

Growth Stocks Weekly

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Performance: Year ended April 1996 **116.9%**; 1997 **28.1%**; 1998 **36.4%**; 1999 **39.4%**; 2000 **180.9%**; 2001 **-50.5%**; 2002 **18.7%**; 2003 **28.8%**; 2004 **166.7%**

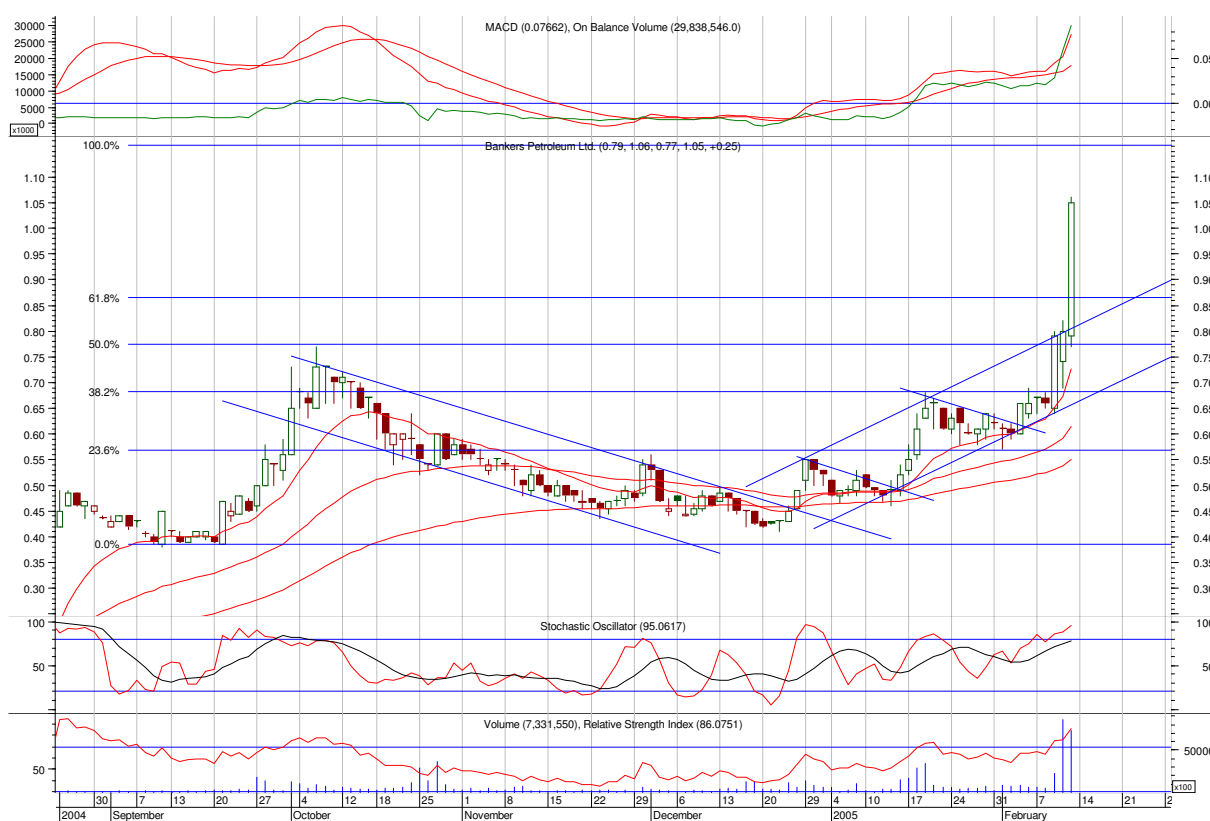
Junior Gold and Natural Resource Sector Report

February 12, 2005

Early-Stage Oil & Gas Opportunity

UPDATE

BANKERS PETROLEUM (BNK-TSX Venture Exchange)



Daily chart, High C\$1.06, Low C\$0.04, Last Trade C\$1.05

BREAKOUT!

