

Growth Stocks Weekly

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Growth: 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%; 2005 28.2%; 2006 153.3%; 2007 8.8%; 2008 -25.2%; 2009 -50.3%

Junior Gold and Natural Resource Sector Report

March 15, 2010

Exploring Colombia's Oil Fields

PETROAMERICA OIL CORP (PTA-TSX Venture)

UPDATE REPORT



FIRST SUCCESS AT BALAY-1

Last week Petroamerica (PTA-TSXv) confirmed an oil discovery which perforated in the Upper Mirador formation, at the Balay-1 exploration well, in the prolific Llanos Basin of Colombia. The well tested at a stabilized rate of 1,314 bbl/d of 28° API oil. PTA has a 15% working interest (WI) in this well and we estimate net production to the company

is ~197 bbl/d. This represents first production and cash flow for PTA. We await further details as to the status of the well being tied-in and available facilities and infrastructure in the area. Testing operations will continue.

There are 6 prospects at Balay, each with a P50 reserve estimate of 10 mmbbl. A typical Llanos well IP's at ~2,500 bbl/d with cumulative reserves of ~8 mmbbl. Given the initial production (IP) of only 1,314 bbl/d we are tempted to reduce our reserve estimate for Balay down to 5 mmbbl, given the lower initial production rates in comparison to the Llanos basin average.

However, technology in this sector is impressive, and PTA provided no disclosure as to whether the flow rates could be improved, likely future appraisal drilling locations, whether the well was on-stream or what facilities are in the area. And the fact is the share price has started to appreciate on rising volumes since the announcement.

Balay sits adjacent to the north east side of Petrominerales' Corcel block. Petrobras is the operator and holds the remaining WI at Balay. Petrominerales is a 66-per-cent-owned subsidiary of Petrobank Energy and Resources. PTA's management team was instrumental in developing and finding the Corcel play in their previous endeavors at Petrominerales.

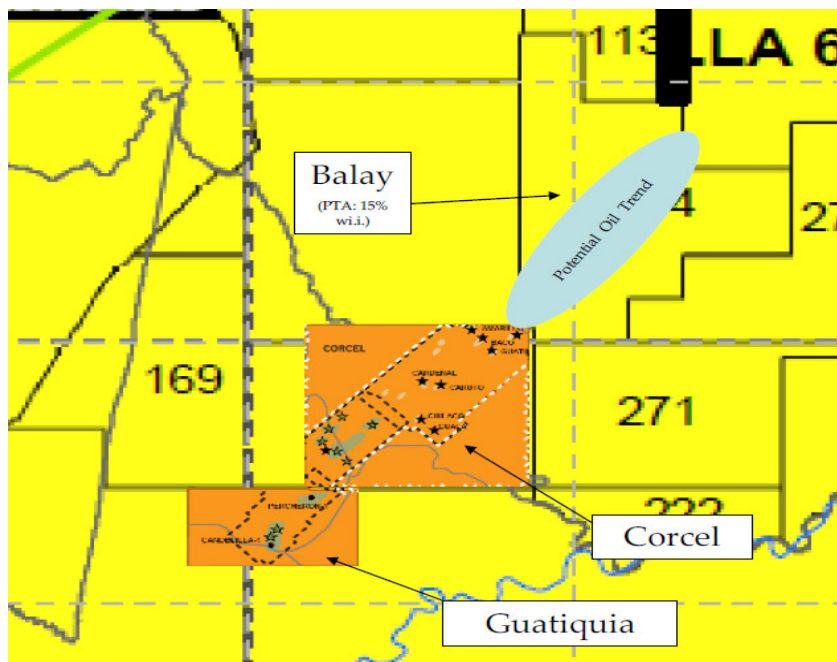
We expect upcoming catalyst events will include an update regarding production volumes, results from the seismic program, a future NI51-101 report verifying resource potential, and additional drilling plans.

Griffiths McBurney's (GMP) share price target was increased last week to C\$0.80 (previously C\$0.75), and Raymond James maintains a C\$1.00 target.

Background

By paying 25% of this well's cost, PTA fulfills one of the farm-in commitments. The payment of 15% of recent 3D seismic was the other commitment. Following this PTA is entitled to a 15% interest in the Balay block.

The Balay block lies adjacent (Northeast) to the Corcel block (last reported 2P reserves of 14 million for that block's operator). Similarly, the Balay block lies on the continuation of a trend formed by the Corcel and Guatiquia block oil discoveries. Note that the two most recent wells on the Guatiquia block flow tested at 11,500 bopd and 15,800 bopd respectively. The ANH awarded the Balay block to Petrobras in 2008, following the matching by Petrobras (under a refer agreement) of a proposal for the block made by Petrominerales. The following map outlines the relative locations of the Corcel, Guatiquia and Balay blocks.



These new discoveries are the reason that Colombia is increasing production -- currently ~660,000 barrels of oil flow out of Colombia every day. PTA's 175 sq mile tract is sitting right in the heart of these fields. The risk in this large project is reduced by the presence of veteran Latin American oil partners like Petrobras, the operator.

Petrobras is the largest company in Latin America, an integrated oil producer that drills for oil and has its own refineries and gas stations, with daily worldwide production of about 2 million barrels of oil per day.

What adds to PTA's potential is the excellent technical team it has assembled, as well as the big-name backers it has on board. What makes PTA so compelling is that they have recruited most if not all of the senior operational management from Petrominerales (PMG-TSX), a key oil & gas player in Colombia. Petrominerales' key asset is the Corcel Field, also known as the Field of Dreams, in the Llanos Basin of central Colombia. Wells there have an initial production (IP) rate of 10,000 bopd, and settle out after the first year at about 2,500 bopd. We need look no further than the board of PTA to find additional credibility, political connections and technical talent.

Pacific Rubiales is another Canadian-based company and producer of heavy crude oil and natural gas. It operates the Rubiales and Piriri oil fields in the Llanos Basin of Colombia in association with Ecopetol S.A. the Colombian national oil company. Rubiales is focused primarily within the eastern Llanos Basin as well as in other areas in Colombia and northern Peru. Current net production is approximately 34,000 barrels of oil equivalent per day, with working interests in 34 blocks in Colombia and Peru. One director from Rubiales, Augusto Lopez, and Ron Pantin, the CEO of Rubiales, are on PTA's Advisory Board. Paul Kroshko (President/CEO) is the former VP of Exploration at Petrominerales and was also exploration manager for Petrobank (who now owns 69% of Petrominerales). Prior to that, he worked as a senior staff geophysicist with Nexen Colombia.

Behind the scenes, we have Sam Magid, a very successful merchant banker and deal-maker as well as analyst, and Frank Giustra, former chairman of Endeavour Financial and Lions Gate Entertainment who requires no further introduction to GSW subscribers. With these two gentlemen behind the deal, PTA is on top of its issues of financing and promotion. Mr. Magid's recent win was Ventana Gold (VEN-TSX), which returned well over 2,000%. He has the goal of seeing PTA emerge as a dominant oil producer in Colombia.

Why Colombia?

PTA entered Colombia in October 2009, when it began to farm into prospective lands there. It has quickly expanded to include 10 projects and over 900,000 hectares. PTA hopes to acquire more land in the upcoming 2010 bid in Colombia.

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 make 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.

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