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**Performance:** YTD Apr 30: '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%

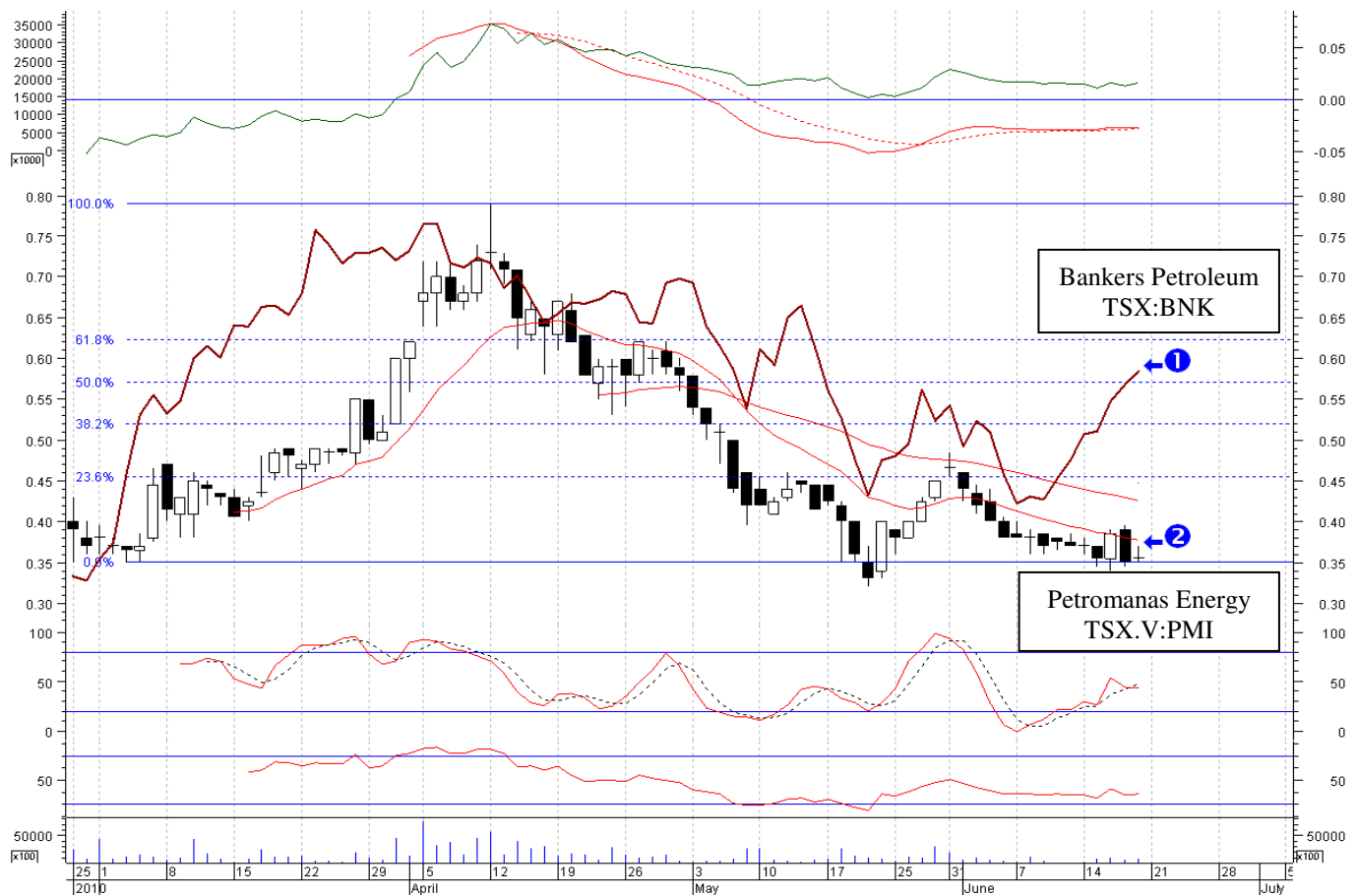
## Junior Gold and Natural Resource Sector Report

