

12 May 2006

Price: 43.5p
Oil & Gas Sector

Taghmen Energy (TAG)

N O R T H

P A C I F I C

O C E A N



*An exposure to oil exploration and production
in Columbia and Guatemala*

A T L A N T I C

O C E A N

Antarctic Peninsula
Weddell Sea

Objective Capital Limited
Token House
11-12 Tokenhouse Yard
London EC2R 7AS
Tel: +44-(0)870-080-2965
Fax: +44-(0)870-116-0839
US toll-free: 1-888-802-7215
editor@objectivecapital.com

Contents

Key Points	3
Overview	4
Valuation	8
Key Risks	10
Taghman Energy	12
Operating Areas	16
Properties	30
Financials	34
Appendix: Management	36
Appendix: Peten Basin	38
Glossary	39

I certify that this report represents my own opinions.

Sam Kiri, *Analyst*
0870 080 2965
sam@objectivecapital.co.uk

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Key Points

As many of the traditional hydrocarbon fields gradually become mature, exploration focus is shifting to new hydrocarbon destinations. Largely under-exploited reserves in the former Soviet Union and Latin/Central American countries have become the cynosure of modern oil and gas exploration endeavours. Taghmen provides exposure to Latin/Central American hydrocarbon reserves.

KEY POINTS

- **Exploration focus is shifting to new hydrocarbon destinations.**

Maturing fields in traditional oil producing regions such as the Persian Gulf and the North Sea have prompted companies to seek alternative destinations for hydrocarbon reserves. As a result, there has been a notable increase in exploration activity amongst the former Soviet Union, Latin/Central America and West Africa regions due to their under-exploited reserves. Much of future oil and gas production is expected to come from these emerging hydrocarbon regions.

- **... and to the development of smaller fields**

With the notable exception of those in the former Soviet Union, new regions however offer relatively smaller fields. Their economics make them distinctly attractive for smaller companies but unattractive for the majors. This has prompted larger companies to focus on production, leaving exploration and development of hydrocarbon reserves with smaller companies. Taghmen characterises these emerging exploration trends in the oil and gas sector.

- **Corporate strategy entails both exploration and production**

What is unique with Taghmen is its intent to be engaged in subsequent production as well. Most exploration companies seek to exit upon the prove-up of their reserves through an asset sale to a larger company. Taghmen's intent to be a "company maker" makes it more selective in licence acquisition. It also offers more comfort regarding the reserve potential of its licence areas.

- **... and is en route to be implemented through an acquisition**

Taghmen is in the process of finalizing the acquisition of Petroleos del Norte S.A. (PDN), a Colombian company that operates three fields close to Taghmen's licence areas. The proposed acquisition would provide Taghmen with a larger exploration reserve base, a pipeline infrastructure and some producing assets. This reiterates Taghmen's commitment to be a producing company rather than a pure exploration play.

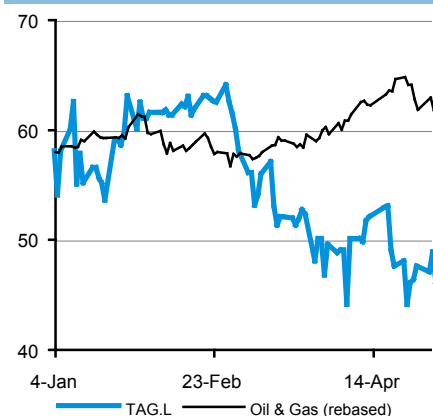
- **High energy prices underpin the profitability of exploration**

Rising demand for energy from fast growing economies such as China and the uncertainty in key oil producing regions are likely to keep world energy prices high. This has reduced the risk profile of exploration projects considerably. Current oil prices make even smaller fields financially viable.

- **Latin/Central American governments are keen to develop their reserves**

As the energy needs of these countries mount, the need to develop their hydrocarbon resources has gained eloquence. Governments are keenly seeking foreign investment and have adopted several policy decisions to attract them to their respective countries. Colombia and Guatemala are no exceptions. Taghmen benefits from these developments.

Price chart – TAG



Our valuation

Entity value:	US\$83.8m
Value per share:	57p

Company details

Quote	
- London AIM	TAG.L
- Berlin	UKF.BE
Hi-Lo last 12-mos. (p)	83.0 - 40.0
Shares issued (m)	82.54
Fully diluted (m)	82.54
Market Cap'n (£m)	37.14
Management ownership (%)	
Stockbroker:	Seymour Pierce www.SeymourPierce.com
Financial PR:	Pelham Public Relations www.PelhamPR.com +44 (0) 20 7743 6670

Website: www.TaghmenEnergy.com

Andy Yeo

Head of Research
andy@objectivecapital.co.uk
0870 080 2965

Analysts:

Sam Kiri, CFA
sam@objectivecapital.co.uk

Overview

Taghmen Energy – A Latin/Central American Oil & Gas Play

Taghmen Energy is an independent energy company engaged in the exploration and development of oil and gas reserves in Guatemala and Colombia. The Company commenced its operations following the acquisition of Mexpetrol's exploration licences and its operations in Guatemala. Subsequent acquisition of further exploration licences in Colombia in 2006 marked its entry to the Colombian oil and gas market as well.

Licence areas are surrounded by producing fields

Taghmen's licence areas in both countries are located in prolific hydrocarbon regions and are surrounded by producing fields. Its total recoverable reserves in its two licence areas in Guatemala (Las Casas and Tortugas) are estimated to be 30 million barrels (mmbbl) oil. Its two licences in Colombia (Midas and La Paloma) have brought further estimated recoverable reserves of 86 mmbbl to Taghmen's fold.

Expects to be engaged in production as well

Taghmen's strategy is to develop its existing assets through a programme of exploration and drilling and then to be engaged in subsequent production as well. The company is also evaluating additional properties with reserve potential in other neighbouring Latin/Central American countries, while developing its core business in Colombia and Guatemala.

... and the management team has a proven track record

Taghmen's intended strategy is in line with the track record of its management. Members of the management team have worked together in many countries and have a history of being engaged in both exploration and subsequent production. Companies they have previously developed from exploration to production include Bitech (Russia), PetroKazakhstan Inc. (Kazakhstan) and Arawak Energy Corporation (Azerbaijan).

Imminent acquisition of PDN will provide scale economies

Taghmen's impending acquisition of PDN will further strengthen its operations in Colombia. PDN owns and operates the Rio Zulia – Ayucucho pipeline (which generated US\$1m tariff income in 2005), has three producing fields (approximately 1,000 barrels per day) and holds three exploration licences. The company has estimated proven and probable reserves of 6.9 mmbbl. PDN's licence areas are also in the same areas as Taghmen's Colombian exploration licences. In addition to operational flexibility, this acquisition is expected to provide scale economies for Taghmen.

Latin and Central American reserves remain under-exploited

Plagued by decades of political unrest, civil strifes and unfriendly regimes baptized with socialistic ideologies has meant that the petroleum reserves of Central and Latin America have remained largely under-exploited. Geological surveys, seismic studies and initial drill results conducted by companies operating in the region have confirmed the availability of reserves to host economic fields. These regions are expected to attract more E&P companies such as Taghmen.

... and rising energy prices make exploration viable

Rising energy prices make such endeavours in emerging hydrocarbon destinations such as Central and Latin America economically viable. Continuing global economic growth led by economies such as China and worsening geopolitics in the key oil producing areas are likely to keep energy prices high. This augurs well for Taghmen, as even smaller oil fields are likely to generate above average returns. From a risk perspective, high energy prices make such investments relatively less risky.

Properties:

Taghmen's licence areas are in the prolific Peten Basin in Guatemala and the Middle Magdalena Valley Basin in Colombia. The Company has already commenced its drill programme in Guatemala and has signed contracts for its licences in Colombia. Taghmen fully owns its two licences in Guatemala and is the majority owner of its licences in Colombia.

Guatemala:

Licence 6-93 (Las Casas and Huapac)

Licence 6-93 contains two areas known as Las Casas and Huapac, with estimated recoverable reserves of 16.5 mmbbl and 3.1 mmbbl respectively. Licences have been granted for a 25-year period. During its drill programme, Taghmen has already developed one well, which has tested oil at an estimated rate of 150 barrels per day.

Licence A7-2005 (Tortugas/Atzam)

Licence A7-2005 is a 25-year contract consisting of a six-year exploration licence convertible to an exploitation licence at Taghmen's option. The licence covers an area of approximately 78,000 acres with estimated recoverable reserves of 5 to 16 mmbbl. It is close to the Rubelsanto field, which in the past was a producing oil field. There have also been producing wells in the licence area itself, which Taghmen intends to rehabilitate. Taghmen is currently awaiting the approval of its environmental study to commence drilling.

Colombia:

Midas Licence

The Midas Licence covers 41,000 hectares and is located in the Middle Magdalena Valley Basin, adjacent to producing fields. Taghmen has a 70% interest in the licence and is the operator. Taghmen's 70% interest represents estimated recoverable reserves of 63 mmbbl to the company. Taghmen is planning to shoot and reprocess US\$1.5 million of 2D seismic in late 2006.

La Paloma Licence

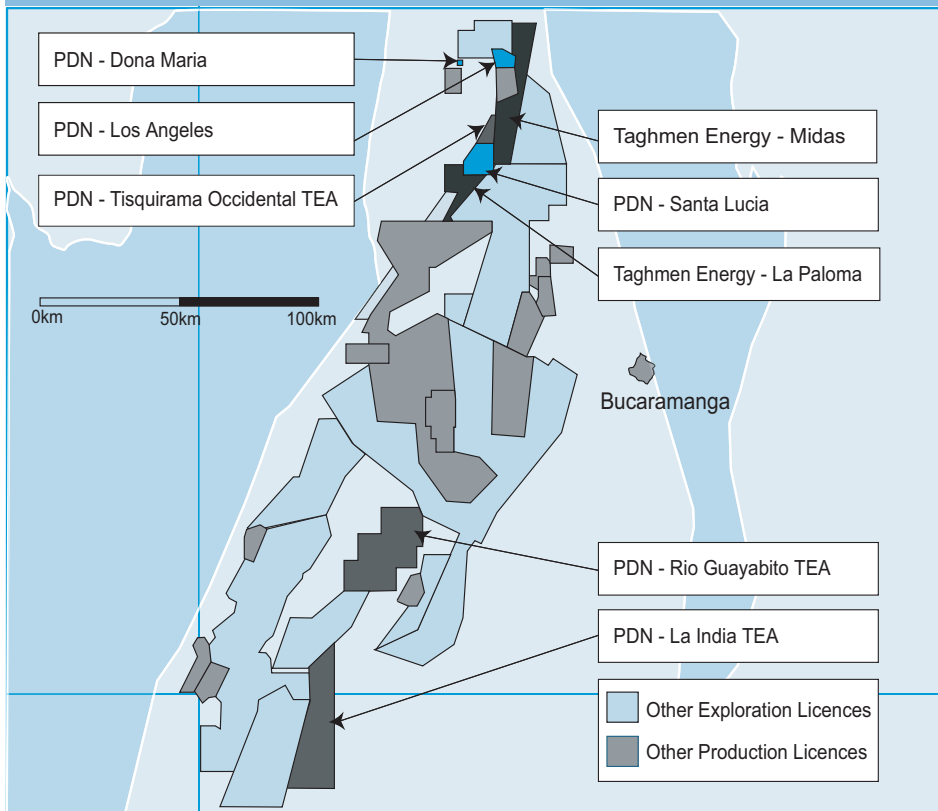
Taghmen holds a 65% interest in the La Paloma licence, which is also in the Middle Magdalena Valley Basin. The La Paloma Licence covers 13,780 hectares with estimated recoverable reserves of 20 mmbbl (13 mmbbl for Taghmen). The initial work programme covers a four-year timeframe with approximately US\$1 million in the first year related to a new 2D seismic shoot and reprocessing of existing data. A well drilled on the area covered by the La Paloma Licence tested oil at the rate of 380 barrels of oil per day.

