



DEWOLF RESEARCH



MOHAN GHATTA INC.

**HUMAN CAPITAL EVALUATION
HUMAN CAPITAL RISK ASSESSMENT
HUMAN CAPITAL STRESS TESTS**

HUMAN CAPITAL EVALUATION & MEASUREMENT SERVICE FOR JUNIOR AND INTERMEDIATE PETROLEUM COMPANIES

A JOINT VENTURE OF DeWOLF RESEARCH CORPORATION INC. (CANADA) AND MOHAN GHATTA INC. (USA)

EXECUTIVE SUMMARY

- Is your company worth more, or less, than its perceived market value?
- Are analysts and investors right or wrong about your corporate net worth?
- Are there overlooked asset values that could reveal the Correct Investment Value (CIV) of your company?

DeWOLF RESEARCH CORPORATION INC. (Canada) and **MOHAN GHATTA INC.** (USA) can help you make a proper assessment of your firm's true value, through North America's first Human Capital Evaluation and Measurement Service.

Perhaps, Scottish poet Archibald Bowman said it best in these lines published in the May 1938 issue of the Journal of Accountancy:

*Though your balance sheet's a model of what a balance sheet should be,
Typed and ruled with great precision in a type that all can see;
Though the grouping of the assets is commendable and clear,
And the details which are given more than usually appear;
Though investments have been valued at the sale price of the day,
And the auditor's certificate shows everything's O.K.;
One asset is omitted – and its worth I want to know,
The asset is the value of the men and women who run the show.*

ARCHIBALD BOWMAN, 1938





EVALUATING HUMAN CAPITAL ASSETS (HCA)

Chevron's "Human Energy" advertising campaign, the first of its kind in the petroleum industry, is just one small sign of the growing importance of Human Capital Assets to business. Consequently, Human Capital Evaluation (HCE) is becoming a key value driver for North America businesses. HCE is emerging as the most challenging to secure, the most elusive to quantify and the most critical to corporate success. In time, we believe that North American Regulators will require its quantification.

DEWOLF RESEARCH and **MOHAN GHATTA INC.** are pioneering the introduction of Human Capital Evaluation and Measurement, in North America, after successfully employing HCE in advising a leading United States institutional energy investor in the screening of emerging-growth oil and gas companies.

There is a growing disparity between the contribution that human capital makes to business performance and the existing means of identifying and valuing that contribution. By adding HCE to hard Net Asset Value (NAV), we can determine a company's Correct Investment Value (CIV), which may be higher or lower than perceived market value.

Most takeover bids occur at HCE premiums that intuitively value management talent, but with little quantification. Human Capital Evaluation quantifies that intuition.

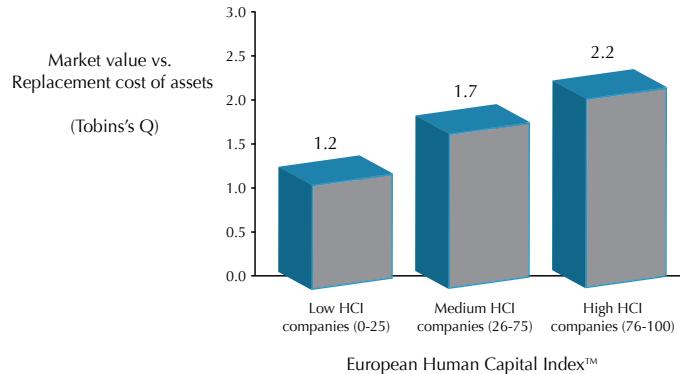
HCE	+	NAV	=	CIV
Human Capital Evaluation		Net Asset Value		Correct Investment Value



THE EUROPEAN EXPERIENCE

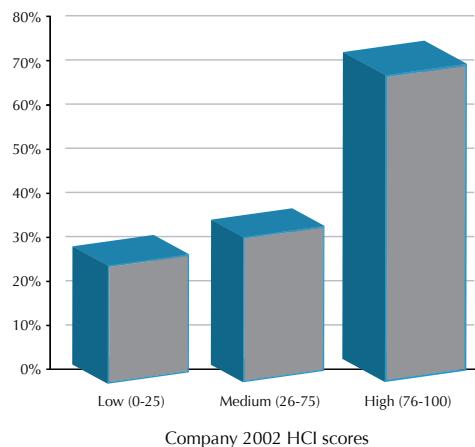
In Europe, North America and Asia-Pacific, organizations with best practices in Human Capital Management (HCM) have a higher performance in market value and shareholder returns. Exhibits 1 and 2 show the aggregate results across a wide range of companies surveyed.

