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Energy – Oil and Gas, Exploration and Production

The Colombian Quarterly

Q2/10 – “The country is not Paradise yet”

In this report we provide political, economic and industry news and data points on the investment environment in Colombia.

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Summary

This was a dynamic quarter for the Republic of Colombia. There were multiple wins, as the Canada-Colombia Free Trade agreement was given third and final reading in the Canadian House of Commons and received Royal Assent; the country elected a new President, Juan Manuel Santos; and a bid round for new oil and gas blocks was very successful. In addition, at a joint Colombia Oil and Gas Investment Conference/World Petroleum Council regional meeting for Latin America, speeches to delegates were given by both President Uribe (quoted in this edition's title) and President-elect Santos.

Meanwhile, to the business of the country. After finishing 2009 with a bang, share prices of Colombian-focused exploration and production companies slumped an average of 18% in Q2/10 as worldwide equity markets reflected bearish sentiments that have caused some commentators to worry about a possible double-dip recession. Share prices dropped in Q2/10 as much as 56%, with only three companies on our Colombia focus list having positive share price movement. Notable was the Colombian Stock Exchange (IGBC) which exhibited a 2.7% increase, besting the TSX which saw a 9.6% drop as well as the Canaccord Genuity International Index, which plummeted 30.4% in the quarter. In Q2/10, the weak crude oil price hurt equities, as the benchmark WTI price dropped 10.9%, following on a 5.5% gain in Q1/10.

Of note during the quarter was the success of the Colombian oil and gas industry and the continued increase in crude oil production, which was up 6.6% to 783,000 bbl/d between December 2009 and June 2010. Further production increases are expected in 2010, with the ANH estimating an increase to over 800,000 bbl/d by the end of the year as increasing investment translates directly to increased production, particularly in the Llanos Basin.

Looking ahead to Q3/10, ongoing interest in Colombia from the resource sectors should continue to fuel positive sentiment toward Colombian business and economy.

Priced to market close 23 July 2010.

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Figure 1: Public company performance data

