



26 May 2010

52-wk Range: £0.29-0.40  
12-month target: £0.90

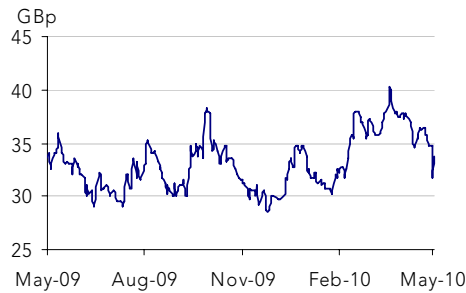
Market Cap (M): £138.6  
EV (M): £138.6

## Oil & Gas

## Where is the water?

### Summary

Circle is an oil and gas exploration and production company with a diversified portfolio of assets in Tunisia, Morocco, Egypt, Namibia and Oman.



### Key Metrics

Shares Outstanding (M): 410.8  
Current Price (GBP): £0.34

### Event

Circle Oil announced that the Al-Amir SE-6X down-dip flank appraisal well has completed coring and logging the oil-bearing Upper Shagar and Lower Rahmi Kareem Sandstones and has now reached a target depth of 13,900ft in the Lower Rudeis. Whilst drilling toward the secondary deeper objective of the Nubia Sandstones, some significant gas shows were recorded and for the safety of well integrity, it was decided to terminate the drilling of the well in the Lower Rudeis and run a 5" liner. Testing of the well is now planned. Once the well is tested and evaluated, a further announcement concerning the results of the well will be made. Circle Oil Plc owns a 40% interest non-operating interest in the concession.

### Comment

Both Al Amir SE-5 and -6 wells were drilled with a specific objective to locate the oil-water contact in order to delineate the extent of the Al Amir SE field and come up with definitive recoverable resources estimates. The wells failed to encounter the elusive contact which is rather good news for the Companies involved insofar as, having established deeper oil down-to levels, the size of the field is larger than initially expected and, until a definite contact level is established, there is no certainty as to how large it could be.

The combination of a deeper oil down-to and thickening reservoir with depth compound the increase in STOIP versus initial expectations. Our risked NAV already includes larger than anticipated resources estimates hence we do not feel the need to change those at the moment and would rather wait for the results of the independent third-party assessment of ultimate recoverable resources, to be included in the 2009 accounts, before reviewing our numbers.

### Recommendation

Rating and price target unchanged.

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### Lionel Therond

Lionel has worked at Fox-Davies since April 2009. Prior to this, he had 13 years experience as an investor at JPMorgan Asset Management and had previously spent 10 years in the Oil&Gas industry at Shell. Lionel graduated in Geology and Geophysics (MSc) before gaining an MBA at Insead; he is also a CFA charterholder.

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Research disclosure as of 26 May 2010

Company Name	Disclosure
Circle Oil	1, 2, 7, 8

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Company	Ticker	Recommendation	Date	Target Price	Last Price
Oil & Gas					
Ascent Resources	AST LN Equity	BUY	22.04.10	£0.20	£0.04
Borders & Southern Petroleum	BOR LN Equity	BUY	01.02.10	£1.50	£0.72
Circle Oil	COP LN Equity	BUY	26.05.10	£0.90	£0.34
Desire Petroleum	DES LN Equity	HOLD	29.03.10	£1.00	£0.80
Enegi Oil	ENEG LN Equity	SELL	17.05.10	£0.10	£0.25
Falklands Oil & Gas	FOGL LN Equity	BUY	01.02.10	£4.00	£1.84
Gulf Keystone	GKP LN Equity	BUY	25.05.10	£2.00	£0.78
Gulfsands Petroleum	GPX LN Equity	HOLD	04.05.10	£3.00	£2.56
Hardy Oil & Gas	HDY LN Equity	BUY	26.04.10	£3.00	£1.53
Matra Petroleum	MTA LN Equity	BUY	26.05.10	£0.07	£0.02
Max Petroleum	MXP LN Equity	BUY	25.05.10	£0.50	£0.14
Petrokamchatka	PKP CN Equity	HOLD	14.01.10	C\$0.15	C\$0.1
Po Valley	PVE AU Equity	BUY	29.04.10	A\$1.50	A\$0.305
Range Resources	RRL LN Equity	BUY	17.12.09	£0.08	£0.04
Rockhopper Exploration	RKH LN Equity	HOLD	07.05.10	£1.10	£2.29
San Leon Energy	SLE LN Equity	BUY	18.09.09	£0.60	£0.18
Sterling Energy	SEY LN Equity	HOLD	01.02.10	£1.50	£1.11
Tower Resources	TRP LN Equity	HOLD	23.03.10	£0.02	£0.01
Victoria Oil & Gas	VOG LN Equity	BUY	21.04.10	£0.09	£0.03

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