Both licences were awarded by the Colombian National Hydrocarbons Agency with Taghmen holding the option to relinquish a portion of each licence at the end of each year. These assets are adjacent to the producing assets of PDN.

Guatemalan licences



Colombian licences



Valuation

Emerging hydrocarbon destinations offer considerable opportunity but at the expense of greater risk than more established exploration destinations. Taghmen's intention to be a producer of its exploration properties means that it favours prospects with more certainty and hence more comfort regarding the existence of oil – if not the potential reserve size.

While Taghmen's current portfolio of prospects has limited geological risk there is uncertainty over the size of potential reserves. For investors, the key points of interest are:

- the value of its current prospect portfolio;
- and its ability to successfully access and develop further licences.

For specific prospects the use of Net Present Value (NPV) calculations is well established in the resource sector. However these models don't recognise the option value implicit in most resource projects and are regarded as 'over-discounting' future revenues. Consequently, it is well recognised that most resource projects trade well above their NPVs – particularly the more marginal or long term the project.

We have valued Taghmen's existing resource interests using an option approach to estimate what the production value of its resource would be *if* commercial quantities of oil are discovered and developed¹. We have then adjusted for:

- exploration costs;
- geological risks (i.e., presence of suitable source rock, existence of a reservoir, adequate trap and seal and dynamics) – or simplistically speaking the likelihood of successfully finding oil;
- any dependency within the geological risks of the various prospects;
- expected recoverable reserves;
- and the applicable fiscal regime.

This approach provides a more accurate valuation of Taghmen's exploration resource projects. It explicitly accounts for Taghmen's exposure to exploration risk, and the implicit optionality of volatile energy prices.

For our base case we have assumed that:

- global energy prices trend to more normal levels (in real terms) as risk and demand premiums dissipate over the coming decade;
- the higher levels of opex and capex seen in recent periods continue for the immediate future.

Based on our assumptions we value Taghmen at 57p per share. The recently announced agreement to purchase Petroleos del Norte S.A. marks a step change in the activities of Taghmen. At this stage we have not included any premium (or discount) to the price that will be paid by Taghmen. As further information becomes available on this acquisition we will be reviewing our valuation.

¹ Specifically, we have assumed energy prices are volatile but return to their long run mean eventually, i.e., they are mean-reverting.

Valuation Summary (US\$m)

Prospect portfolio

Las Casas & Huapac	41.7
Tortugas & Atzam	9.6
Midas Licence	25.9
Others	2.4
Total exploration assets	79.6

less: overhead 15.0

Total expected operating value 64.6

Add: Starting Cash 19.2

Total enterprise value 83.8

Less: Bank & Other Debt 0.4

Total value of equity claims 83.4

Less: Alternative Equity Claims
- Warrants + Options 12.5

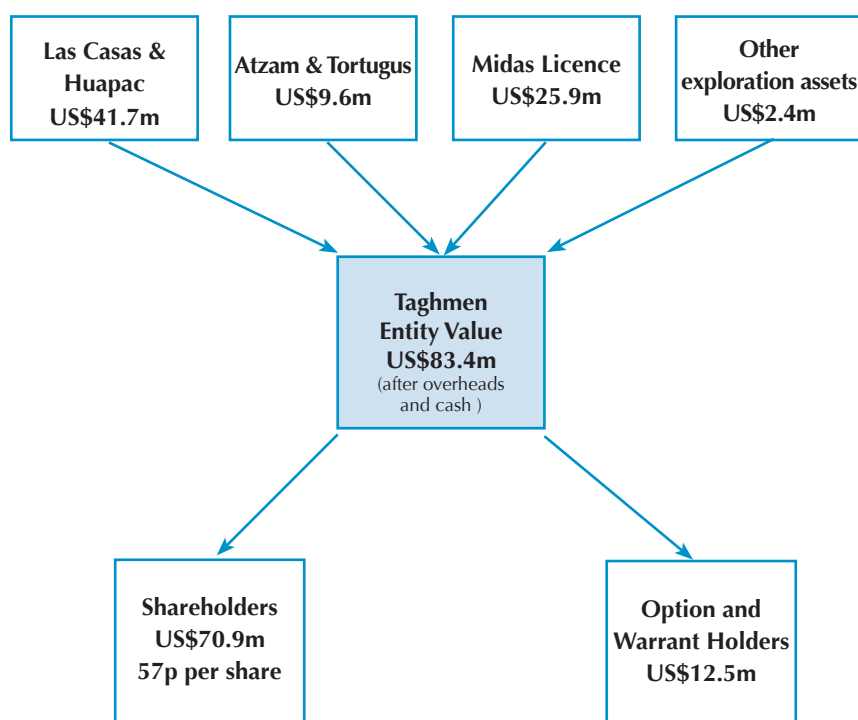
Value Attributable to equity holders 70.9

Outstanding shares (m) 69.2

Value per ordinary shares 1.02

- in £ 0.57

Components of Taghmen's Entity Value



Summary of Taghmen's Prospects

Prospect	Prospective Reserves			Cost Assumptions			Valuation of Prospect				Value to Taghmen			
	Unrisked Reserves (mmbbl)	Risked Reserves (mmbbl)	Geological Risk	Total Exploration Cost (US\$m)	Devlp. Capex (US\$/bbl)	Opex + Marktg (US\$/bbl)	Potent. Value of Res. (US\$m)	US\$ per Unrisked bbl	After Geo. Risks & Expl. (US\$m)	US\$ per risked bbl	Intrinsic Value	Option-ality	TAG Share (US\$m)	US\$ per Unrisked bbl
Guatemala – Licence 6-93														
Licence 6-93														
Las Casas	17	8	50%	0.0	2.00	6	74.3	4.50	37.2	4.50	32.5	4.6	37.2	2.25
Huapac	3	2	50%	2.0	3.50	6	10.6	3.42	4.5	2.93	3.6	0.9	4.5	1.47
9 other prospects	55	8	15%	45.0	2.00	6	98.4	1.79	0.6	0.08	0.0	0.6	0.6	0.01
Licence A7-2005														
Tortugas	1	1	50%	2.0	3.50	6	4.2	4.18	1.3	2.66	1.0	0.3	1.3	1.33
Atzam	5	2	50%	2.0	3.50	6	18.0	3.92	8.2	3.59	6.9	1.3	8.2	1.79
Colombia														
Midas Licence	90	9	10%	15.0	2.00	6	456.4	5.07	37.0	4.11	17.6	8.3	25.9	0.41
La Paloma	20	2	10%	10.0	2.00	6	84.8	4.24	2.7	1.35	0.1	1.6	1.8	0.13
Total	190	32	17%				746.7	3.9	91.6	2.9	61.8	17.8	79.6	0.51

- Notes:**
- Oil prices are assumed to be mean reverting with a (real) long run average of 22.9/bbl with a period of about 8 years
 - See property section for further details. Intrinsic value is analogous to the NPV of the prospect
 - Guatemala share of prospects and costs = 100%, Midas Licence = 70%, La Paloma = 65%; Achieved discount to benchmark oil price = 10%

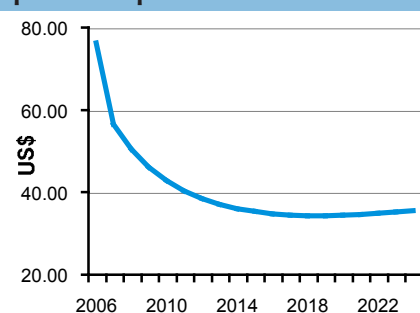
Sensitivity to changes in assumed...

Development Capex cost (US\$/bbl)	-0.5	+0.0	+1.0	+2.0
Value (£/share)	0.59	0.57	0.52	0.48
Opex + Marketing Cost (US\$/bbl)	-0.5	+0.0	+1.0	+2.0
Value (£/share)	0.59	0.57	0.53	0.49
Opex Cost Inflation (%pa)	-1.0%	+0.0%	+1.0%	+2.0%
Value (£/share)	0.59	0.57	0.55	0.53
Achieved Oil Price (Disc. to Spot)	-5.0%	+0.0%	+5.0%	+10.0%
Value (£/share)	0.65	0.57	0.50	0.43
Long run real oil price (US\$/bbl)	-2.0	+0.0	+5.0	+10.0
Value (£/share)	0.52	0.57	0.71	0.84
Time for oil price to revert to mean (years)	-2.0	+0.0	+2.0	+4.0
Value (£/share)	0.39	0.57	0.73	0.85

Oil market assumptions

Oil prices are mean reverting
 Long run level (1900 - now) US\$22.92 /bbl
 Avg time to revert 8 years
 Volatility 23%
 Inflationary price growth 2%

Expected oil prices



Key Risks

Taghmen's projects are still at the development and exploration stage and much depends upon the reserve potential of its properties and their drilling success. Having emerged from long drawn out civil conflicts, both Colombia and Guatemala have their own nuances related to business and political environments, which may also have an impact on Taghmen's future operations.

Political, Regulatory and Legal

Political Instability: Taghmen's interests could be adversely affected by social, economic or political instability, changes in laws governing foreign ownership and profit repatriation. While the government appears to be committed to market friendly policies, yielding to minority socialistic parties is not uncommon in Central and Central & Latin America. However, respective leaderships in Guatemala and Colombia have recognized the role foreign companies can play in developing their hydrocarbon resources and have continued to support foreign investment.

Social Unrest & Trade Union Activity: Despite the end of their respective civil wars, remnants of discord and social resentment continue in both Colombia and Guatemala. In Guatemala, they manifest in the form of strikes, protests and distrust towards the government and foreign companies operating in the country. In Colombia, social unrest manifests more as violence than as civil unrest, causing disruptions to civilian life and regular mini battles in metropolis. In addition, strong trade union representation in both countries has, and is likely, to continue to result in wildcat strikes and work stoppages.

Legal Risks: As with many new market economies, Colombia and Guatemala are yet to develop comprehensive legal systems. This may make effective legal redress and enforcement difficult, affecting contract negotiations, conflicts etc. Permits and regulatory consents may be withdrawn or new conditions may be imposed, leading to operational challenges.

Expiry of preferred trade partnerships

Guatemala benefits under the US Caribbean Basin Trade and Partnership Act and the Generalised System of Preferences. Both support the US Guatemalan bi-lateral trade. Such concessions and preferences have a limited timespan. The expiry of trade partnerships could hamper Guatemalan economic growth.

Technical and Operational

Reserve Assumptions and Technical Risk: Taghmen's profitability is a function of its exploration success and reserve potential. While Taghmen is confident of both the Magdalena Basin and the Peten Basin reserve estimates, the company is yet to fully determine the reserve potential under its licence areas. There have been instances in the past of government reserve estimates proving to be wrong leading to considerable losses for foreign oil exploration companies.

Drilling and Operations: In addition to the normal operational issues, there is also the risk of disruption by rebels and insurgents. For instance, in Colombia, oil pipelines have been a popular target for attack, sabotage and oil theft.