	Apr. 1, 2010 to Jun. 30, 2010 Q2 2010	Jan. 1, 2010 to Mar. 31, 2010 Q1 2010	Jan. 1, 2010 to Jun. 30, 2010 Last 6 Months	Oct. 1, 2009 to Jun. 30, 2010 Last 9 Months	Jul. 1, 2009 to Jun. 30, 2010 Last 12 Months	Jul. 1, 2008 to Jun. 30, 2010 Last 24 Months
Energy Indices:						
S&P/TSX Composite	(9.6%)	(0.6%)	(7.5%)	0.0%	8.5%	(37.7%)
S&P/TSX Energy Index	(8.1%)	(2.7%)	(8.2%)	(0.7%)	3.9%	(35.6%)
S&P/TSX E&P Index	(7.0%)	2.5%	(3.8%)	2.0%	8.9%	(21.9%)
Colombia Stock Exchange (IGBC)	2.7%	4.4%	7.3%	11.6%	24.2%	38.2%
MSCI World Energy Index	(18.4%)	(1.7%)	(18.1%)	(11.5%)	(5.2%)	(43.5%)
Canaccord Genuity International Index	(30.4%)	20.6%	(14.4%)	1.8%	27.3%	(17.2%)
Commodities:						
WTI Crude (US\$/bbl)	(10.9%)	5.5%	(4.7%)	6.8%	9.1%	(46.4%)
Brent Crude (US\$/bbl)	(10.7%)	6.1%	(3.7%)	8.4%	9.0%	(46.7%)
Colombian Energy Companies:						
Alange Energy Corp (ALE: TSX-V)	(37.5%)	(9.5%)	(44.4%)	(47.0%)	(24.7%)	(61.1%)
Amerisur Resources (AMER:AIM)	(19.7%)	1.6%	(14.5%)	120.8%	273.2%	79.5%
Azabache Energy Inc. (AZA: TSX-V)	(4.7%)	(12.0%)	(18.0%)	17.1%	17.1%	(81.4%)
Benchmark Energy Corp. (BEE: TSX-V)	(5.6%)	80.0%	70.0%	183.3%	161.5%	(54.1%)
Brownstone Ventures Inc. (BWN: TSX-V)	(31.7%)	(31.8%)	(53.4%)	(19.6%)	(5.7%)	(74.4%)
C&C Energia Ltd. (CZE: TSX-V)	NA	NA	NA	NA	NA	NA
Canacol Energy (CNE-TSX-V)	26.8%	6.2%	38.5%	190.3%	462.5%	9.8%
Emerald Energy (EEN: AIM)	0.0%	0.0%	0.0%	(0.2%)	46.9%	93.2%
Global Energy Dev't (GED: AIM)	(30.7%)	49.6%	5.3%	(1.4%)	(2.1%)	(40.9%)
Gold Oil (GOO: AIM)	(18.2%)	(2.3%)	(19.0%)	(43.8%)	(5.1%)	(70.6%)
Gran Tierra Energy (GTE: TSX)	(11.4%)	0.0%	(10.8%)	22.4%	32.1%	(34.4%)
Houston American Energy Corp. (NASDAQGM: HUSA)	(49.7%)	194.6%	60.1%	189.1%	388.1%	(10.4%)
Interoil Exploration and Production ASA (IOX: NOK)	80.0%	(29.4%)	27.1%	15.1%	(17.5%)	(72.5%)
Kinetex Resources Corporation (KTX: TSX-V)	(50.0%)	121.9%	(6.3%)	15.4%	20.0%	(68.1%)
La Cortez Energy (LCTZ: OTC)	(53.4%)	46.5%	(32.2%)	(11.9%)	(7.5%)	(50.5%)
Loon Energy (LNE: TSX-V)	(55.6%)	80.0%	(20.0%)	(36.0%)	(36.0%)	(73.3%)
Maurel & Prom (MAU: FR)	(24.7%)	(5.0%)	(27.5%)	(32.2%)	(24.7%)	(38.3%)
Pacific Rubiales Energy (PRE: TSX)	19.3%	27.7%	54.4%	87.3%	148.8%	77.7%
Parex Resources Inc. (PXT: TSX-V)	(16.5%)	17.1%	(1.0%)	NA	NA	NA
Pan Andean Resources (PRE: AIM)	0.0%	(1.6%)	(1.6%)	56.9%	61.0%	26.5%
Petro Andina Resources Inc. (PAR: TSX)	NA	NA	NA	3.4%	18.9%	(5.3%)
Petroamerica Oil Corp. (PTA: TSX-V)	(30.4%)	(20.0%)	(46.7%)	146.2%	113.3%	(39.6%)
Petrodrado Ltd. (PDQ: TSX-V)	(23.5%)	(29.0%)	(48.0%)	23.8%	160.0%	(13.3%)
Petrolatina Energy (PELE: AIM)	(11.0%)	(19.1%)	(36.5%)	(41.6%)	(7.6%)	(29.8%)
Petrolifera Petroleum (PDP: TSX)	(32.3%)	(1.0%)	(33.0%)	(36.9%)	(77.2%)	(92.5%)
Petrominerales (PMG: TSX)	(25.3%)	77.2%	32.2%	76.7%	89.7%	52.0%
Petro Vista Energy (PTV: TSX-V)	(9.5%)	(4.3%)	(17.4%)	(5.0%)	40.7%	(83.5%)
Quetzal Eenergy (QEI: TSX-V)	(25.0%)	11.8%	(20.6%)	3.8%	(32.5%)	(67.9%)
Suroco Energy (SRM:TSX-V)	(36.0%)	85.7%	24.3%	27.9%	102.3%	(51.7%)
Talisman Energy (TLM:TSX)	(9.3%)	(11.8%)	(17.6%)	(9.3%)	(2.3%)	(26.6%)
Woburn Energy (WBN: AIM)	(28.6%)	(33.5%)	(52.5%)	(55.4%)	(37.5%)	(75.6%)

*Petro Andina's last trading day was October 29, 2009; C&C Energia did not commence trading until May 24, 2010; Pan Andean Resources' Colombian and Peruvian assets were acquired by Petrominerales effective April 14, 2010.

