AIM Advisers, Inc.
Maximizing Present & Future Value

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About AIM Advisers
AIM Advisers helps small and medium-sized, growth-oriented U.S. companies complete IPOs on the Alternative Investment Market (AIM) of the London Stock Exchange. AIM Advisers also provides a range of services to the 55 U.S.-based companies that are already listed on AIM.

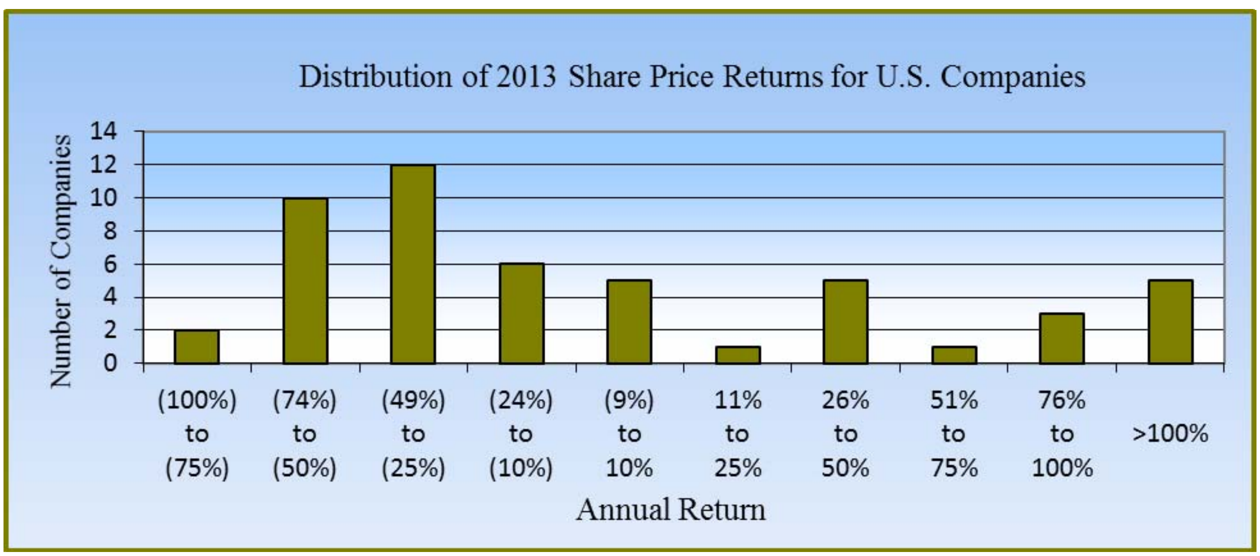
U.S. Company Performance – Share Price and Liquidity – 2013

Highlights

- U.S. domiciled companies achieve a weighted return of 14%
- Foreign domiciled U.S. operating companies achieve a weighted return of 16%
- FTSE AIM All-Share Index gained 20%
- Significant liquidity difference between U.S. and foreign domiciled U.S. companies

There were 22 U.S. domiciled and 34 foreign domiciled U.S. operating companies listed on AIM as of the beginning of 2013. During 2013, six companies delisted, four joined via IPO and one joined by way of reverse takeover. Of the six companies that left AIM; three encountered commercial/financial difficulties and were either placed into administration, liquidated and/or wound up, two simply never developed their businesses to sufficient scale and, as a result, suffered from a low market cap and lack of trading liquidity in their shares and the final one was already majority-owned by the management team who initiated a tender offer for the balance. The four companies that joined via IPO raised the equivalent of $23 million, $21 million, $12 million and $2 million and returned +45%, +53%, +14% and -18%, respectively, during 2013.

The six leavers and five joiners during 2013 are not included in the chart and analysis below because the effect on the share price return analysis would be immaterial. The bifurcation of the share price returns during 2013, with 24 of the 50 companies losing 25% or more of their value and eight posting returns of at least 76%, is similar to 2012 and consistent with the fact that AIM is a 'stock picker's market'.



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The weighted returns in the table below were calculated using the average market capitalizations of the companies during the year, similar to how an index fund would calculate returns.

Index	Unweighted	Weighted
U.S. Domiciled Companies	11%	14%
Foreign Domiciled Companies	(4%)	16%
FTSE AIM All-Share Index	N/A	20%

The weighted return contributions for the U.S. domiciled companies were tightly packed at +/-3%, with four exceptions, where 9%, 9% and 16% weighted gains were achieved (absolute gains of 168%, 89% and 248%) and a weighted loss of 6% was recorded (absolute loss of 68%). One of the gainers is an aquaculture biotech company that received regulatory clearance for commercial production, one secured a number of significant commercial contracts with large companies/partners and the final one, who was also on the list during 2012, continued to achieve commercial success coming out of the Global Financial Crisis, particularly in major emerging markets. The company that lost 68% has developed what appears to be some innovative mobile telecommunications technology, however, it has yet to gain commercial traction.

The weighted return contributions for the foreign domiciled U.S. operating companies were also tightly packed at +/-1%, with four exceptions, where 2% and 24% weighted gains were achieved (absolute gains of 103% and 215%) and two weighted losses of 4% were recorded (absolute losses for both 12%). One of the gainers is an oil and gas E&P company that struck oil in an area that had not been drilled for 25 years and the other gainer is an internet media platform that integrated several acquisitions and is achieving exceptional financial results. Both companies that lost 12% are oil and gas E&P companies; one encountered some delays in acquiring additional drilling rigs and the other encountered some unforeseen operational difficulties.

