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YE Apr30 Δ: '96 116.9%; '97 28.1%; '98 36.4%; '99 39.4%; '00 180.9%; '01 -50.5%; '02 18.7%; '03 28.8%; '04 166.7%; '05 28.2%; '06 153.3%; '07 8.8%; '08 -25.2%; '09 -50.3%; '10 162.3%; '11 2.6%

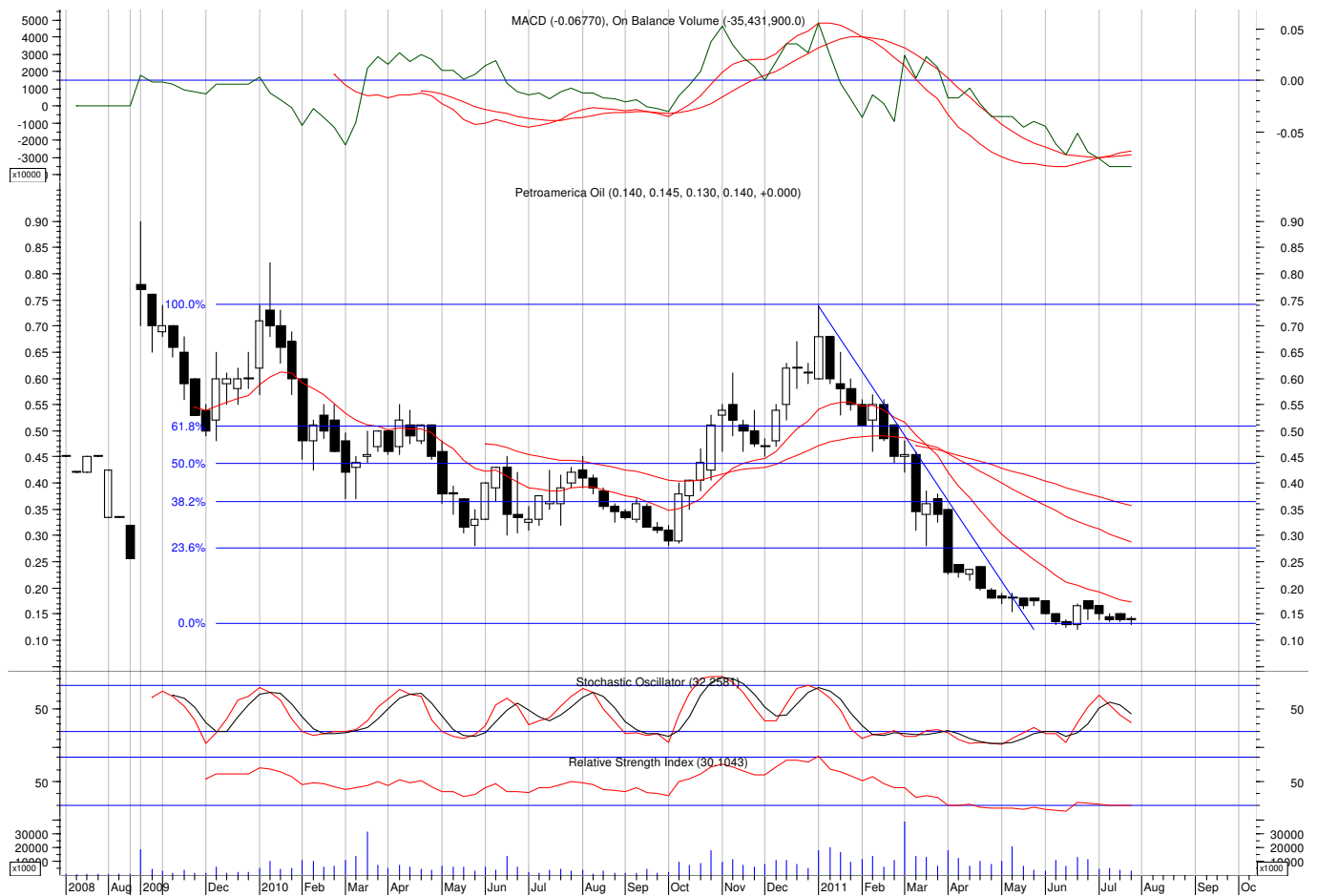
## Junior Gold and Natural Resource Sector Report