Past performance is not indicative of future results.

Source: Canaccord Genuity, Bloomberg

SUMMARY

THE START OF THE SANTOS ERA

On June 20, 2010, the Republic of Colombia elected its 40th President, Juan Manuel Santos Calderon. President-elect Santos won the initial election held on May 30, but was not able to gather the required 50% plus one vote to be declared the winner. As a result, Mr. Santos faced challenger Antanas Mockus in a two-man runoff election. Mr. Santos was the winner of the election by a wide margin, securing just over 9 million votes to Mr. Mockus' 3.59 million votes. Mr. Santos received overwhelming support of the country with just over 69% of the votes (compared with 27.5% for Mr. Mockus) and won 32 of 33 electoral districts. Mr. Santos and the parties supporting him also control the country's Congress and Senate.

President-elect Santos will take over from President Uribe on August 7. He has pledged to continue his predecessor's policies, but faces issues in the country related to high unemployment, infrastructure in need of significant investment and an ailing healthcare system. Mr. Santos also pledged that the policy of domestic security will continue – that Colombia “will not let its guard down until the last centimetre of the country is safe”.

MARKET PERFORMANCE

Market sentiment turned decidedly negative through the end of Q1/10 and fully into the second quarter as we entered the “summer of our discontent”. With the exception of the Colombian Stock Exchange, all of the indices in our comparative group were down in Q2/10, led by a decline in the world price of crude oil and continuing concerns about the health of the world economy.

The Colombian oil and gas sector generally continues to improve as Colombian production continues to rise. Production through the second quarter rose further, but not as quickly as in Q1/10. Continued strength in oil prices, stabilizing of economic fundamentals, strong operational performances and favourable Colombian fiscal terms have all contributed to the ongoing production growth. The Colombia Stock Exchange followed up solid Q1/10 performance of plus 4% with another 3% improvement in Q2/10.

The top-performing companies in Q2/10 were Oslo-listed InterOil Exploration and Production ASA (IOX : OSE, up 80%), Canacol Energy (CNE : TSX-V, up 26.8%) and Pacific Rubiales Energy (PRE : TSX, up 19.8%). With all other companies in the Colombia focus list being down in the quarter, the average was an 18% overall decline in share prices for the Colombia universe. The worst-performing companies were many and included Loon Energy (LNE : TSX-V, down 55.6%), La Cortez Energy (LCTZ : OTC, down 53.4%) and Kinetex Resources (KTX : TSX-V, down 50%),

NOTABLE COMPANY NEWS

Public companies operating in Colombia remained active as production in the country continued to increase in the quarter. Continuing production growth since the start of 2009, total crude oil production reached 783,000 bbl/d in June, up from 735,000 bbl/d at the end of Q4/09. Below are some highlights from our coverage list.

Alange Energy Corp. (ALE : TSX-V : C\$0.39 | BUY)