EXHIBIT 1: EUROPEAN COMPANIES WITH A HIGHER HC INDEX CREATE MORE VALUE¹



In economic downturns, when business opportunities are scarce and competition is keen, it is important to maintain excellence in Human Resource Management (HRM). The following exhibit shows the 2002 statistics for Europe.

EXHIBIT 2: COMPANIES WITH HIGHER HC INDEX DELIVER MORE SHAREHOLDER VALUE (INCREASE IN SHAREHOLDER VALUE OVER FIVE YEARS TO 30 JUNE 2002)²



1 Figure from Watson Wyatt's "The HC Index™ European Survey Report 2000" page 3.

2 Watson Wyatt's "The HC Index™ European Survey Report 2002".



NORTH AMERICA'S FIRST HUMAN CAPITAL EVALUATION AND MEASUREMENT SERVICE

At **DEWOLF RESEARCH** and **MOHAN GHATTA INC.**, we understand intangible sources of value. We know how to identify the portion of value that is Human Capital as well as the portion of value which is hard Net Asset Value.

One significant advantage of our service is that it gives companies and analysts a credible measure of a company's human capital in comparison to its peers.

YOUR MOST VALUABLE ASSET

Top quality human beings are increasingly recognized as a key competitive advantage for companies and a key indicator of a company's success. A growing body of evidence indicates that effective HC management directly enhances performance, competitiveness and ultimately, shareholder value. Unfortunately, no one measures this very well.

At **DEWOLF RESEARCH** and **MOHAN GHATTA INC.** we help our clients measure and report on HC management so that they can maximize their investment in their "most valuable asset".



HUMAN CAPITAL ASSETS (HCA) CAN AFFECT CORPORATE GROWTH, REVENUE AND CASH FLOW THROUGH:

1. Decreased recycle time
2. Cost reductions or increased expenses
3. Risk/reward balance
4. Training
5. Employee retention and recruitment
6. Management's use and understanding of its firm's position on the technology curve that drives its competition
7. Incentives
8. Teamwork
9. Conflict resolution procedures
10. Litigation
11. Credibility and transparency of management
12. Depth of the board
13. Regulatory compliance quotient
14. Assessment of site meetings with management including field visits to estimate appropriate Human Capital premiums/discounts to hard Net Asset Values

"The secret to our success lies in our ability to measure and quantify the variance and covariance between DEWOLF RESEARCH and MOHAN GHATTA INC. evaluation and our clients' self evaluation."

WHO IS DEWOLF?

DEWOLF RESEARCH CORPORATION INC. is a Canadian research and consulting practice that provides independent research and consulting solutions to domestic and international clients, primarily in the oil and gas business. **DEWOLF RESEARCH** is a pioneer in developing ways to measure and quantify the value of Human Capital Assets (HCA).

DEWOLF RESEARCH passionately believes in **“THE GOLDEN RULE”**, treating clients, partners and competitors as we expect them to treat us – with the highest standards of professionalism.

DEWOLF RESEARCH capitalizes on the 30 years of professional experience of Mr. G. DeWolf Shaw, the firm’s founder and Executive Chairman.

Mr. Shaw holds a first-class honors degree, B.A., Economics, from McGill University, Montreal. He holds an M.B.A., from the Ivey School of Business – University of Western Ontario, London, Canada. He is a Chartered Financial Analyst (CFA – Charter Number 4944) and is a graduate of DeGolyer & MacNaughton’s Oil Loan Course™ – Dallas, Texas.

From 1991 through 1998 Mr. Shaw sat on the Dean’s Council at the Kennedy School of Government, Harvard University, Cambridge, Mass. as its first Canadian member. He continues his affiliation with the Kennedy School to this day.

During the past 30 years, he has consulted with and analyzed dozens of oil and gas companies all over the world, including coordinating the first Canadian institutional investors mission to the People’s Republic of China in 1983.

WHO IS GHATTA?

Mr. Mohan Ghatta, founder of **MOHAN GHATTA INC.**, earned his Engineering degree from the Indian Institute of Technology, Kharagpur. He earned his M.B.A. at the Indian Institute of Management - Ahmedabad, India. He also holds a degree (B. Tech.) in Computer Science. Mr. Ghatta specializes in the statistical analysis and interpretation of the raw data that is generated from our measurement service.

Mr. Ghatta is an American citizen. He has lived in the United States since 1994 and currently resides on Long Island, NY.





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