Implementation Ability: The ability of the company to successfully market its products depends on the availability of infrastructure including pipeline and storage facilities in its oil exploration sites. Such facilities may prove to be in demand and their allowed usage may be restricted due to differences in crude qualities coming from different fields. Taghmen is expected to face this challenge in Guatemala. In Colombia, Taghmen is likely to face refining capacity constraints. Availability of infrastructure, their capacity utilization and development are beyond the control of the company.

Dependence on Key Personnel: Similar to many junior oil and gas companies engaged in exploration, the success of Taghmen heavily depends on its management team. Continued availability of their services is not necessarily guaranteed and the loss of key personnel could lead to a perceived disruption of operations and exploration progress.

Financial

Ability to Raise Future Financing: While Taghmen has so far been successful in attracting investors and raising equity, its ability to raise future funding would depend on the exploration success, world oil prices, the political stability of operating countries and the availability of more attractive investment opportunities in oil and gas exploration pursuits elsewhere in the world.

Competition

Competition: Both Colombian and Guatemalan governments may continue to invite other oil and gas companies to operate and may allow them to bid for future E&P licences. In fact, both governments are keen to develop their petroleum reserves jointly with foreign companies. However, the presence of many foreign investors developing petroleum resources may lead to increased competition for factors of production causing higher operating expenses and higher wages, leading to lower earnings.

Environmental

Environmental Regulations: Guatemala has attracted environmentalists' interest due to its rich flora and fauna, and no love is lost between them and the petroleum exploration companies. Protests are common against all exploration activities. The government has generally allowed exploration activities, as it is keen to develop its oil reserves. However, it has yielded to pressure in the past and in some cases has prohibited further oil exploration in some areas (e.g. Protests by Tropicó Verde and other NGOs in 2000). Though less vociferous, Colombian environmentalists are also seeking tough legislation to be introduced.

Taghmen Energy is an independent energy company engaged in the exploration and development of oil and gas in Guatemala and Colombia. It differs from the other junior oil and gas companies in that it intends to undertake both development and production, thus indicating a stronger commitment to its prospects and operational regions.

The Company was formed in July 2004 and its subsequent US\$21.3 million private placement to fund the Mexpetrol acquisition effectively marked the commencement of its operations. This acquisition brought Mexpetrol's exploration licences and its operations in Guatemala under Taghmen's control. Taghmen was subsequently listed on AIM in London in January 2005.

In February 2006, Taghmen received another two exploration licences covering two blocks in Colombia. Both licences are in the Middle Magdalena Valley Basin, adjacent to producing fields. Taghmen is the operator of the first licence, known as "Midas" and holds a 70% interest. Under the terms of its second licence, Taghmen will ultimately acquire a 65% interest in the licence but will not be the operator.

Taghmen's strategy is to develop its existing assets through a programme of exploration and drilling by utilising the latest technology. The company is also seeking to acquire additional properties with reserve potential in other neighbouring Central & Latin American countries.

Licences

Guatemala

Taghmen currently holds two exploration and production licences issued on a Production Sharing Agreement (PSA) plus royalty basis. The PSA specifies the government's share of Taghmen's production, which increases as the actual output of hydrocarbons produced increases. The royalty payment is dependent upon the 'specific gravity of the crude' produced (API) and has been established at a base rate of 20% at a base API of 30 degrees. The royalty payment would be adjusted by 1% up or down from the base royalty rate for each API degree higher or lower from the base API, subject to a minimum royalty of 5%.

Licence 6-93 (Las Casas and Huapac)

Licence 6-93 contains two areas in which hydrocarbons have been discovered, known as Las Casas and Huapac. In addition to these, nine other leads have been identified within the same concession. Potential reserves estimated at Las Casas and Huapac are 26.3 million barrels (mmbbl) and 3.1 mmbbl respectively. Taghmen also estimates the other nine leads to have potential unrisks reserves of 55 mmbbl. The licence area has easy access as well as other necessary infrastructure facilities.

Taghmen licence areas in Guatemala



Licence A7-2005 (Tortugas/Atzam)

Licence A7-2005 (Tortugas/Atzam) is an exploration contract located in the north-western corner of the department of Alta Vera Paz, Guatemala. The area is approximately 20km west of the Rubelsanto field discovered by Hispanoil in the early 1970's in which over 30 mmbbl have been recovered. Both Tortugas and Aztam have road and air access. The licence is for a period of 25 years from its award date (14th September 2005).

Colombia

Taghmen's two exploration and production licences in Colombia cover two separate blocks located in the Middle Magdalena Valley Basin. These licences were awarded by the Colombian National Hydrocarbon Agency (ANH), which oversees the country's hydrocarbon development investments.

Midas Licence

The Midas Licence covers 41,000 hectares with estimated recoverable reserves of 90 mmbbl. Taghmen's 70% interest brings 63 mmbbl of recoverable reserves to the company. Taghmen expects to be the operator of this licence. The company is planning to shoot and reprocess US\$1.5 million of seismic in late 2006.

La Paloma

This second licence covers 13,780 hectares with estimated recoverable reserves of 20 mmbbl. Taghmen's 65% interest brings 13 mmbbls of recoverable reserves to the company. Taghmen however will not be the operator of this licence. The initial work programme covers a four-year timeframe with approximately US\$1 million to be borne by Taghmen in the first year related to a new 2D seismic shoot, together with the reprocessing of existing data. Following the initial programme the Company can choose to proceed with further work or to relinquish a portion of the licence at the end of each year.

Summary of prospective reserves

	Interest	Gross mmbbl	Net mmbbl
Guatemala			
Licence 6-93 (Las Casas/Huapac)	100%	19.6	19.6
Licence 7-2005 (Tortugas/Atzam)	100%	5 - 16	5 - 16
Colombia			
Midas	70%	90.0	63.0
La Paloma	65%	20.0	13.0

Source: Taghmen Energy

Corporate Strategy

Taghmen's long term strategy is to identify oil and gas exploration and development projects within Central & Latin America that fit its technical and economic criteria. Once delineated and developed, the company plans to be engaged in production as well. Taghmen plans to build its core business in Guatemala and seek out other opportunities elsewhere in the region. The company has already started its drill programme in Guatemala.

Taghmen's corporate strategy is distinctly different to other junior oil and gas companies engaged in exploration and development. The latter's business model entails exploration and development of prospects to drill-ready stage and then selling them potentially at a premium to a larger company for subsequent production. Taghmen meanwhile intends to undertake both development and production, thus indicating its stronger commitment to its prospects and operational regions. However, its strategy resonates well with the management's track record.

In addition to its own licences and related development endeavours, Taghmen intends to expand its activities through farm-in programmes. This involves undertaking the development of other licences together with the original licence holders in return for a working interest in the developed prospect. Taghmen would act as the farminee in such arrangements. Its immediate regional diversification is likely to be through farm-ins.

Taghmen is expected to use its presence in Guatemala to expand its exploration pursuits to other Central & Latin American countries as well. Its recent entry to Colombia as well as attempted but now postponed entry to Belize confirms Taghmen's commitment to the region. The company is on the look out for new projects in Central & Latin America with particular focus on Argentina, Colombia, Ecuador and Peru. Taghmen intends to make operations in each country self-funding.

Management Record

Taghmen's management team has previously worked together and has extensive international oil and gas experience in a number of projects within both developing and developed countries including Russia, Egypt, Kazakhstan, Canada, Azerbaijan and the UK. They have been involved not only in exploration but also in subsequent production and operations. Companies the senior management has collectively or individually developed include Bitech (Russia), PetroKazakhstan Inc. (Kazakhstan) and Arawak Energy Corporation (Azerbaijan).

Nicholas Gay and Jay Scott worked together in Russia at Bitech. After Bitech's acquisition of Vanguard Oil Corporation, together with Geoffrey Killick and Kevin Dean, they discovered and developed the Rabeh East oil field in Egypt. This field was estimated to have proven and probable reserves in excess of 20 million barrels of recoverable oil. Separately, Nicholas Gay was a key player in the development and success of PetroKazakhstan Inc (formerly Hurricane Hydrocarbons Limited in Kazakhstan). Jay Scott was the Chief Operating Officer of Arawak Energy Corporation, a Canadian publicly listed company, in Azerbaijan and was instrumental in the development of that company. Kevin Dean, the Chief geologist has worked as an independent consultant in Azerbaijan and India and has extensive experience in the region. He is also a former employee of Bitech Petroleum and was involved in exploration projects in Russia and Egypt.

We consider the past experience of the management team in working together in considerably challenging environments to be a key factor that will determine the success of Taghmen. Their plan to be engaged in both exploration and subsequent production also offers much comfort. The management team has been successful "company makers" and their performance in steering Taghmen has so far been impressive.

TAG Warrants & options

Warrants

Expiry	Exercise Price (US\$)	Number	Comments
31-Mar-07	0.10	4,000,000	In-the-Money
31-Mar-07	0.96	213,123	Out-of-the-Money
31-Mar-07	0.90	28,106,355	Out-of-the-Money
		32,319,478	

Options

Expiry	Exercise Price (US\$)	Number	Comments
Jan-12	1.30	1,755,000	Out-of-the-Money
		1,755,000	

Operating Areas

Overview

The fortunes of Taghmen are largely a function of its operating environments in Guatemala and Colombia in general and their respective oil and gas market characteristics in particular. These are emerging hydrocarbon regions, remain largely under-explored and have limited data related to their reserve potential. Both countries have regimes keen to develop their petroleum reserves. Both countries are marching towards economic reforms and have clearly embraced free market economic policies. Despite socio-political nuances, which are likely to dissipate over time, both Guatemala and Colombia are fast emerging as investment destinations.

Guatemala



Guatemala: Background

Guatemala is the only oil producing country in Central America. A 36-year long civil war prevented the development of its petroleum reserves and it is widely believed that Guatemalan oil reserves are yet to be fully determined.

Currently, Guatemala imports over 70% of its energy needs (including refined petroleum product imports). Given its economic growth, Guatemalan oil imports are expected to reach 80% over the next two years. The government is keen to reduce its import dependence and the development of its local petroleum reserves is high on its agenda.

Guatemala: The Political Environment

Since the end of the civil war in 1996, Guatemala has made considerable progress in both the political and economic fronts, and now has a credible democratic government. The country holds parliamentary and presidential elections every four years. The stable political environment has helped Guatemala's development efforts as well. At least politics currently appear to be on the back-burner, a stark difference to where it was just a decade ago.

The World Fact Book published by the CIA provides the following analysis of Guatemala:

"The 1996 signing of peace accords, which ended 36 years of civil war, removed a major obstacle to foreign investment, but widespread political violence and corruption scandals continue to dampen investor confidence. The distribution of income remains highly unequal, with perhaps 75% of the population below the poverty line. Other ongoing challenges include increasing government revenues, negotiating further assistance from international donors, upgrading both government and private financial operations, curtailing drug trafficking, and narrowing the trade deficit."

Despite its positive steps towards democracy, some human right abuses and press intimidation still take place in Guatemala. Amnesty International in its 2004 report states the following:

"Human rights abuses in Guatemala reached levels not seen for many years. Those at risk included human rights defenders, legal personnel, journalists and land activists defending the rights of indigenous communities. There was little progress in bringing to justice those responsible for human rights abuses or in eliminating the structures responsible for past and current abuses."

According to the country profile prepared by the UK Foreign and Commonwealth Office, Guatemala is making considerable progress to improve its poor human rights record. The country is a signatory to several international instruments including the International Covenant on Civil and Political Rights and Convention Against Torture and other Cruel, Inhuman or Degrading Treatment or Punishment.