Bankers Petroleum was organized in early 2004 to initially acquire oil and gas exploration & development opportunities in the Patos Marinza oilfield in Albania. Bankers hit the ground running with its Albanian properties, which added immediate production of 700 Boe/d from 20 wells. Bankers has since grown production to 1,500 Boe/d, and is now solidly established operationally to accelerate their development plans in Albania, expecting to grow production to 5,000 Boe/d by year-end.

Bankers has just announced the acquisition of lease rights to approximately 190,000 net acres of land (potentially growing to 250-300,000 net acres) in the Palo Duro basin of western Texas, located within the Lower Pennsylvanian Bend group sands and shales. Bankers believes these shales to be geologically similar to the Barnett shale in the Fort Worth basin. The Barnett shale play is the largest producing natural gas field in Texas, estimated to contain one trillion cubic feet of recoverable gas per 45,000 acres in the core area. A discovery well was tested last year in the Palo Duro basin and is reported to have flowed at 2.8 million cubic feet per day as quoted in the Texas Drilling Observer, Volume 6 issue, No. 31, dated Jan. 21, 2005.

Review

We issued our Initial Research Report on July 17, 2004 and established a GSW model portfolio position of 100,000 shares at an average cost of \$0.34 per share that same week. We subsequently acquired a further 50,000 units in Bankers' \$0.55 private placement in October 2004, to hold a total of 150,000 shares (average cost \$0.41 per share) and 25,000 5-year warrants exercisable at \$0.95.

Banker's share price came alive in late May 2004 from the C\$0.05 area, running up to \$0.55 by mid-June before easing back. Price pulled-back to a solid support area on the C\$0.33 price line. The OBV had remained flat as early accumulators and pre-change-of-control shareholders, faced with a 10-fold price move after a multi-year period of inactivity, sold into the initial profit-taking dip.

Around July 10th OBV started lifting, indicating resumed net accumulation, less than 2 weeks after Bankers announced their 30 million-unit \$0.26 private placement. These events were two key signals to acquire a position in Bankers.

Our July 17th report went on to discuss the key events, structure and new management. Our technical observations included a highlight of the telltale saucer-shaped bottom that had then started to trend higher.

Our subscribers have since been updated with several email distributions that included news releases, press and 3rd-party coverage and my periodic technical commentary.

On Jan 15, 2005 I sent out a technical bulletin highlighting the end to end-of-year selling pressure that took price down precisely to the important 61.8% Fibonacci Retracement line. I pointed out that this formed an apparent "head" of a reverse head & shoulders formation – a most powerful precursor to a major move - and noted renewed buying interest which had cleaned out the overhang and moved price back up through the 50% Fib line resistance on increasing volume. Old resistance generally becomes new support once broken through.

I provided a tentative new up-trend line, and noted that OBV had turned up sharply - indicating continued strong accumulation. MACD had moved through its "zero" line buy signal for the 1st time since September 2004 – very bullish. There was also a potential "cup and handle" formation, typically suggestive of a powerful move upward upon completion. All the technical elements were in place for a potential breakout move!

I speculated that while difficult to pinpoint the timing of any breakout through the \$0.55 resistance area, MACD's positive divergence to the prior 2 weeks' price retracement back to test the \$0.48 support area suggests it was coming relatively soon.

The January bulletin emphasized that the \$0.55 resistance area coincided with the last financing price, where Bankers raised \$17 million. Typically there will be investors wishing to recoup their original investment and retain the warrants at a zero-cost. The implication being, once new investors buy-up this overhang the share price would be relatively free to run.

New Developments

Several key events have recently occurred which help explain why the stock has broken-out on heavy buying interest.

On January 17th the company announced that it was engaged in a competitive purchase program aimed at acquiring substantial acreage in oil and gas leases in North America in an area believed to have potential for natural gas production.

On February 1st it was announced that Bankers received an updated engineering report from Adams Pearson & Associates on their Patos Marinza oil field in Albania, which conforms to National Instrument 51-101 Standards. The new reserve evaluation supports Bankers' plans for stable production with upside in Albania. Production from the field is currently 1,500 Boe/d from 27 operating wells. Bankers holds an inventory of more than 2,500 cored wells (600 active) for potential re-completion. The evaluation points to **P90 and P50 recoverable reserves of 35 MMBbls and 98 MMBbls**, respectively. Before tax assigned values on a **PV10% basis are US\$94 million and US\$451 million**, respectively.

