer base over the past several years resulting in an increase in expected future sales volumes. The two-step expansion of the gas plant capacity (first step completed in early 2009) will allow the Company to accelerate the marketing of its booked reserves, which at the end of 2009 posted a reserve life index of 47 years on a 2P basis and 79 years on a 3P basis. While increases have been slower than originally expected, the recent expansion of the gas plant, increases in installed gas powered electrical generation and construction of CNG facilities will aid in the expansion of production capability, and hence sales, over the next several years.

Q1 Results on Track With Expectations

CFPS was \$0.15 (diluted \$0.14) in Q1/10, unchanged from the previous quarter and triple last year's amount. Average gas prices have remained consistent over the past four quarters, averaging \$3.60 per mcf in Q1/10. Industrial sales prices are indirectly related to the price of oil and have remained strong, especially over the past three quarters.

Average production of 34.9 mmcf/day in the quarter was a new high for the Company, representing a slight 3% increase over the previous quarter and 63% YoY. The startup of a new 45 MW gas generating power facility in the last half of 2009 was the main driver of increasing power related natural gas sales, which averaged 29.5 mmcf/day in the quarter, up 69% from last year.

First quarter production and cash flow both met our expectations. We have not revised our forecast for the year. The Company has provided cash flow guidance, expecting 2010 cash flow of \$25MM to \$30MM. Our expectations of \$24.2MM is at the low end of this estimate.

Q1/10 capital expenditures were only \$0.2MM, down from \$1.9MM last year. Just over one-half the current quarter's expenditure related to preparing the Songo Songo gas plant to tie in the SS 10 well. 2009 capital expenditures were dominated by \$1.6MMmillion related to infrastructure investment associated with delivering gas to the Wazo Hill cement plant and CNG distribution facilities at Ubungo.

At the end of March 2010 Orca had a working capital balance of \$20.9MM, up 24% from year-end and 128% from last year. Cash totalled \$15.5MM, up from \$14.5MM at year-end.





Orca Exploration - Quarterly Summary (US\$000's, except per share amounts that are US\$/share)						ORC.B - TSXV	
	Q1/09	Q2/09	Q3/09	Q4/09	Q1/10	% Chg vs. Q1/09	
Oil and Gas Revenue	4,443	5,501	7,536	7,837	8,259	85.9%	
Cash Flow	1,467	2,514	4,267	4,446	4,362	197.3%	
% Chg - Prev Qtr	-25%	71%	70%	4%	-2%		
% Chg - Prev Yr	-39%	55%	13%	126%	197%		
CFPS Basic	\$ 0.05	\$ 0.09	\$ 0.14	\$ 0.15	\$ 0.15	200.0%	
Diluted	\$ 0.05	\$ 0.08	\$ 0.14	\$ 0.15	\$ 0.14	180.0%	
% Chg Dil'd - Prev Qtr	-17%	60%	75%	4%	-3%		
% Chg Dil'd - Prev Yr	-38%	60%	17%	142%	180%		
Net Earnings (Loss)	-168	379	1,569	1,564	1,940	n/a	
EPS Basic	\$ (0.01)	\$ 0.01	\$ 0.05	\$ 0.05	\$ 0.07	n/a	
Diluted	\$ (0.01)	\$ 0.01	\$ 0.05	\$ 0.05	\$ 0.06	n/a	
% Chg - Prev Qtr	n/a	n/a	400%	0%	18%		
% Chg - Prev Yr	n/a	n/a	67%	n.m.	n.m.		
Capital Expenditures	1,891	1,729	1,993	-327	234	-87.6%	
Net Debt (Working Capital)	(9,154)	(9,939)	(12,147)	(16,835)	(20,891)	128.2%	
Net Debt/Cash Flow (Annualized)	n/a	n/a	n/a	n/a	n/a		
Production							
Natural Gas - mmcf/day							
Industrial	4.0	6.7	6.3	5.9	5.4	34.7%	
Power	17.4	18.6	27.1	27.9	29.5	69.2%	
	21.4	25.3	33.4	33.8	34.9	62.7%	
Total - boe/day	3,574	4,223	5,569	5,638	5,817	62.7%	
% Gas	100%	100%	100%	100%	100%		
Q/Q % Change	-22%	18%	32%	1%	3%		
% Industrial	19%	27%	19%	17%	15%		
% Power	81%	73%	81%	83%	85%		
Commodity Prices - net of hedges							
Gas (US\$/mcf)							
Industrial	\$ 7.91	\$ 7.02	\$ 9.01	\$ 9.51	\$ 9.32	17.8%	
Power	\$ 2.39	\$ 2.36	\$ 2.41	\$ 2.42	\$ 2.56	7.1%	
Weighted Average	\$ 3.42	\$ 3.60	\$ 3.66	\$ 3.66	\$ 3.60	5.4%	
% Chg - Prev Qtr	-4%	5%	2%	0%	-1%		
% Chg - Prev Yr	1%	-35%	-14%	3%	5%		

Source: Orca Exploration Group and Haywood Securities

Future Plans and Catalysts

2010 and 2011 will be important years for Orca, setting the Company up for future growth thereafter. There has been little change in the Company's plans from just over a month ago when year-end information was released. **The Company has reiterated its objective to acquire two new high potential oil prospects that can be drilled within two years of being acquired.** Below, we have summarized the upcoming plans and catalysts for ease of reference.