- On April 27, Alange announced updated reserves as at December 31, 2009. The company posted a 181% increase in 2P reserves while also increasing its NPV10% value. The increases were attributed to drilling success on the Cubiro Block, higher forecast commodity prices and slightly lower costs. The report was prepared by reserve evaluator Petrotech Engineering Ltd.
- On April 30, Alange announced its 2009 year-end financial and operating results. After reaching a record production rate of 3,773 boe/d in December 2009, the company exited 2009 at 2,129 boe/d due to a lack of trucking and takeaway capacity. Alange had negative operating cash flow of US(\$10.3 million) in Q4/09 and a loss of US(\$10.6 million) for the full year. As of year-end, the company had US\$25.1 million in cash and cash equivalents, with a net US\$4.1 million of positive working capital.
- On May 3, Alange announced that the Copa-1 exploration well (the first of the company's four-well exploration drilling program on the Cubiro Block) discovered three prospective productive horizons (C5, C7, and C3 zones) within the Carbonera Formation. Test results from the first prospective productive horizon, the C5 zone, indicated a flow rate of 854 bbl/d. On May 17, Alange announced test results confirming a second productive horizon (the C3 zone) in the Copa-1 exploration well. Initial production tests resulted in an initial flow rate of 120 bbl/d. The company estimates installation of an electric submersible pump could increase productive capacity to 1,200 bbl/d.
- On May 26, Alange released Q1/10 results, with production averaging 2,305 boe/d for the quarter, and an exit rate of 2,280 boe/d. Production has since increased to approximately 3,100 boe/d. The company is guiding to reach the 10,000 boe/d level by Q2/11. Alange generated US\$4.3 million in cash flow (relative to our previous estimate of \$5.3 million) due to higher than expected G&A costs, which have recently stabilized at US\$1 million per month. Alange also announced additional debt financing of up to US\$27 million, representative of all additional financing necessary to complete the company's planned US\$76 million in capital expenditures for 2010.
- On June 3, Alange announced that production had surpassed the 3,000 boe/d level, with the increase attributable to appraisal and optimization work on the Cubiro Block, and incremental production additions from the La Punta-3 well.
- On June 22, Colombia's National Hydrocarbon Agency (ANH) held Colombia's 2010 bid round – Alange was awarded two blocks, one in proximity to its existing Cubiro assets, the other in the intermountain region near Bogota. Subsequent to the end of the quarter, the company announced that Alange had been awarded an additional three blocks in the Magdalena Basin.

Canacol Energy (CNE : TSX-V : C\$1.05 | SPECULATIVE BUY)

- On April 7, Canacol announced it had filed all documentation required by the Colombian Financial Superintendency for listing on the Colombian Stock Exchange, Bolsa de Valores de Colombia. The application process is expected to take approximately 45 days. Canacol subsequently began trading on the BVC on July 22.
- On May 13, Canacol announced the closing of the overallotment on the company's recent \$50 million financing. The company has now raised a total of \$57.5 million, through the issuance of 76.7 million shares at \$0.75/share.
- On May 31, Canacol reported its financial and operating results for the period ended March 31, 2010. Production for the quarter averaged 2,406 bbl/day, but has since increased to a current rate of 3,240 bbl/d (composed of 1,890 bbl/d of net production and 1,350 bbl/d of tariff production). Canacol also announced it will commence a five-well infill development program at Rancho Hermoso (Llanos Basin, Colombia) in mid-June, targeting net royalty interest production from the recently discovered Guadalupe and Los Cuervos reservoirs.

Gran Tierra Energy Inc. (GTE : TSX : C\$6.00 | GTE : AIM | BUY)

- On May 10, Gran Tierra released financial and operating results for the quarter ended March 31, 2010. Production for the quarter averaged 14,908 boe/d, representing a 43% increase over Q1/09 production of 10,389 boe/d and a 1% increase over Q4/09 production of 14,714 boe/d. Cash and cash equivalents totalled US\$265 million as at March 31, 2010.
- In June, Gran Tierra announced an exploration success at the Moqueta prospect on the Chaza Block. A total of four potential horizons were encountered, which was better than expected. Initial testing of the Moqueta-1 well confirmed hydrocarbons in the Caballos and Villeta formations, producing 349 bbl/d and 13 mmcf/day. Planning for an 8 kilometre pipeline to tie the well into Costayaco infrastructure has commenced, with long-term testing and early production expected in Q1/11. The drill rig is currently being mobilized to complete an appraisal well, Moqueta-2.
- On June 24, Gran Tierra announced successful bids on three blocks in the 2010 Colombia Bid Round. The 114,097 acre Putumayo 10 Block is located in proximity to the company's Piedmonte Norte and Piedmonte Sur exploration blocks and is on the same structural trend as the Chaza Block (Costayaco field). The Cauca 6 and 7 Blocks represent a combined 1,356,647 acres of wildcat exploration acreage in the southern portion of the Cauca Basin in southern Colombia, approximately 100 kilometres north of the Putumayo Basin