On February 10th Bankers announced their acquisition of lease rights to approximately 190,000 net acres of land in the Palo Duro basin of western Texas. Management believes that until recently significant hydrocarbons were overlooked in this region within the Lower Pennsylvanian Bend group sands and shales, and that these shales are geologically similar to the Barnett shale in the Fort Worth basin.

The Shales

As a result of improved fracture stimulation technology, the Barnett shale play has been transformed into the largest producing natural gas field in Texas, estimated to contain one trillion cubic feet of recoverable gas per 45,000 acres in the core area. Bankers management believes there are many similarities in the Fort Worth and Palo Duro plays, including the depth, thickness, thermal maturity and total organic content of the shales. A discovery well was tested last year in the Palo Duro basin and is reported to have flowed at 2.8 million cubic feet a day as quoted in the Texas Drilling Observer, Volume 6 issue, No. 31, dated Jan. 21, 2005.

Bankers is continuing to acquire additional acreage it believes to be prospective with a view to having a total of 250,000 net acres to 300,000 net acres under lease. As part of the acquisition program, Bankers is acquiring technical data that will assist in defining a development program for 2005.

Total consideration payable for the oil and gas interests held, or currently in the process of being acquired, is approximately \$5-million (U.S.) for lease bonus and acquisition costs. Bankers' net revenue interest will be no lower than 75 per cent on leases acquired under the current agreements. The seller, a private Texas company, is entitled to participate for up to a one-16th working interest in all wells drilled. The right to participate is covered by an operating agreement, with Bankers submitting a maximum of five wells at any one time.

In connection with the acquisitions, Bankers granted **Tyner Resources Ltd.** (TIP-TSXv) a right to an assignment of the company's working interest in 10 sections (6,400 acres) of the leases acquired, at Bankers' total lease costs in respect of such sections. Tyner is obliged to drill at least one well on the assigned sections within one year of acquiring its interest.

Technicals

The stock is short-term over-bought, but such a condition could remain for sometime. Similar to stocks that violently break support (buying them would be like attempting to catch a falling knife), a stock that breaks out on huge relative volume (18 million shares in 3 days!), may continue on for sometime. No one will ring a bell at the top. Trying to pick a top in a price zone with no past trading history (new high territory qualifies!) is difficult, but there are several tools of use. I use a combination of Fibonacci extensions to past retracements to determine a coming resistance area, a relative-strength index and a stochastic oscillator to compare to previous tops and divergences, and volume to measure demand and supply. Typically, like on the day of the Texas acquisition announcement, price pullbacks will occur before a rally resumes. This is often where investors go from euphoria to fear, selling their position only to watch as the price turns up to new highs. Our strategy continues to be one of scaling out slowly and methodically, selling some too early, and inevitably selling some too late. The idea is to sell enough at this stage to repatriate our original investment only, and let the rest ride.

Conclusion

With a stable, increasing production base in Albania and the accumulation of know-how in the region, there is significant upside for growth potential. A 12-month target price of \$1.00 was warranted based only on the Albanian assets, which represents around 6.0x 2006E CFPS of US\$0.14 and 5.5x EV/EBITDA, as taken from Bankers' financial models. The Palo Duro acreage offers geographic and political diversification, is a potentially prolific shale gas resource, and adds significant potential blue-sky opportunity to Bankers.

Bankers' strategy is to continue its pursuit of unconventional oil and gas reserves both in North America and internationally. Bankers has also identified other fields in Albania with the potential for entering into petroleum agreements with Albpetrol.

We are selling off a percentage of our position into this rally as part of our long-established money-management and investment strategy, with the objective of recovering our initial investment dollars. We will maintain the remainder of our shares and warrants, at approximately zero cost, to participate in Bankers' longer-term prospects, which we suspect may be significant.

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