Similar sources and testimonies however indicate that Guatemala is progressing steadily towards a full fledged democracy. After such a long period of civil unrest with many of the disappearances allegedly instigated by the government, it may take some time to completely eliminate human rights abuses and violence. For the time being however, the President Mr. Oscar Berger appears to be fully committed to press freedom, free market economy and democracy, and has helped develop a more conducive business environment for the private sector including foreign companies.

Guatemala: The Economic Environment

According to a study by the World Bank, the Guatemalan economy has made some, albeit modest, economic progress since the mid-1990s. The CIA World Fact Book ranks Guatemala 71st in the world with an estimated GDP of US\$63 billion (PPP). This ranks it well above its Central American neighbours such as Costa Rica (85), El Salvador (91) and Honduras (114).

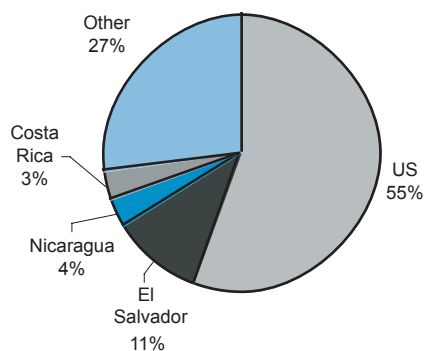
Banco Latinoamericano de Exportaciones, S.A. and the CIA, estimates Guatemala to have a per capita GDP of US\$4,300, which is approximately half that of Brazil, Argentina and Chile. However in Central America, Guatemala is the largest (109,000 sq. km) and the most populous country (15 million). Interestingly, the economy is dominated by the private sector, which accounts for 85% of GDP.

Currently, the US is Guatemala's biggest trading partner accounting for 55% of exports and 33% of imports. Guatemala also benefits under the US Caribbean Basin Trade and Partnership Act and the Generalised System of Preferences. Both support the US Guatemalan bi-lateral trade. Guatemalan trade has been improv-

Guatemala - Key economic data					
	2001	2002	2003	2004	2005E
GDP Growth %	2.3%	2.2%	2.1%	2.7%	3.2%
Nominal GDP (US\$ millions)	20,980	23,268	24,732	26,742	28,908
GDP per Head (US\$)	1,789	1,933	2,003	2,110	2,222
GDP by Sector				100%	
Agriculture				23%	
Industry				19%	
Services				58%	
Inflation rate	9.2%	6.3%	5.6%	9.2%	6.3%
Budget Balance	-1.9%	-0.7%	-2.4%	-1.0%	-1.9%

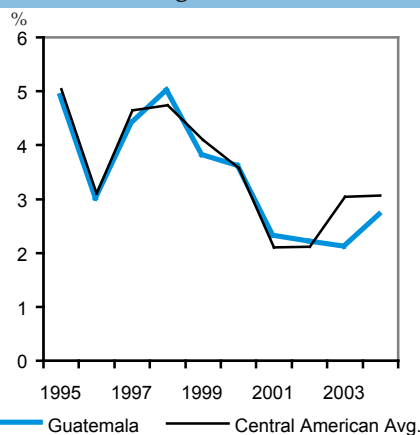
Source: Economic Intelligence Unit, Banco Latinoamericano de Exportaciones, S.A.

Exports by country



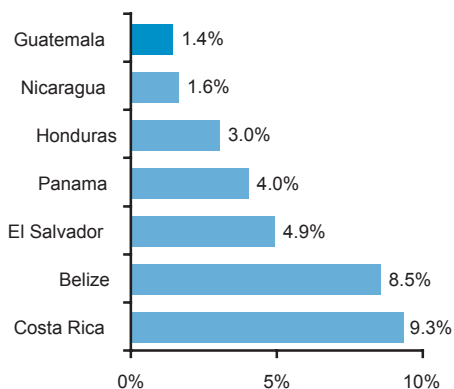
Source: CIA, Banco Latinoamericano de Exportaciones, S.A.

Guatemala GDP growth



Source: Banco Latinoamericano de Exportaciones, S.A.

Internet penetration



Source: ExitExpordator.com

ing and the country now has a more diversified trade basket with a fast developing non-traditional export sector (flowers, vegetables and organic crops).

The strongest indication of Guatemala's emerging investor friendly climate is the continued commitment to lower import tariffs. According to Banco Latinoamericano de Exportaciones, S.A, Guatemalan import tariffs are currently between 0 – 15% and are comparable to other Central American countries. This has helped attract more direct foreign investment into the country.

Despite all the efforts, Guatemalan economic progress so far has been slow. In 2004, GDP growth was 2.7%, compared to its faster growing neighbours such as Costa Rica (5.5%) and Honduras (3.4%). The average GDP growth for Central American countries in 2004 was 3.06%, marking a marginal increase from 3.04% in 2003.

The Guatemalan economy is impeded by high crime rates, illiteracy (largely due to the low level of education) and under-developed capital markets. In addition, the country suffers from poor infrastructure facilities such as transportation, telecommunication and power generation. Education attainment remains extremely low at 4.3 years on average. Currently its literacy rate is 70% and is well below that of other countries in the region.

Relatively unimpressive economic growth has prompted the Guatemalan government to accelerate its reforms. Most notable is its privatisation programme, commenced with the sale of state utilities such as telecommunications and electricity distribution in 1998. The government has indicated its continued commitment to free market economic policies, with more reforms expected in the financial services sector, public finances, taxation etc.

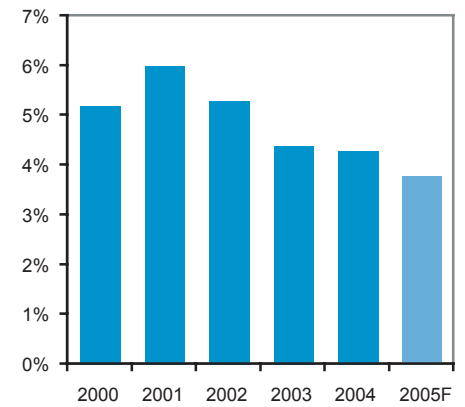
Reforms certainly appear to have had some impact leading to a thriving private sector, apart from some public debt issues. Guatemala's current account imbalance is largely financed by private financial flows through its banking sector. Against this backdrop, the government's enthusiasm to implement financial sector reforms is hardly surprising.

Other measures undertaken by the government include tax hikes, defence spending cuts and lower public debt. Tax hikes have helped reduce the fiscal deficit to 2% of GDP compared to 3.7% in 2003. Defence spending cuts are also expected to help reduce the fiscal deficit in 2005. Its current public debt is approximately 30% of GDP and has remained stable over the last three years. (Source: RaboBank Economic Research Department)

Continued reforms, increasing foreign investments and a thriving private sector is expected to help the Guatemalan economy continue its growth probably at an accelerated pace. Similar to many other growing economies, this is likely to increase the demand for energy. The government is keen to develop its own energy reserves in order to minimise its oil import dependence.

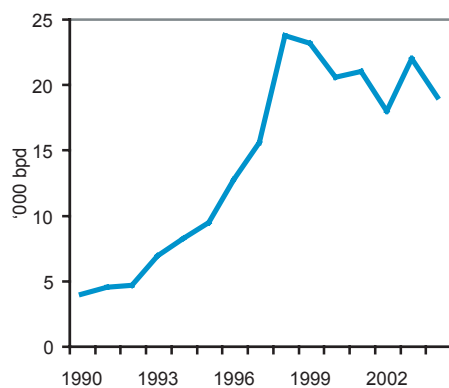
This augurs well for companies such as Taghmen, which is engaged in the development of Guatemalan energy reserves. The government and other relevant ministries have been investor friendly so far particularly towards those in the energy sector.

Current account deficit



Source: Banco Latinoamericano de Exportaciones, S.A.

Guatemalan oil production



Source: EIA

Reserves v. production by country

	Proven Reserves mmbbl	Production bbl/day
Argentina	2,927	826,600
Chile	81	13,640
Columbia	1,800	614,400
Ecuador	2,358	421,200
Guatemala	263	21,080
Mexico	15,110	3,950,000
Peru	614	95,100
Venezuela	63,950	3,080,000

Source: Taghmen Energy

Guatemalan oil & gas market

Guatemala is the only oil-producing country in Central America with estimated 526 million bbl oil and 1.54 billion cubic feet of natural gas (Source: Energy Information and Administration (EIA), Oil & Gas Journal (OGJ)). Its proven oil reserves are estimated to be 263 million bbl. The country is largely covered by sedimentary rock, indicating the abundant existence of oil reserves. Its reserves are largely concentrated in the remote northern Peten jungle region, which was occupied by rebels during the civil strife. Since the end of the insurgency, the government has been opening areas for bidding and granting concessions for oil exploration.

While the existence of oil reserves is undeniable, Guatemala is not as reserve rich as better known oil nations such as Venezuela. Its exact full reserve potential is yet to be determined as there has been little development work so far. According to industry sources such as EIA and OGJ, the attraction of Guatemala from a reserves perspective is its largely unexploited nature. Its current production is estimated to be just 21,000bbl/day.

This makes Guatemalan oil exploration and production pursuits more appropriate for relatively smaller companies with lean cost structures. Limited reserves make operations uneconomic for larger companies yet remain attractive for smaller players. Exploration and development is likely to be undertaken by companies such as Taghmen that may find reserves in its licence areas adequate to operate an economic field. In this respect, the management's past experience in developing smaller oil fields would prove to be a major strength.

The Guatemalan government also appears to be aware of its limited ability to attract larger companies. Predominantly, licences have been awarded to smaller companies and their initial drill results continue to confirm the availability of relatively low scale reserves. Companies that are likely to remain profitable would be those that can contain costs and possess project management skills.

The Guatemalan Petroleum industry has progressed since its liberalisation in 2000 and has been able to attract considerable foreign interest. French owned Perenco is the main exploration company in Guatemala and at present controls much of its oil production. Perenco consolidated its Guatemalan operation following the acquisition of Basic Resources International, a wholly owned subsidiary of Anadarko Petroleum. The company currently operates three blocks in the Peten Basin: I-97, I-85 and 2-85, which includes the Xan Field. The Xan Field accounts for 97% of Guatemala's production at 18,000bbl/day.

Apart from Perenco, there are other international companies engaged in the exploration and development of Guatemalan oil resources. TrueStar Petroleum (Canada), Suncrest Energy (Canada) and Onca Petroleum Development Inc (US) also have operations in Guatemala. These companies however are engaged in exploration rather than production.

Operations of all these companies are largely in the Peten Basin, thus reaffirming the region's oil potential. As indicated during its 2005 licencing round, there are many other international oil exploration companies that are seeking a foothold in the Peten Basin as well. However, existing companies such as Taghmen have a distinct advantage as they are usually the preferred candidates in future exploration licences.

The potential for oil companies in Guatemala remains promising. Guatemala is a net oil importer, and its oil consumption is growing. The government is keen to develop its relatively unexploited oil reserves in order to reduce its reliance on oil imports. This bodes well for Taghmen as it ensures government co-operation in its operations as well as in its attempts to expand its activities in Guatemala.

Marketing Avenues

Once Taghmen commences production, it can export its output or refine and sell in the local market. For exports, it can use the pipeline from Xan Field, in the northwest corner of Guatemala, to Piedras Negras on the Gulf of Honduras. The pipeline and the storage facility at Piedras Negras are operated by the owner and operator of the Xan Field. Under Guatemalan laws, access to the pipeline must be made available to other producers. Subject to securing the relevant contracts, the management believes that spare capacity exists in the pipeline.