Pacific Rubiales Energy Corp. (PRE : TSX : C\$24.62 | BUY)

- On April 7, 2010, Pacific Rubiales and partner Ecopetrol, S. A. announced the successful completion of the first phase of the companies' STAR thermal recovery project and the kick-off of the second phase. Phase 2 will include the field pilot for the STAR project as well as set the basic terms and conditions for the commercial implementation of STAR at the Rubiales field.
- On April 26, Pacific Rubiales declared commerciality of the southwest regions of the Quifa and Rubiales fields. The commerciality comprises 40,000 hectares, while the development plan calls for the production of 30,000 bbl/d gross by the end of 2010,

and 60,000 bbl/d gross by the end of 2011 from the Quifa block. The company also commented on ongoing successful drilling in the northern Quifa area, where regional success has resulted in Petrotech Engineering allocating 251 million barrels of certified gross resources on the Quifa A, F, and Q prospects.

- On May 14, Pacific Rubiales announced operating and financial results for the quarter ended March 31, 2010. The quarter was dominated by exploration and drilling results from the Quifa Block. Production and cash flow came in ahead of expectations largely due to better than expected timing of well tie-ins. The company remains on track to expand gross Rubiales field production to 170,000 bbl/d around the end of 2010 and develop the southwest corner of the Quifa Block for production of 30,000 bbl/d by year-end.
- On July 12, Pacific Rubiales announced a new heavy oil success in Colombia. A stratigraphic test well drilled on the CPE-6 Block, located 100 kilometres west-southwest of the Rubiales field, has confirmed the presence of oil first identified on the block 30 years ago. The well, in combination with the previous four wells drilled in the 1980s, has identified a potential stratigraphic closure of 25,200 acres. By comparison, the Rubiales field, which we estimate to contain approximately 5 billion barrels of oil in place, is approximately 75,000 acres in size.

Petrodorado Ltd. (PDQ : TSX-V : C\$0.27 | SPECULATIVE BUY)

- On April 20, Petrodorado announced financial and operating results for the year ended December 13, 2009. While 2009 was a start-up year, production stumbled in early 2010 due to transportation issues in the Cubiro region of Colombia. However, the company expects resolution of said issues by the end of Q2/10.
- On June 14, Petrodorado announced it will farm-in for a 30% interest in the CPO-5 Block, an unexplored block with extensive seismic, in Colombia's Llanos Basin. No further terms have been announced, but the company expects to shoot 650 square kilometres of 3D seismic and 240 kilometres of 2D seismic before year-end, with two exploration wells planned for Q1/11. Petrodorado estimates the block contains approximately 78 million barrels of unrisks resource potential (net to its 30% interest to be earned in the block) and has a 25% chance of success.
- On June 15, Petrodorado announced that the company remains on track with its 2010 drilling and production objectives and expected first production from its Moriche Block in Colombia within three to four days' time. Production came on stream as expected.
- Subsequent to the end of Q2/10, on July 20, Petrodorado announced the proposed acquisition of Loon Energy (LNE : TSX-V) in an all-stock transaction. Petrodorado will acquire Loon for approximately 19.2 million shares of Petrodorado, plus \$3 million of additional shares that could be issued pending the meeting of exploration goals surrounding Block 127 in Peru.