July 28, 2011

### Exploring Colombia's Oil Fields

## PETROAMERICA OIL CORP (PTA-TSX Venture)

### UPDATE REPORT



**Daily chart: High \$0.90, Low \$0.12, Last \$0.14**

### POSITIONED FOR GROWTH & CASH FLOW!

Within its first 5 months of operation, PTA has established significant oil production and cash flow. With approximately \$34 million in cash and US\$7.2 letters of credit, a prospective exploration portfolio of 11 blocks combining more 8,000 km<sup>2</sup> (net 2,200km<sup>2</sup>), and strong joint venture partnerships with Pacific Rubiales, Talisman, Petrobras, CEPESA and Dyas, the company is well-positioned for strong growth.

It was just a year ago in March that Petroamerica (PTA) confirmed its first oil discovery in the prolific Llanos Basin of Colombia, which perforated in the Upper Mirador formation at the Balay-1 exploration well. PTA holds a 15% participating interest in the Balay block. Petrobras Colombia is the operator with a 45% participating interest.

Over the past year steady progress has been made. From the inception of the long-term production test on July 14, 2010, through to July 23, 2011, the Balay discovery has produced more than 420,000 barrels of 29° API oil.

Since receiving approval from the Colombian National Hydrocarbon Agency on January 4, 2011 up until June 30, 2011, PTA has received gross revenues of US \$2.8 million from Balay production, achieving an average price of US \$105.91 per barrel with a netback of US \$65.48 per barrel.

PTA is now participating in production from two wells, Balay-1 and Balay-2 ST1. The Balay-2 ST1 appraisal well received Colombian Ministry of Mines and Energy approval late last month, and is now on a long-term production test and has started producing.

Both wells are collectively producing 6,561 bopd gross or 984 bopd, before royalties, net to PTA, with negligible water under electro-submersible pump (ESP). On July 23 under ESP, Balay-2 ST1 produced 2,642 bopd with 0.26% bulk sediment and water (BS&W), while Balay-1 produced 3,919 bopd with 0.24% BS&W. The crude oil is currently being trucked by road and the logistics required to transport this quantity of crude oil is under review.

Placing both wells on ESP is a significant milestone for both the Balay block and PTA, as these test results demonstrate the potential of the Balay discovery, and brings PTA one step closer to achieving commercialization.

PTA also holds a 5% participating interest in the Arauca Block, through a farm-in agreement with Pacific Rubiales Energy, similarly situated within the Llanos Basin. The operator on the block is Pacific Rubiales with a 95% participating interest. PTA is fully carried by Pacific Rubiales for the costs of the first two wells.

On July 3 the first exploration well, Torodoi-1X, was spudded by Pacific Rubiales targeting the Tertiary and Cretaceous reservoir formations in the Arauca Block. On July 18 Pacific Rubiales released an operational update, stating that the well found the Tertiary Carbonera formation at 4,534 feet measured depth (4,121 feet true vertical depth subsea (TVDSS), Tertiary Mirador at 5,549 feet measured depth (5,136 feet TVDSS), Cretaceous Guadalupe at 5,822 feet measured depth (5,325 feet TVDSS) and Basement at 7,119 feet measured depth (6,706 feet TVDSS), reaching total depth at 7,327 feet measured depth on July 12, 2011.

After running open-hole wire line logs, the petrophysical evaluation showed an oil-bearing sand interval in the Carbonera C-5 with a net pay thickness of 13 feet, 24-per-cent porosity and water saturation of 45 per cent without an oil-water contact interpreted, with indicative fluid density similar to that of light to medium oil.