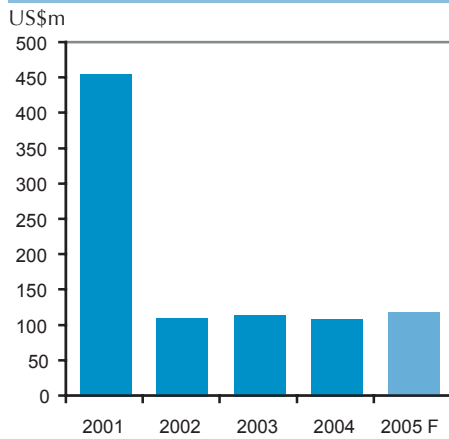
Taghmen may however face challenges in using this pipeline. Initial assays indicate that Las Casas crude has an API of 39° – 40° whereas that of the XAN Field has an API of 16°. Should the two crudes be mixed in the pipeline, the Las Casas crude would suffer a decline in value. Taghmen may have to seek batch shipments in the pipeline to preserve its high value crude from Las Casas. The government of Guatemala has, in principle, agreed to this.

Alternatively, Taghmen may be able to sell crude to the newly built refinery at El Rancho (San Agustin Acaguaslan), which is 300km from the Las Casas Field. The refinery is in a start up phase, programmed to commence operations within three months. Crude oil can either be delivered to the refinery by truck or sold at Las Casas. The refinery has indicated that it might be willing to purchase crude at the Las Casas well sites.

Foreign interest in the Guatemalan oil sector

The rising demand for energy is expected to underpin the development of the oil and gas industry in Guatemala. The Government is enthusiastically seeking foreign participation in the development of its oil and gas reserves, both as a means of direct foreign investments as well as an avenue of technology transfer. The end of the civil war and the gradual resumption of normalcy have helped Guatemala in attracting investments to develop the energy sector.

Guatemala direct foreign investments



Source: Banco Latinoamericano de Exportaciones, S.A.

The Guatemalan energy sector development is likely to be further helped by the ongoing gas pipeline construction. In 1999, Guatemala and Mexico agreed to build a 347-mile natural gas pipeline from Ciudad Pemex, in Southern Mexico, to the Southern Guatemalan city of Escuintla. The project cost is estimated to be US\$450 million. The line would follow the path of an existing oil pipeline in Guatemala's Peten jungle region, and the gas would be used both for industry and electricity generation. A consortium led by Premax (Mexico) is in charge of the project.

The Guatemalan power sector is expected to be buoyed by upcoming private power plants as well. In October 1996, the Congress of Guatemala voted to reform the electricity market, allowing the private sector to participate in a number of projects. These entail the unrestricted access to the power grid for private operators as well as the general unbundling of generation, transmission, and distribution. Further power sector liberalisation led to the establishment of private power plants, with some sponsored by the International Finance Corporation (IFC), the private sector arm of the World Bank. These developments will attract more energy sector focused direct foreign investments. Taghmen would benefit as they provide additional marketing avenues for the company.

Improving relations with Belize is also expected to help rejuvenate Guatemala's hydrocarbon industry. The political tension between Guatemala and neighbouring Belize over the rain forests around Belize's border region also appears to be easing following the ongoing informal talks. Once resolved, it would open the Northeast of Guatemala to exploration where, across the border in Belize, hydrocarbon potential exists in the Corozal Basin. Several operators have shown interest in exploratory drilling in this area.

Concluding remarks over oil prospects in Guatemala

Overall, the prospects for the Guatemalan oil and gas industry can be attributable to its largely unexploited reserves. The geology of Peten Basin indicates its ability to host economic fields. Similar geological formations in Mexico attest to the existence of oil in Guatemala as well.

The management's track record offers considerable comfort regarding Taghmen's prospects as well. The management team has undertaken and successfully developed similar prospects in other developing countries such as Azerbaijan and Kazakhstan and they are familiar with issues related to oil and gas projects in countries with transitional economies.

Environmental Issues and Petroleum Exploration in Guatemala

While largely unexploited and under-developed petroleum reserves in Guatemala has attracted the interest of oil and gas companies such as Taghmen and Perenco, its rain forests and the incredible variety of flora and fauna has also triggered environmental concerns. Protests by the environmental lobby against deforestation including those by oil companies have caused some operational issues. Currently, there are Non Governmental Organisations (NGO) such as Tropico Verde operating in Guatemala, with a focus on its environmental issues.

Despite the government's clear interest in the development of its petroleum reserves, the influence of these environmental lobbyists also appear to be growing. For instance, a protest led by Tropico Verde in 2000 against the oil exploration prompted the government to prohibit further oil exploration in the Maya Biosphere Reserve. The issue is still being monitored closely.

So far however, oil exploration in the Peten Basin has attracted relatively less interest amongst environmentalists. Exploration activities led by Hispanoil have been underway since 1972 and the Peten Basin was a dangerous place to live during the civil strife. Consequently, oil companies have not caused large scale displacement of families due to oil exploration projects.

Taghmen takes all possible measures to ensure a cordial work environment during the development of its prospects. The company has launched social projects such as investments in schools and medical facilities. These projects have enabled Taghmen build considerable goodwill amongst the populace in its licence areas. Given that the Licence 6-93 is located in a politically sensitive area, such measures augur well for the company in the long run.

Our inquiries reveal no direct opposition to Taghmen in Guatemala in general or in its Licence areas in particular. The company has taken all necessary steps not to offend generally vocal environmentalists in the country. Our discussions with the management further revealed their continued awareness of environment related issues and the growing influence of the environmental lobby.

The strategy to appease environmentalists appears to be investment in social projects, limiting operations in environmentally sensitive areas and minimise (or avoid) deforestation that lead to the displacement of families. In addition to social projects, legislation requires an environmental impact assessment particularly from those involved in the natural resources development industry. The assessment includes socio-economic impacts, safety issues, pollution and erosion. In Taghmen's case, management has taken all necessary steps during its operations so far.

Map of Colombia



Colombia - background

Similar to Guatemala, Colombia has also emerged from a 40-year old conflict between government forces and insurgent groups, the latter largely funded by the drug trade. The election of incumbent President Alvaro Uribe in 2002 and the severe crack down that followed on the drug trade has brought some normalcy to an otherwise unpredictable Colombia.

Unlike Guatemala, Colombia has more proven petroleum reserves, a more developed oil and gas industry, and is a net crude oil exporter, with approximately 30% exported to the US. The government expects its oil and gas reserves to be developed through foreign companies and has been able to attract numerous oil companies to the country.

Colombia: The Political Environment

Election of President Alvaro Uribe in 2002, marked the weakening of Colombian insurgents that had plagued the country for over four decades. The lack of military muscle, political clout or popular support, together with the severe crackdown on drug trade and traffic by authorities, have forced the insurgents to assume a more subdued role. Violence has also been on the wane since 2002. President Uribe recorded a resounding victory in the 2006 March elections in his quest for a second term.

Despite considerable efforts by the government, insurgents and leftist movements continue to cause disruptions in Colombia. This includes violence during the March 2006 elections, in an attempt to disrupt voting. The World Fact Book published by the CIA provides the following analysis of Colombia:

“The insurgents lack the military or popular support necessary to overthrow the government and violence has been decreasing since about 2002, but insurgents continue attacks against civilians and large swaths of the countryside are under guerrilla influence. Paramilitary groups challenge the insurgents for control of territory and the drug trade, and also the government’s ability to exert its dominion over rural areas. Although several thousand paramilitary members have demobilized since 2002 in an ongoing peace process, their commitment to ceasing illicit activity is unclear.”

Given the presence of insurgents in certain parts of rural Colombia and deep-rooted Communist beliefs among some political movements, restoring complete normalcy has been slow. Attempts to bring such elements to book have also led to violence and human right abuses. The country profile authored by the UK Foreign and Commonwealth Office states that:

“The threat from terrorism is high. You should be extremely vigilant throughout Colombia, particularly when you are visiting or staying in public places used by foreigners, such as hotels, bars, restaurants, nightclubs and shopping-malls, and in the vicinity of government buildings. There is a serious risk of kidnapping and crime throughout most parts of the country.”

Colombia - Key economic data

	2000	2001	2002	2003	2004	2005
GDP per head (US\$ at PPP)	6,244	6,368	6,465	6,680	7,100	7,455
GDP (% real change pa)	2.93	1.39	1.76	3.6	3.1	3.3
Govt. consump. (% of GDP)	21.72	20.84	20.68	20.4	20.1	n/a
Cons. prices (% change pa; av)	9.22	7.97	6.35	7.13	6.8	6.5
Public debt (% of GDP)	36.9	44.31	50.33	52.3	48.8	44.2
Recorded unemployment (%)	13.9	15	15.65	14.2	13.1	11.8
Current-account balance/GDP	0.75	-1.53	-2.02	-2.2	-1.8	-1.3
Forex reserves (US\$m)	8,916	10,154	10,732	10,784	14,100	n/a

Source: Economist Intelligence Unit, CIA Fact Book, Banco de la Republica, Columbia

As such, Colombia continues to carry considerable country risk, as its business and political environment clearly has some way to go. Corruption is rampant and institutionalised. Delays, red tape, and political interference have continued. And bribery and corruption continues to taint the business environment. At the end of the day, Colombia is no exception to other South American countries.

Despite such sentiments, the government's will and ability to uphold democratic politics and free market economics appear to be gaining ground. The victory of President Uribe, who is considered to be pro-US with President Bush openly extending his support, bears testament to Colombia's current thinking.

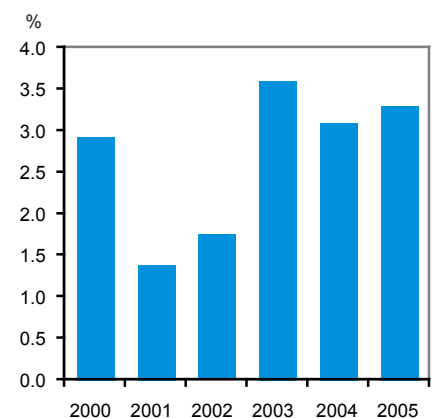
Colombia: The Economic Environment

The CIA facts book ranks the Colombian economy 33rd with an estimated GDP of US\$303 billion in 2005 (PPP), between Ukraine and Bangladesh. Its US\$7,100 per Capita GDP (PPP 2005 est.), ranks Colombia at 111 between Cyprus and Belize. Much of its growth can be attributable to the impetus from high oil prices, high export income (both oil and other exports such as agricultural products) and increased foreign investment. Colombia recorded a GDP growth of 6.5% in 2005.

According to the CIA fact book and the International Monetary Fund (IMF) data, the Colombian economy has benefited from sensible economic policies, strict government budgets, concerted attempts to curtail public debt levels, and its export-oriented growth focus. The government has also been able to steadily reduce unemployment and curb inflation. Its aggressive but pro-market economic reforms have impressed several international financial institutions and instilled a growing sense of confidence within the business sector. The economy has grown steadily and is expected to record 6.75% GDP growth for 2006.

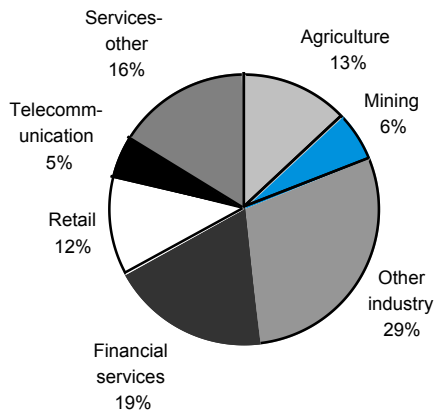
Currently, the US is Colombia's biggest trading partner accounting for over 40% of exports and 30% of imports. Its leading sectors include financial services, agriculture, manufacturing and oil and gas sectors. Colombia has a diverse manufacturing sector dominated by both large conglomerates and several small and mid-sized enterprises.