In terms of average monthly liquidity (see the table below), the foreign domiciled U.S. operating companies outperformed the U.S. domiciled companies on both measures and AIM as a whole on one of two measures. One would expect all of the weighted results to exceed all of the unweighted results, reflecting the positive relationship between a company's liquidity and its market capitalization. The unweighted results represent the level of monthly liquidity that the average company can expect to achieve.

The reversal of this relationship for both categories of U.S. companies indicates that relative trading volumes were larger for companies with smaller market capitalizations. During 2013, investors exited smaller companies in which they were no longer comfortable with the risk/reward relationship, as evidenced by the underperformance of the unweighted share price returns versus the weighted share price returns for both categories of U.S. companies.

Average Monthly Liquidity	Foreign Domiciled U.S. Operating Companies	U.S. Domiciled Companies	Entire AIM Market
Weighted	3.14%	1.42%	3.69%
Unweighted	4.21%	1.61%	3.32%

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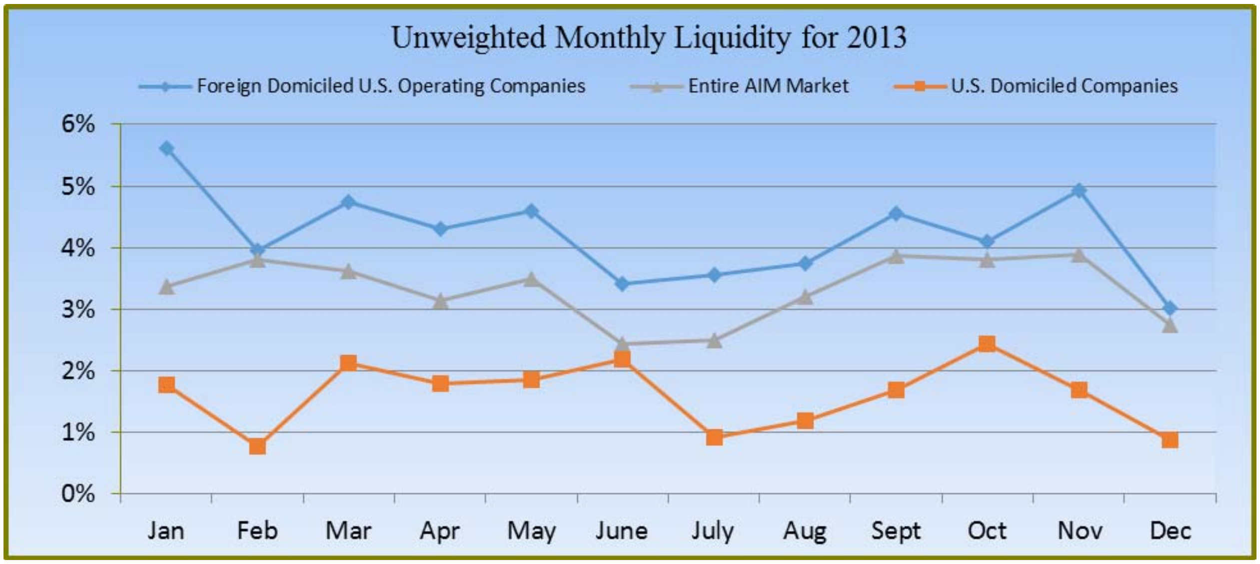
The chart below provides the monthly detail of the unweighted liquidity for each of the three categories in the table on the previous page. The liquidity pattern is relatively stable and exhibits the typical pullback during the summer and the December holiday season.

One important point to note is that from August 2013, AIM shares can be held in U.K. Individual Savings Accounts (ISAs), the U.S. equivalent of IRAs, providing a liquidity boost from retail investors, as evidenced by AIM achieving its three most liquid months in September, October and November. On the legislative front, the current 0.5% stamp duty (tax) on the purchase of shares will be abolished from April 2014, which should provide a further boost to liquidity.

AIM shares can be one of the most tax-advantaged investment; avoiding capital gains tax, income tax, inheritance tax, and, soon, stamp duty. The benefit for companies considering an AIM IPO, and for those already listed on AIM, should be a further reduction in the cost-of-capital and an increase in aftermarket liquidity; both positively impacting valuations.



From a U.S. perspective, the key takeaway from the chart above is that there is a liquidity advantage for U.S. companies that list on AIM via a U.K. holding company. The four main reasons being:

1. Once the Reg. S period expires, the IPO shares can trade directly within CREST
2. Pre-IPO shares not subject to Reg. S can immediately trade directly within CREST
3. Articles of incorporation fully conform to U.K. law, providing comfort to U.K. investors
4. Institutional investors only allocate a portion of their investments to non-U.K. companies

Nevertheless, irrespective of where a company is domiciled, liquidity can be improved. The reasons for a lack of liquidity are often company specific and not obvious. As a consequence, thoughtful and thorough investigation is needed in order to formulate actionable solutions. Several strategic decisions can be taken during the planning of the IPO to minimize the risk of lack of liquidity becoming a problem in the first instance; including, selection of the most appropriate Nomad, Broker(s), Financial PR/IR firm and Independent Equity Research firm.

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