At the C-5 level the Torodoi-1X well is located within a four-way structural closure with an approximate area of 5,300 acres. Management believes the geological information obtained in the Torodoi-1X well will be invaluable for the design of the planned exploration wells with Paleozoic targets. The company is making arrangements to conduct production tests after the running of seven-inch casing down to TD.

Pacific Rubiales CEO Ronald Pantin commented, "We are very encouraged by this first success in the Arauca block as this represents an auspicious start of the activity in this brand new oil region, setting the path for new discoveries that will enlarge our resource base and ensure the long-term growth of the block."

While PTA has a relatively minor participating interest in Torodoi-1X, this well proves up the petroleum system in this part of the basin, and provides additional encouragement for the second well to be drilled on the Arauca block.

PTA's 5% interest will be earned following repayment of its share (5%) of exploration expenditures from commercial production. If no commercial production is obtained, PTA has no obligation to repay the exploration

costs. With completion of this first well on the Arauca Block, it is expected that a second well will be spudded using the same Petrex 22 drilling rig.

PTA's prospective resources summary shows 315 MMBOE unrisks, and 44 MMBOE risks.

### **Why Colombia?**

PTA entered Colombia in October 2009, when it began to farm into prospective lands there. It has quickly expanded to include 11 projects spread over 3 producing basins, and over 800,000 hectares.

According to Oil & Gas Journal, Colombia has 1.4 billion barrels of oil in reserves. In 2008, the investment in the oil sector in Colombia totaled just US\$3.6 billion, compared to US\$16.8 billion in the oil sands in Canada. A combination of exploration potential and the lack of big oil crowding the field made Colombia attractive to both investors and small- to mid-sized oil companies.

Before reforms in 1999 and 2003, Colombia had a relatively harsh fiscal regime, with a fixed royalty rate of 20%, an income tax of 35%, and a carried interest of 50%. While still more appealing than Venezuela it didn't attract oil & gas investors. The country scaled back the royalties in 1999 for small fields, decreasing the carried interest to 30%, and implemented a more lenient profit-sharing contract system (PSC).

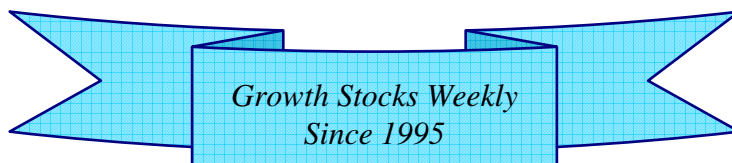
Colombia reformed the structure again in 2003, scrapping the unpopular PSC and carried interest, replacing it with a royalty/tax system. The royalties range from 8% to 25%, depending on field production, and are combined with an income tax of 33%. There's an additional windfall income tax that is tax-deductible, which used to be fixed but as of the latest round is a scaled payment. Following these changes, Colombia had one of the more attractive fiscal regimes in the world, comparable to that of the UK North Sea. Colombia is one of the few places with terms this favorable for the combination of onshore production with high geological potential. The country has a Standard and Poor's credit rating BB+, Moody's Ba1.

### **Technicals**

One look at the chart says it all - a base-building, bottom-pick opportunity for investors. PTA is a company that was formed with too much cheap seed stock overhanging the market, and was forced to raise \$31.6 million at \$0.20 per unit early last month, an embarrassing turn of events after the stock price peaked at \$0.74 in early January 2011. There were 180 million shares issued at \$0.25 in October 2009, 28.6 million shares at \$0.70 issued November 2009, and the 71.875 million shares issued at \$0.40 in November 2010, and all quickly found themselves underwater. As a result, there is lots of liquidity in the stock, and building value will now gradually allow the share price to start a renewed uptrend as value-investors start to appreciate management's technical ability and Colombia's oil and gas potential.

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