- **Expected demand increases of 4.0 mmcf/day in Q2/10** from Tanzania Portland Cement Company for its Wazo Hill cement plant in Q2/10 on restarting Kiln 2 after a refurbishment; **plus an additional 2.0 mmcf/day in 2012 on the restart of Kiln 3.**
- **TANESCO is planning to add 100 MWs of power generation in 2011, taking the total in country amount to 289 MWs, which will increase natural gas demand by 20 mmcf/day, all of which would be Additional Gas.**
- **In January 2010, Orca signed a Production Sharing Contract with respect to an exploration licence in a yet to be named location.** The exploration licence must first be ratified by the





energy ministry before work can commence on the block, after which the Company will announce the details. After ratification the Company will have related work commitments on the block. We view this event as very positive, especially given the Company's previously stated objective to:

- add significant, high potential exploration prospects to its inventory;
 - that are preferably oil targets; (be oil targets? – doesn't make sense with preceding sentence?)
 - be located in a proven hydrocarbon basin, more specifically in either Africa, the Middle East or southern Europe;
 - be drilled within two years of entry.
- **Expand the throughput capacity of the Songo Songo gas processing plant to 105 mmcf/day from 90 mmcf/day, possibly by early 2011.** Songas will likely allow this rerating to be undertaken in early 2011 assuming approval for a larger expansion (below) is received within the timelines noted. The capacity was increased in Q1/09 to 90 mmcf/day from 70 mmcf/day. In 2009 the gas plant peak was 85 mmcf/day. Pursuant to the contract obligations Orca is obliged to provide up to 45 mmcf/day of Protected Gas, to be utilized primarily for power generation. To the extent Protected Gas is not utilized in a particular year to the maximum, the reserves are shifted to Additional Gas and Orca. In 2009 Protected Gas consumed was 35.7 mmcf/day, also the highest year for Protected Gas, meaning the difference of 3.4 bcf is transferred to the Associated Gas account.
- **Expand the throughput capacity of the processing plant to 144 mmcf/day, potentially by the end of 2012.** This is a large project which would require Songas to finance the addition of two new gas trains at the facility, plus additional pipeline compression. Songas is currently contemplating receiving approval from EWURA (the energy regulator) and securing the necessary financing by Q1/11 which could be operational by the end of 2012. **Twinning the onshore pipeline could ultimately expand the potential to 200 mmcf/day which may be required by 2015 or 2016 given current estimates.** The six existing Songo Songo wells are capable of producing 217 mmcf/day which equates to 172 mmcf/day of Additional Gas to Orca's account.
- **Songo Songo West exploration prospect could be drilled in H2/11.** Orca is contemplating the contracting of a drilling rig in concert with another operator in the area thus reducing each company's exposure to high mobilization and demobilization costs. This exploration prospect is viewed as a geological look alike to Songo Songo with a best case estimated gas initially in place of 724 bcf, which is 46% of the size of Songo Songo. McDaniel, in its assessment of recoverable resource, assumed a 50% chance of success for this exploration well.

Orca - Songo Songo West Prospective Recoverable Resource (bcf)				
Zone		Neocom.	Cenoman.	Total
Unrisked				
Low	P90	170.1	8.5	178.6
Best	P50	418.1	31.7	449.8
High	P10	1,027.9	117.7	1,145.6
Mean				
Unrisked		505.2	46.4	551.6
Risked		264.4	16.2	280.6
	Implied COS	52%	35%	51%

Independent Engineers: McDaniel. Released 08-09-30

Source: Orca and Haywood Securities





Valuation

Our target price of \$7.00 reflects a price to diluted 2011F CFPS ratio of 6.9x (basic 6.9x). This premium multiple is supported by the extensive reserves that allow the Company the opportunity to materially increase production as markets develop, and maintain production at these peak levels until 2026.





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I, Alan Knowles, hereby certify that the views expressed in this report (which includes the rating assigned to the issuer’s shares as well as the analytical substance and tone of the report) accurately reflect my/our personal views about the subject securities and the issuer. No part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendations.

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Of the companies included in the report the following Important Disclosures apply:

- The Analyst(s) preparing this report (or a member of the Analysts’ households) have a financial interest in Orca Exploration Group Inc. (ORC.B-V).
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Other material conflict of interest of the research analyst of which the research analyst or member knows or has reason to know at the time of publication or at the time of public appearance:

- n/a

Rating Structure

Each company within analyst’s universe, or group of companies covered, is assigned a rating to represent how the analyst feels the stock will perform in comparison with the other companies, in that specific sector, over the upcoming 12 month period.

SECTOR OUTPERFORM – Haywood’s top rating category. The analyst believes that the security will outperform its sector. Furthermore, the shares are forecast to provide attractive returns measured against alternative investments when considering risk profiles. The rating carries a minimum total return threshold of 15% for equities and 12% for trusts. The rating applies to companies that have tangible underlying assets that give a measure of support to the market valuation. The rating category considers both the absolute and relative values in assigning the highest rating on the security.