Colombia GDP growth



Source: Economist Intelligence Unit, CIA Fact Book, Banco de la Republica, Columbia

Colombia GDP composition



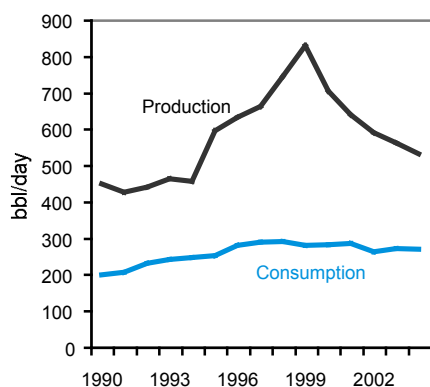
Source: *The Economist*, Banco de la Republica

The Colombian government has taken several positive steps to attract foreign investment and to develop the private sector. In addition, attempts are underway to develop its deteriorating infrastructure. The government is actively seeking to clean up the country's image in a bid to attract investment as well as tourist dollars. So far, both endeavours have been generally successful.

The victory of President Uribe paving the way for a second term has sealed the endorsement of his pro-market economic policies and the country is set to continue its reforms. Indeed, the results of its economic policy have so far been encouraging. Given its past political challenges and the dubious reputation as a corruption and violence ridden drug country, Colombia has made considerable progress so far.

This provides comfort for companies such as Taghmen, which are relatively new entrants seeking to develop Colombian hydrocarbon reserves. Pro-market economic policies and an investor-friendly government with an interest to attract foreign investors dispel fears of excessive government intervention and the threat of expropriation.

Colombian oil prod. v. consumption



Colombia oil & gas market

According to the Oil and Gas Journal (O&GJ), Colombia had 1.54 billion barrels of proven crude oil reserves in 2005, the fifth largest in South America. Its 530,000 barrels per day (bbl/d) of oil production in 2004 is 5% less than the 2003 production of 560,000 bbl/d. From its peak 830,000 bbl/d in 1999, Colombia's oil production has been falling, largely due to its mature oil fields. The government is keen to develop its untapped reserves, preferably through foreign investment in the sector.

Much of Colombia's future oil and gas prospects remain its numerous, largely unexplored, smaller fields spread throughout the oil-producing regions of the country. According to the EIA, potential hydrocarbon-rich territories share similar geological characteristics of its oil-rich neighbour Venezuela, particularly in the Llanos and Magdalena basins. Taghmen's new licence areas are in the Magdalena Basin.

Since 1999, Colombia's government has taken measures to make the investment climate more attractive to foreign oil companies:

- Sector liberalizations include allowing foreign oil companies to own 100 percent stakes in oil ventures
- the establishment of a lower, sliding-scale royalty rate on oil projects
- longer exploration licenses
- forcing Ecopetrol (the state oil company engaged in exploration, development and production of oil fields in Colombia) to compete with private operators.

New entrants to Colombia

Emerald Energy plc	Gigante, Campo Rico, Vigia
Gold Oil	Nancy Bourdine Maxine Field
Taghmen Energy	Magdalena Basin
Solana Resources	Catatumbo Basin, Llanos Basin, Magdalena Basin, Guachiria Block

The sliding scale royalty schedule is considered to be one of the most progressive measures introduced by the government. The scale establishes an 8% royalty rate on the smallest oil fields. With over 90% of Colombia's fields containing less than 60 million barrels, the low royalty rate has encouraged investment by small and medium sized operators. The royalty/tax system provides full autonomy and flexibility to the contractor (vs. the previous production sharing system). (Source: Ecopetrol, Independent Petroleum Association of America)

In addition, more time is now allowed for exploration, evaluation and production periods and the contractor can now define the work programme and plans. The contractor now has 100% of the working interest after payment of taxes and royalties. Colombia's administrative and contractual terms surrounding development and exploration licences are distinctly attractive, especially when compared to those of other countries in the region.

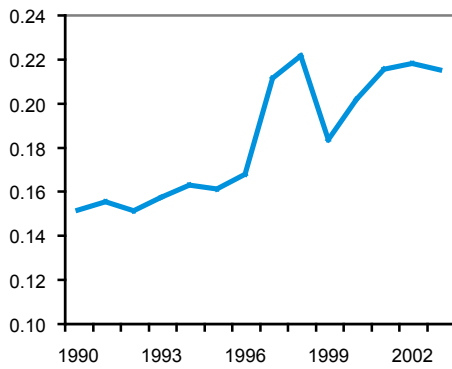
These reforms have sparked a renewed interest in Colombia's upstream sector and Colombia has been able to attract several companies to develop its petroleum reserves over the last few years. Some of the companies that have signed E&P contracts with the Government include, Chile's Sipetrol; Colombian-based Argosy Energy International (private company), Petrominerales, a subsidiary of Canada's Petrobank, Brazilian Petrobras, Nexen, U.S.-based Mercantile Oil & Gas, Occidental, and Russia's Lukoil. The government is expected to approve over 30 exploration licenses during 2005.

In addition, there has been considerable interest to develop Colombia's offshore basins. In 2005, BHP Billiton signed an agreement to allow exploratory drilling in the Fuerte Block off Colombia's Caribbean coast. Companies such as Petrobras are also active in exploring Colombia's offshore petroleum riches.

Similar to other mature fields elsewhere in the world, development of the remaining Colombian oil and gas reserves are likely to be undertaken by smaller oil companies such as Taghmen. Indeed, most of the recent licencing rounds have been awarded to smaller companies.

All foreign investment in petroleum exploration and development in Colombia must be carried out under an association contract between the foreign investor and Ecopetrol, the state oil company. Despite its undoubted potential, there have been significant setbacks for international oil majors, caused by over-enthusiastic officials. These setbacks involve wrong reserve estimates published by government or Ecopetrol authorities.

Natural gas consumption (Tcf)



Source: EIA

For instance in March 2003, Ecopetrol officials announced that they had discovered one of the largest oil deposits, in the Sirirí Block, containing some 200 million barrels of oil. Following criticism of the study, Ecopetrol released a revised reserve estimate in 2004 showing only 15 million barrels of oil and 630 million cubic feet (m cf) of natural gas. There have been similar failures experienced by international oil giants due to high reserve estimates by Ecopetrol.

Natural Gas

According to OG&J Colombia had proven natural gas reserves of 4.0 trillion cubic feet (Tcf) in 2005, having fallen from 4.5 Tcf in 2004. Colombia's current natural gas consumption is close to its production. Similar to its oil reserves, the government is keen to develop its natural gas resources. The government's Natural Gas Mass Consumption Plan aims to increase domestic natural gas use and establish Colombia as the "gas hub" for the Andean region.

According to the EIA, Colombia has natural gas reserves spread across 18 basins, seven of which have active production. The bulk of Colombia's natural gas reserves are located in the Llanos basin, although the Guajira basin accounts for most of current production. Chevron is the largest natural gas producer in Colombia. The Magdalena Basin where Taghmen is expected to have operations is not known for its natural gas resources. Taghmen's exposure therefore is predominantly to oil rather than gas in both countries.

Marketing Avenues

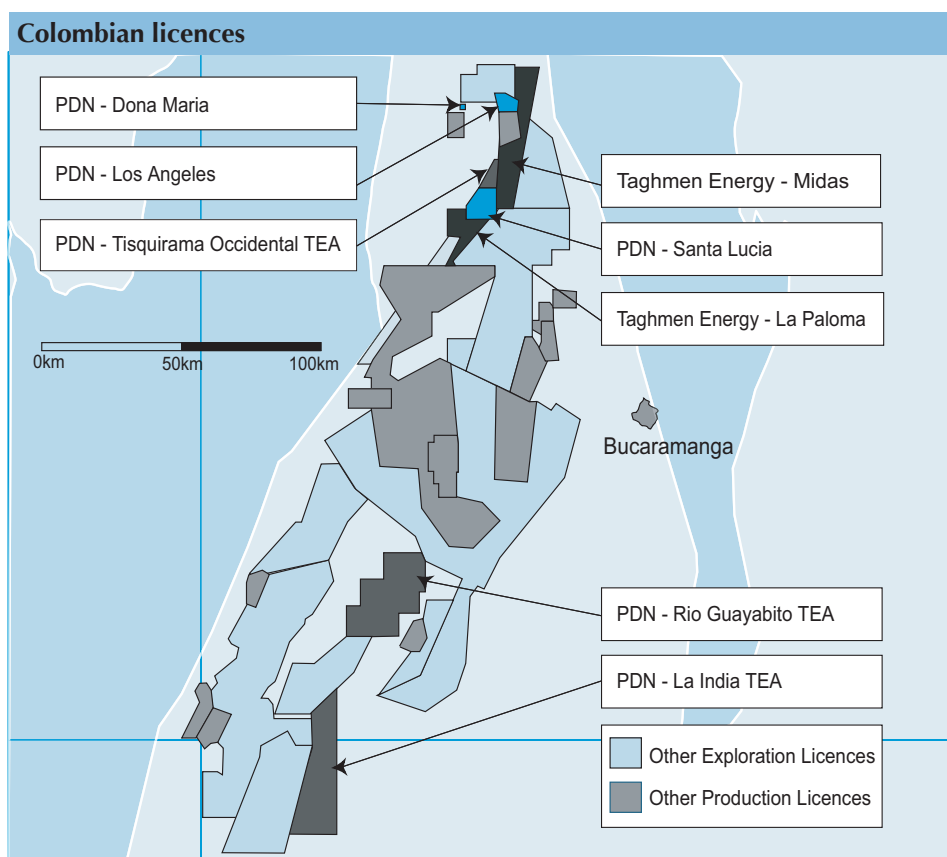
Much of Taghmen future production is likely to be exported rather than sold in the local market. Its export pursuits are likely to benefit from Colombia's pipeline infrastructure. Colombia has five major oil pipelines, four of which connect production fields to the Caribbean export terminal at Covenas. These include the 500-mile Orensa pipeline, which transports 615,000 bbl/d from the Cusi-ana and Cupiagua fields; the 460-mile Cano Limon pipeline; and the smaller Alto Magdalena and Colombia Oil pipelines. The fifth pipeline, the TransAndino, transports crude from Colombia's Orito field in the Putumayo basin to Colombia's Pacific port at Tumaco (Source: EIA). These pipelines however remain a popular target amongst rebels.

Colombia currently has some capacity constraints in its downstream infrastructure, as the domestic demand for refined products generally exceeds its refining capacity. O&GJ estimates 285,850 bbl/d of crude refining capacity in Colombia in 2005. Ecopetrol owns its five major refineries. Plans are underway to double the capacity of some of its facilities. In addition, the government has approved plans to build a private refinery in Sebastopol. The 30,000-bbl/d project has also received supported from the US Export-Import Bank and the IFC. Taghmen operations may however face challenges related to refining capacity constraints.

Concluding remarks

More than those in Guatemala, Taghmen's potential appears to be higher in Colombia. The Magdalena Basin is one of the most prolific oil regions and there are already several producing companies active in the area.

Exploration risk appears to be lower in Colombia due to high reserve potential as well as the re-election of an investor friendly government. Insurgents have mostly faded away from cities and mainstream politics, and their presence is largely confined to rural areas. With Colombia's rapid economic development, insurgents are likely to be forgotten without much fanfare.