June 18, 2010

### Albanian Oil & Gas

## PETROMANAS ENERGY INC (PMI-TSX Venture)

### UPDATE REPORT



Daily Chart: High \$0.79, Low \$0.32, Last \$0.35

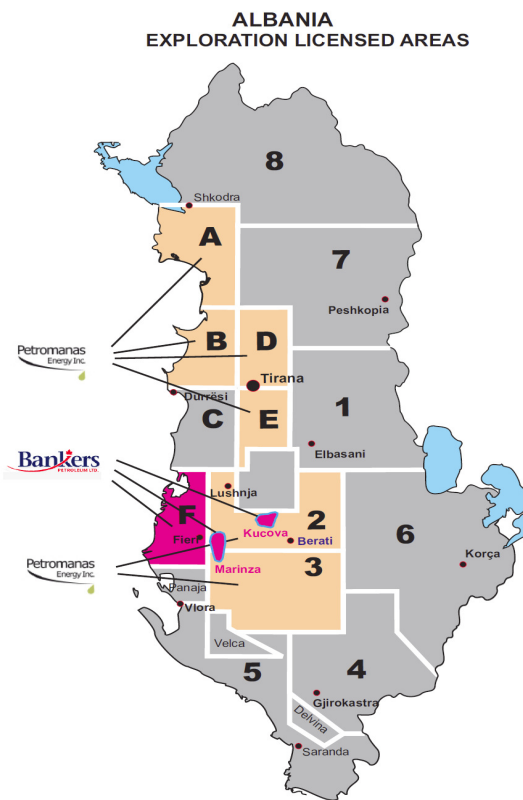
### *Following in the Footsteps of Bankers Petroleum*

Last month we issued an update on Petromanas, our favourite exploration stage oil and gas company. The company had just raised \$75 million, issuing 187.5 million units at a price of \$0.40 per unit. Quantum Partners (part of George Soros' fund management empire) subscribed for 72.5 million units, and Columbia Wanger Asset Management subscribed for a total of 65 million units. They obviously like Petromanas for its focus on high impact exploration onshore Albania, and maybe the fact that fellow Albania-located Bankers Petroleum has been hugely successful in those same Albanian oil fields.

Interestingly, the similarity doesn't end there, as investment banker / advisory Endeavour Financial Group was behind the formation of both Bankers and Petromanas, providing both deals with their initial publicly-traded shell and investment capital. Bankers has performed very well indeed over the last 6 years – a 10-bagger. We see so many similarities, that we wondered ... is Petromanas capable of similar performance?

### **The Heart of a proven hydrocarbon system**

As a start, we observe that Petromanas currently has a 100% interest in three production sharing contracts (PSC) for a total of 6 onshore exploration stage blocks in Albania. These blocks cover ~1.7 million net acres in close proximity to existing production (including that from Bankers Petroleum) across Albania's Berati thrust belt. It's a truism in both mining and O&G exploration that the biggest prizes are most often found where others have had similar success. The following map shows just how big their exposure is, and the proximity to existing exploration and production success:



Source: Petromanas Energy Inc.

Petromanas' acreage lies within a proven hydrocarbon system. In fact, there are nine existing oil fields within Blocks 2 & 3, including the largest onshore oil field in Europe, Patos-Marinza, discovered in 1928, currently operated by Bankers Petroleum. Petromanas has the right to explore and produce oil below and adjacent to the existing oil fields, which are excluded from the area covered by Petromanas' PSCs.

### **Technical Correlation**

The chart we provide on page one shows Petromanas since it started trading as a public company. It is portrayed using a "candlesticks" format that shows each trading day's open, high, low and closing prices, essentially in the form of a candle – black for down days, white for up days. – although that's just a small part of how to read them. It's by far our favourite way of portraying technical data as it provides so much useful information in an easily understandable visual format. For greater clarity, the Petromanas chart / technical data is marked with the number "2"

The solid burgundy line marked "1" plots the closing prices of Bankers Petroleum during the same time period. It is un-scaled to the price chart because Bankers is an \$8 stock today, and we needed to overlay its performance to Petromanas in the simplest way possible – so ignoring price allows direct comparison, and using a simple price line avoids clutter.

So what does the chart tell us? It essentially shows that Bankers always moves before Petromanas does, usually by a week or two, and does so in a highly correlated way. And more important, the big move Bankers started two weeks ago has not yet been started by Petromanas, which has just come off a retest (double bottom) from the May lows.

We add another 100,000 shares to the GSW Model Portfolio upon release of this report.

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