SECTOR PERFORM – The analyst believes that the security will trade with tight correlation to its underlying sector. Furthermore, the target price (together with any anticipated distributions) is at or above the market price, and forecast risk-adjusted returns are attractive relative to alternative investments.

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Risk Profile Parameters

SPECULATIVE: – Investment for risk accounts only. Companies within this category carry greater financial and/or execution risk. All junior/venture companies that carry great financial and/or liquidity risk will be tagged “SPECULATIVE”. A stock indicating a SPECULATIVE risk is determined from sector specific criteria outlined below listed below.

Risk Profile Parameters – Oil and Gas Sector

Forecast Risk: *High* – Haywood forecasts are below guidance. The Company has a history of missing targets and/or Haywood expects guidance to be lowered. Limited hedging increases commodity risk beyond peers. To raise expectations requires higher commodity prices or production that is ahead of guidance. *Moderate* – Haywood forecasts are generally in line with guidance. The Company has a history of meeting or exceeding guidance. Forecasts are consistent with current commodity pricing and production guidance. Hedging practices are in line with peers. *Low* – Haywood forecasts exceed guidance. The Company has a history of meeting or exceeding guidance. Forecasts allow for modestly lower commodity pricing or production levels. Commodity hedging lowers volatility relative to peers.

Financial Risk: *High* – The capital expenditure program in the current year or the next year of the forecast is not fully funded but requires additional debt and/or equity financing. This categorization does not necessarily predict whether the additional funds will be raised. *Moderate* – The capital expenditure program in the current year or the next year is fully funded with cash flow and limited debt. *Low* – The capital expenditure program in the current year or the next year is fully funded with cash flow and no new debt.

Political Risk: *High* – Properties are located in an area with limited petroleum industry activity or infrastructure. An environment unfriendly to the industry makes obtaining permits to drill or produce hydrocarbons challenging. Significant government or local opposition exists. *Moderate* – Properties are located in an area with minimal petroleum industry activity or infrastructure. An environment friendly to the industry makes obtaining permits relatively straightforward. All levels of government are considered indifferent to hydrocarbon activity. *Low* – Properties are located in an area with established petroleum exploration and development activity. Oil and gas Production Sharing Agreements or Exploration Permits are in hand. Government at all levels supports the sector.

Valuation Risk: *High* – The current valuation is at the high end of historic levels and/or at a premium to peers. The valuation reflects continued production growth and/or continuing strong commodity prices or further appreciation. Where applicable, the market capitalization exceeds the NAV by more than 30%. *Moderate* – The current valuation is within historic ranges and generally consistent with peers. The valuation reflects reasonable production growth and/or commodity price appreciation. Where applicable, the market capitalization exceeds the NAV by 15% to 30%. *Low* – The current valuation is at the low end of historic ranges and/or at a discount to peer valuations. The valuation reflects limited production growth and/or no commodity price appreciation. Where applicable, the market capitalization exceeds the NAV by less than 15% or falls below the capitalization.

Distribution of Ratings (as of June 1, 2010)

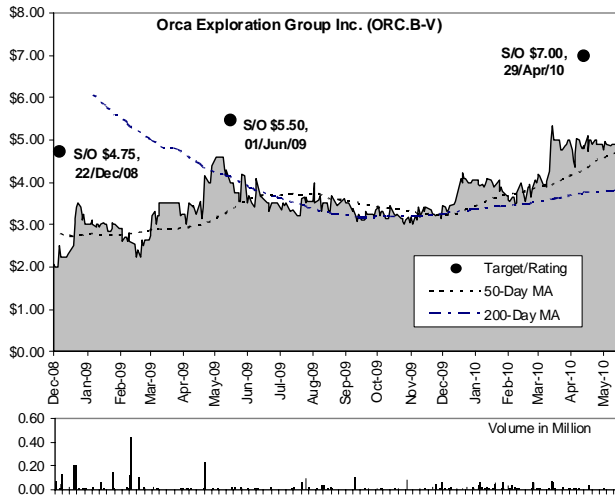
Haywood's current rating structure (outlined above) does not correlate to the 3-tiered BUY, HOLD, SELL structure required by the FINRA. Our ratings of Sector Outperform, Sector Perform and Sector Underperform most closely correspond to Buy, Hold/Neutral and Sell respectively however, as described above, our assigned ratings take into account the relevant sector.

	Distribution of Ratings		IB Clients
	%	#	(TTM)
S/O	49.3%	71	78.1%
S/P	3.5%	5	3.1%
S/U	2.1%	3	0.0%
T	0.7%	1	0.0%
UR (S/O)	6.3%	9	6.3%
UR (S/P)	3.5%	5	0.0%
UR (S/U)	0.7%	1	0.0%
dropped (TTM)	34.0%	49	12.5%





Rating and Price Target History (as of June 1, 2010)



S/O: Sector Outperform; S/P: Sector Perform; S/U: Sector Underperform; T: Tender; U/R: Under Review
Source: Haywood Securities Inc. and Capital IQ