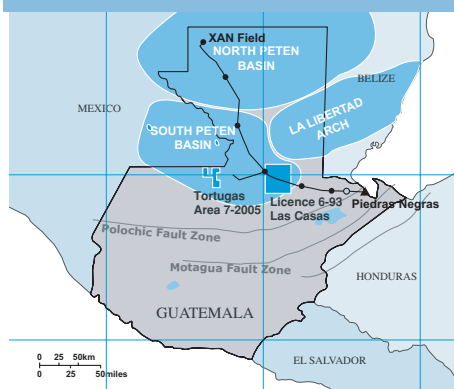


Properties

Guatemala

The Company holds the exploration and production licence to the 6-93 concession covering the discoveries at Las Casas and Huapac, covering a total of 323,000 acres. The licence was granted in October 1993 for a 25 year period, originally to Mexpetrol and is now owned by Taghmen. The 25-year licence period is adequate for Taghmen to extract the oil reserves from its licence areas. In addition, Taghmen was awarded Licence A7-2005 (Tortugas/Atzam) in September 2005, covering a further 77,717 acres. Both licences are located in the prolific Peten Basin.

Guatemala licence areas



Licence 6-93 (Las Casas and Huapac)

The Licence 6-93 was granted in October 1993 for a 25 year period, and contains two hydrocarbon areas, namely Las Casas and Huapac. Total reserves estimated within these two areas are 20 million barrels (mmbbl). The company has identified nine additional leads within the same concession with estimated unrisks reserves of 55 mmbbl.

The Las Casas 3X exploration area has approximately 2,560 acres of Coban C layered carbonate reservoir seen down dip in the Las Casas 1X and 2X wells, and 2,560 acres of potential organic build-up at the B8 horizon. The potential build-up was observed on the seismic lines corresponding to approximately 2,300 meters west of the proposed location for the Las Casas 3X well.

Potential value of Las Casas Reserve

	US\$m	US\$/ unrisks bbl
Unrisks Reserve Value (pre tax)*		
- Intrinsic value	171.4	10.39
- Optionality	24.5	1.48
Total Unrisks Res. Value	195.8	11.87
Risk Factor	50%	
Risks Reserve Value	97.9	5.93
less: PV remaining exploration costs	0.0	0.00
Expected Monetary Value	97.9	5.93
Less: tax & share	60.8	
EMV post tax	37.2	2.25
Taghmen's share	100%	
Value to Taghmen	37.2	2.25

Assumptions:

- Mean recoverable reserves (mmbbl)	16.5
- Development capex (US\$/bbl)	2.0
- Opex & Marketing (US\$/bbl)	6.0
- Royalties	30%
- Production Share	45%
- Corporate Tax	31%

* after royalties and development capex

Exploration Progress - Las Casas

Taghmen started its drill programme with the working over of its two existing wells, 1X and 2X in the Las Casas licence area. The company has purchased a service rig for this purpose. Well 2X however appears to have little reserve potential and the company is planning to re-complete it as a water injection well.

Prospects of Las Casas well 1X appear to be more promising. This well has been swab tested and appears to be capable of producing an estimated 100 barrels per day of fluid with approximately 70% 38.8°API oil with 4% to 6% emulsion. The well however has some structural and geophysical defects and the company is planning to re-drill to a target north east of the well's current location.

Well 3X is Taghmen's first oil discovery and the first new exploration well drilled on the Las Casas structure. It was drilled to a total depth of 9,300 feet. The well was logged and three pay zones were identified. The well is currently producing 40 degree API oil at an estimated rate of 150 barrels of oil per day ("bopd") under "swabbing" operations. Taghmen believes that the well will be economic to produce and together with the completion of a successful sidetrack of Well 1X in early 2006, will lead to the commercial development of the Las Casas Field.

Taghmen's 2006 work plan in Licence 6-93 (Las Casas and Huapac)

Guatemala	Expected Duration
6-93	
Seismic Shoot	February - April
1 x Sidetrack	May - June

Huapac

Huapac Well	July - October
-------------	----------------

Source: Taghmen Energy

Taghmen's planned acquisition of 2D seismic over Licence 6-93 is currently underway with all lines covering the Las Casas Field having already been recorded and sent for processing. Initial indications are that the data being collected is generally of very high quality. Line clearance and survey operations are expected to be completed soon. Subsequently, the seismic crews will immediately move on to Licence 7-2005 (Tortugas/Atzam) and commence both 2D and 3D seismic operations.

The Company is planning to drill a side track to well 1X (well 1Xa) in May following the interpretation of the Las Casas seismic to determine the optimal bottom hole location. It is expected that drilling of the sidetrack will take approximately 40 days to complete.

The company has raised £15 million (US\$25 million) of additional equity in January 2006 to finance its drill programme. The funds raised will be used to finance an active 2006 work programme, concentrating on drilling to achieve production and prove up existing reserves. This will include four new wells, three work-over wells and one sidetrack well on its Guatemalan assets.

Taghmen has an ambitious work programme for 2006 in the licence 6-93. This includes work on new and existing wells as well as completing pipeline and other facilities. Providing Taghmen achieves the targets set out in its work plan and subject to reserves availability, the company would be in a position to commence production in 2007.

Licence A7-2005 (Tortugas/Atzam)

Awarded in September 2005, Licence A7-2005 (Tortugas/Atzam) is a 25 year contract consisting of a six year exploration licence convertible to an exploitation licence at Taghmen's option. The licence covers an area of approximately 78,000 acres, located in the north-western corner of Guatemala in the department of Alta Vera Paz. Tortugas is accessible by road and is 375 kilometres from Guatemala City. By air, the closest serviceable airstrip is at Rubelsanto. The company is evaluating the re-opening of an abandoned 3,000 foot airstrip at the base of the Tortugas dome.

Drilling of well 3X



Well site at Atzam



Taghmen's 2006 work plan for Licence A7-2005 (Tortugas/Atzam)

A7 - 2005	Expected Duration
3 Well Workovers	May - September
2D Seismic	May
3D Seismic	June - September
3 New Wells	October - December

Source: Taghmen Energy

The original exploration of the region was for sulphur, specifically in the Tortugas area. During the drill programme however, wells on the flanks of the salt dome indicated live oil. Three of the wells drilled on the north flank of the salt dome flowed 28-32° oil from the top of the Coban C17 from depths of 1300 feet to 1800 feet.

This discovery prompted Mexpetrol (then operator) to drill a further 13 wells on the area now covered by the licence. Eight of these were on the Tortugas structure, one on the Atzam structure and four elsewhere on the licence. The Tortugas wells and that at Atzam encountered hydrocarbons. Initial indications are that this has an API of 35°. Taghmen estimates reserves on the licence to be 5m to 16 mmbbl.

Exploration Progress - Tortugas/Atzam

Much of Taghmen's 2005 activities in Tortugas/Atzam has been on the preparations for drilling. The company has already completed its environmental studies on Licence A7-2005 area. Its remaining work programme for 2006 entails well workovers, seismic shooting and drilling new wells.

Taghmen expects the Environmental impact study to be approved and cleared soon to commence operations on Contract A7-2005. Work has already begun on fabricating workshops, offices and accommodation units, which will be transported to the Tortugas area as soon as the approval to commence operations is received. These units will provide a base from which to undertake the work-over of three existing wells. There has been proven production from these three wells in the past.

Colombia

Taghmen's licences in Colombia are located in the Middle Magdalena Valley Basin, which is known for its hydrocarbon reserves potential. It is located between the Central and Eastern Cordilleras of the Colombian Andes. The Magdalena Basin is Colombia's first major petroleum province, and is still an active exploration region.

Amongst the operators of producing fields in the Magdalena Basin, Occidental Petroleum, Apex Energy (Canada), Lukoil, and Petrobras stand prominent. While Occidental and Apex have been awarded additional licences, companies such as BHP Billiton and HOCOL (Maurel & Prom) were also awarded new licences during the recent licencing round. This indicates the resurgent appeal of Colombia to the international oil and gas industry.

Potential value of Atzam Reserve

	US\$m	US\$/ unrisked bbl
Unrisked Reserve Value (pre tax)*		
- Intrinsic value	40.4	8.78
- Optionality	7.1	1.54
Total Unrisked Res. Value	47.5	10.32
Risk Factor	50%	
Risked Reserve Value	23.7	5.16
less: PV remaining exploration costs	2.0	0.43
Expected Monetary Value	21.7	4.72
Less: tax & share	13.5	
EMV post tax	8.2	1.79
Taghmen's share	100%	
Value to Taghmen	8.2	1.79

Assumptions:

- Mean recoverable reserves (mmbbl)	4.6
- Development capex (US\$/bbl)	3.5
- Opex & Marketing (US\$/bbl)	6.0
- Royalties	30%
- Production Share	45%
- Corporate Tax	31%

* after royalties and development capex

Midas Block: deterministic volumetrics of leads

	North	Central	South
Approximate area (m ²)	7,500,000	8,000,000	24,000,000
Thickness (m)	200	200	200
Shape factor	0.5	0.5	0.5
N/G	0.5	0.5	0.5
Porosity	0.06	0.06	0.06
So	0.7	0.7	0.7
FVF	1.15	1.15	1.15
RF	0.2	0.2	0.2
STOIP (mmbbls)	86	92	44
Recoverable	17	18	55

Midas Licence

The Midas Licence covers 41,000 hectares and is located in the Middle Magdalena Valley Basin, adjacent to producing fields. The Licence area is estimated to have recoverable reserves of 90 mmbbl. Taghmen is the operator of the Midas Licence and holds a 70% interest, and its 70% interest brings 63 mmbbl of recoverable reserves to the company. Taghmen is planning to shoot and reprocess US\$1.5 million of seismic in the licencing area in late 2006.

The initial work programme for Midas covers a six-year timeframe, with an option on Taghmen to relinquish a portion of the licence at the end of each year. The licence will be governed by a newly updated ANH contract, which eliminates the Colombian Government's right of back in and reduces the level of taxation from that which previously existed.

La Paloma Licence

Following the Midas Licence, ANH awarded an additional licence (La Paloma) in the Middle Magdalena Valley Basin to Taghmen. The La Paloma Licence covers 13,780 hectares with estimated recoverable reserves of 20 mmbbl. Under the terms of its arrangement, Taghmen will ultimately acquire a 65% interest in the licence but will not be Operator. The company's 65% interest brings 13 mmbbl of recoverable reserves to the company.

The initial work programme covers a four-year timeframe with approximately US\$1 million in the first year related to a new 2D seismic shoot, together with the reprocessing of existing data. Similar to the terms of the Midas Licence, Taghmen has the option to proceed with further work or to relinquish a portion of the licence at the end of each year, following the initial programme.

Potential value of Midas Reserve

	US\$m	US\$/unrisked bbl
Unrisked Reserve Value (pre tax)*		
- Intrinsic value	482.6	5.36
- Optionality	169.5	1.88
Total Unrisked Res. Value	652.0	7.24
Risk Factor	10%	
Risked Reserve Value	65.2	0.72
less: PV remaining exploration costs	12.4	0.14
Expected Monetary Value	52.8	0.59
Less: tax & share	15.8	
EMV post tax	37.0	0.41
Taghmen's share	70%	
Value to Taghmen	25.9	0.29
Assumptions:		
- Mean recoverable reserves (mmbbl)	90	
- Development capex (US\$/bbl)	2.0	
- Opex & Marketing (US\$/bbl)	6.0	
- Royalties	20%	
- Production Share	0%	
- Corporate Tax	30%	

* after royalties and development capex

Financials

Balance Sheet

US\$	Unaudited 30-Jun-05	Audited 31-Oct-04
Fixed assets		
Tangible assets	1,410,479	1,460,297
Intangible assets	9,017,069	4,595,680
	10,427,548	6,055,977
Current assets		
Stocks	1,694,356	17,575
Debtors	1,288,350	291,756
Deferred share costs due within one year	1,893,500	0
Deferred share costs due after one year	2,154,333	0
Cash at bank and in hand	6,557,552	16,668,533
Total Assets	24,015,639	23,033,841
Creditors falling due within one year	(408,434)	(848,728)
Creditors falling due after one year	(350,000)	0
Provision for liabilities	(225,000)	(150,000)
Total Liabilities	(983,434)	(998,728)
Net Assets	23,032,205	22,035,113
Capital and reserves		
Called up share capital	5,168,126	4,157,312
Share premium	22,501,129	18,358,482
Warrant reserve	139,612	0
Profit & loss account	(4,776,662)	(480,681)
Shareholders funds - Equity	23,032,205	22,035,113

Consolidated Cash Flow

US\$	Unaudited period 1 Nov 2004 to 30 June 2005	Audited period 1 July 2004 to 31 Oct 2004
Cash flow from operating activities	(5,815,462)	(373,084)
Return on investments & serving of finance		
Interest received	160,810	22,284
Cash acquired with subsidiary	0	29,650
Consideration	(123,295)	(3,228,953)
	(5,777,947)	(3,550,103)
Capital Expenditure		
Exploration expenditure	(3,371,389)	(334,015)
Purchase of tangible fixed assets	(49,718)	(963,143)
	(3,421,107)	(1,297,158)
Cash outflow before use of liquid resources	(9,199,054)	(4,847,261)
Management of liquid resources	(954,026)	0
Financing		
Issue of ordinary shares	2,000,000	21,515,794
Share issue/AIM listing costs	(2,911,927)	0
	(911,927)	21,515,794
(Decrease)/Increase in cash	(11,065,007)	16,668,533

Summary Profit and Loss

US\$	Unaudited period	Audited period
	1 Nov 2004 to 30 June 2005	1 July 2004 to 31 Oct 2004
Administration expenses	2,845,025	491,265
Depreciation	99,536	11,458
Amortisation of deferred share costs	1,182,167	0
Foreign exchange loss	330,063	242
Total operating expenses	4,456,791	502,965
Loss on ordinary activities before & after tax	(4,456,791)	(502,965)
Interest receivable	160,810	22,284
Loss for the period before & after tax	(4,295,981)	(480,681)
Loss per share		
Basic and diluted	0.09	0.02

Appendix: Management

Gregory Smith, *Executive Chairman*

Gregory Smith was appointed Chairman on the incorporation of the Company. Before establishing Taghmen, he was the managing partner in TVL, a company that specialises in raising venture capital for the energy and mining sector. Between 1998 and 2001 he was the Chairman of Powder River Basin Gas Corporation, which was a successful operator of coal bed methane in Wyoming, US. This merged with Imperial Petroleum in April 2003. From 1993 to 2001 Mr. Smith was the president of Renaissance Companies Inc, a structured finance group specialising in fund raising in varying forms for the energy and real estate sectors in the U.S. He has a degree in managerial sciences from the University of Nevada.

Nicholas Gay, *President, Chief Executive Officer*

Nicholas Gay was appointed as the Company's President and Chief Executive Officer effective November 1st, 2004. He has 26 years of international experience in the oil and gas industry.

Prior to joining the Company he was Senior Vice-President, Finance and Chief Financial Officer of Petrokazakhstan Inc., President and Chief Executive Officer of Bitech Petroleum Corporation, Chief Financial Officer of Pan African Energy Corporation (formerly Ocelot International), both Canadian companies and Managing Director of Brabant Petroleum Limited based in the UK. From 1984 to 1991, Mr Gay worked at Kerr – McGee Plc, where he held various positions including Director of Finance and Administration. Prior to 1984, he worked at LL & E Inc and Arthur Andersen & Co. He holds a Bachelor of Arts (Hon) in economics and economic history from the University of Durham, and is a fellow of the Institute of Chartered Accountants in England and Wales and an associate member of the Chartered Institute of Taxation.

Geoffrey Killick, *Chief Financial Officer*

Geoffrey Killick has 24 years experience in general management, finance and accounting within the international oil industry. Prior to joining the Company in 2004 he was General Manager for Bitech's operations in Egypt, Finance Director of Felix Mining Ltd, and Deputy General Manager & Finance Manager for Nimir Petroleum Company, Yemen. From 1989 to 1992 he worked for Kerr McGee plc as Accounting Manager, UK. Prior to 1989, he worked for Texas Eastern North Sea (UK) Inc, Charterhouse Petroleum plc and Phillips Petroleum (Europe Africa) Inc. He holds an honours degree in Economics from the University of Wales, Swansea and is a Fellow of the Institute of Chartered Management Accountants.

John (“Jay”) M Scott, Chief Operating Officer

Jay Scott has over 30 years of experience of well workovers and completions, drilling and production operations, and project and corporate management.

Prior to joining the Company in 2004, he was President of Commonwealth Gobustan Limited and of its wholly owned subsidiary Gobustan Operating Company Limited and Executive Vice-President and Chief Operating Officer of Bitech Petroleum Corporation. Mr Scott has 10 years experience in the management of Russian operations, including starting a new oil company, building its own infrastructure, opening up three new fields and increasing production to 10,000 barrels per day in four years. While at Bitech, Mr Scott was instrumental in the acquisition of Vanguard Oil Corporation, which was publicly traded on the Toronto Stock Exchange, and the subsequent increase in Vanguard’s production from 700 to 6,300 bopd per day in six months.

Prior to joining Bitech, Mr Scott was Project Manager of the BP/Statoil alliance’s Tarasov Workover Project in Russia, and completions work-over superintendent of BP Canada Resource in Calgary, Alberta. In 2000/2001 Mr Scott served as co-chair of the fuel and energy working group of the Canadian Russian Inter-Governmental Economic Commission.

Kevin Dean, Geologist

Kevin Dean is a geologist with over 25 years experience in the international oil and gas industry. Since October 2002 he has worked as an independent consultant working for clients in Azerbaijan and India. Prior to this he worked as Chief Geologist for Bitech Petroleum for four years working on exploration and development projects in Russia and Egypt. Before joining Bitech he worked for Mobil for twelve years as an exploration geologist primarily in the North Sea but also involving projects in Europe and Russia. He started his working career as a sedimentologist for Robertson Research working on international and domestic projects in both carbonate and clastic sedimentology. He holds an honours degree from Portsmouth Polytechnic and is a Fellow of the Geological Society, London.

Appendix: The Peten Basin

The Peten Basin is a sedimentary basin covering an area of over 23,000 square miles and contains much of Guatemalan known petroleum resources. A relatively late structural high known as the La Libertad Arch divides the basin into northern and southern sub-basins.

In the South Peten Basin more than 30,000 feet of sediment has accumulated since Permian times. Information available on Permian and Jurassic sediments is limited as only few wells have penetrated them and the main oil reservoirs lie within the Cretaceous sediments. In the Peten Basin these Cretaceous rocks are called the Coban Formation that is further divided into Coban A, B, C and D members. They consist of interbedded limestones, dolomites and anhydrites and most of the oil reservoirs discovered to date have been in fractured dolomites in the Coban B, C and D members.

Significant production within both the Coban B and C limestones occurs in the Chiapas area of southern Mexico. In the North Peten Basin, oil is produced from Coban B at Xan. In the South Peten-Chapayal Basin, oil production is largely from limestone and dolomite in the Coban C at Rubelsanto, with several undeveloped discoveries.

The independent geological assessment conducted by Petro Solutions Limited evaluated the reserve potential of Las Casas and Huapac using the neighbouring Rubelsanto field as an analogue field. Reservoir engineers considered Las Casas and Huapac data to be less reliable. Rubelsanto is a producing field 20km away from Las Casas and Huapac and has similar geology. The same carbonates and anhydrites are found in both areas. Rubelsanto also appears to have production data from organic build ups that have the potential to be drilled at the Las Casas 3X location (Source: Independent Petroleum Engineer's Report).

Production from Rubelsanto field is prolific and can be viewed as an indication of best possible production from Las Casas and Huapac. Using Rubelsanto field as an analogue, Petro Solutions Limited have estimated potential reserves of 1,095 thousands of barrels (MBO) at Las Casas 3X well.

Much of Guatemalan petroleum reserves are found in the Peten Basin associated with those in Mexico's Tabasco formation. Oil was first discovered in Guatemala in 1960 in the Peten Basin and as of end 2004, cumulative production has been 92 mmbbl. According to the Energy Information and Administration (EIA) and the Oil & Gas journal (OG&J), Guatemala has an estimated 526 mmbbl of oil and 1.54 billion cubic feet of natural gas reserves. Its proven oil reserves are estimated to be 263 mmbbl.

The Guatemalan government has been able to attract considerable interest in their licencing rounds, which are focused on various blocks in the Peten Basin. During its 2005 licencing round that entailed Blocks A6 and A7 in the Peten Basin, over 30 companies expressed interest. Block A6 covers over 470 square kilometres and contains for oil fields, including the Rubelsanto, which produces 1,500bbl/day. Block A7 covers over 340 square kilometres and its Tortugas 63-4 well has yielded 1,200bbl/day. Taghmen prospects are in close proximity to these two blocks.

Glossary

1P: proven oil

2P: Proven oil + Probable oil

bbl: barrel

bcf: billion cubic feet

boe: barrels of oil equivalent

Carboniferous: a geological period extending from 370 to 270 million years ago

Cretaceous: the last of the Mesozoic Ages. From 144 to 65 million years ago:

Farm-in: a process of acquiring working interest in a licence held by another party, upon financing part of the development cost. For instance, earning a 20% interest on a 2:1 basis means that farminee earns 20% interest after financing 40% of the cost.

Farminee: the company in a farm-in agreement that undertakes development

Fluvial: pertaining to rivers or streams and their action

Graben: a down-dropped block of the earth's crust resulting from extension, or pulling, of the crust

Mesozoic: the geological era between 247 and 65 million years ago

mmbbl/d: million barrels per day

Permian: unit of rocks, dominated by red beds and evaporites

ripping: the process by which the earth's crust is pulled apart and broken, resulting in the formation of new crust

Seismic: an interpretation of geologic strata through measurement and recording of sound wave transmission below the surface

Spud: to commence drilling operations

Stratigraphic: refers to the systematic definition and description of major and minor natural divisions of rocks and their arrangement according to their composition, distribution, correlation, and mutual relationships

Upper Jurassic: upper Jurassic (also known as Malm) was an epoch of the Jurassic geologic period. It lasted from 146 to 135 million years ago.

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Sam Kiri, CFA

Sam has more than 13 years of international analytical research experience with a primary focus on resources and energy companies. He has previously served with Scotiabank and W.I. Carr in the Far East.

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Objective Capital Limited

2nd floor, 145 St. John St.
London EC1V 4PY
Tel: +44-(0)870-080-2965
Fax: +44-(0)870-116-0839
sales@objectivecapital.com

Internationally:
Phone: +44-20-7754 5994

US Toll-Free:
1-888-802-7215

For Marketing & Sales:
Token House
11-12 Tokenhouse Yard
London EC2R 7AS

Corporate: www.ObjectiveCapital.com
Research: www.ObjectiveCapital.co.uk