Petrominerales (PMG : TSX: C\$30.50 | BUY)

- On April 13, Petrominerales announced exploration results for the company's Casimena heavy oil block. The Yenac-1 well was tested in the Mirador Formation and is now on stream at over 1,800 bbl/d. The company also announced a March production level of 45,250 bbl/d, indicative of very strong reservoir performance from the Candelilla field.

- On May 6, Petrominerales announced financial and operating results for the quarter ended March 31, 2010. Production averaged 38,199 bbl/d, while cash flow was reported at US\$140 million. The company maintains an undrawn US\$150 million credit facility.
- On May 31, Petrominerales announced an operational update. Recent testing of the Capybara-1 well in Colombia's Central Llanos Basin achieved levels of 400 bbl/d and 600 bbl/d in two zones. In addition, the first Corcel well of 2010 at Corcel C2, was put on stream at over 3,000 bbl/d, helping to offset natural declines. The company anticipates increasing this rate to the 6,000 bbl/d level with installation of a higher volume pump. Total production has averaged 47,086 bbl/d thus far in the quarter.
- On June 10, Petrominerales announced the initiation of a quarterly dividend payment of \$0.125 per share. The first dividend is expected to be paid on July 15, 2010, to shareholders of record on June 30, 2010.

ECONOMIC NEWS

Canada-Colombia Free Trade Agreement passed

On June 14, 2010, the House of Commons in Canada gave third and final reading to the act that proclaims the free trade agreement between the two countries. The vote was along Canadian political party lines and although delayed by committee review, never appeared to be seriously at risk of not being passed by Parliament. The vote for the Third Reading was 188 For, 79 Against. The act to implement the free trade agreement also included an agreement covering environmental issues between the two countries as well as a third agreement covering labour cooperation between the two countries. On June 29, 2010, the Canada-Colombia Free Trade Agreement received Royal Assent.

EU-Colombia Free Trade Agreement signed

In addition the passing of a free trade agreement with Canada, on June 14, 2010, the Government of Colombia signed a free trade agreement with the European Union. This agreement was signed on May 19 with the country's second most important trading partner after the US.

GDP strength continues with impressive Q1/10 showing

During Q1/10, Colombia's GDP saw an impressive 4.4% year-over-year increase. This continued the trend as shown in Figure 4 of increases in the previous two quarters that reversed a three quarter negative trend that ended in Q2/09. Consensus median GDP estimates for the next four quarters call for continuing increases in year-over-year economic growth.

Consumer Price Index

During Q2/10, Colombia's quarterly CPI crept up marginally from 2.0% to 2.1%. However, the trend in CPI has clearly bottomed and estimates are for CPI to increase along with the country's GDP as the overall Colombian economy improves.

Colombian unemployment

Colombia's urban unemployment rate (unemployment in the 13 largest Colombian cities) has increased slightly since our last quarterly update, rising to 12.8% in May from the last reported figure of 12.3% for March 2010. However, this is much lower than the

15.3% unemployment rate announced in January 2010. According to the Colombian National Statistics Agency, the overall national unemployment rate was 12.1% in May, down from 14.6% in January 2010.

Foreign direct investment in Colombia

Colombia's foreign direct investment (FDI) was negatively affected by the significant economic decline experienced in 2009. Total capital flows in 2009 came in at US\$6.9 billion as compared with US\$8.5 billion in 2008. In 2010, investment flows have recovered significantly with reported capital inflows of US\$4.4 billion between January and June 2010, which compares with the US\$4.0 billion during the comparable period in 2009, or a 9.5% increase.

COLOMBIA'S WAR ON CRIME

Colombia continues to see improvement in crime and security statistics, a key factor in the country's attractiveness to foreign capital. Kidnappings have declined 3% year over year, while pipeline attacks have again fallen (only two in the first half of 2010). The total number of terrorist attacks in the country also continues to decrease with 156 attacks being reported between January and May 2010, thus representing a 19% year-over-year decline.

Finally, as at May 2010, a total of 86 kidnappings have been recorded in the country, down 3% year over year. Despite the potential for increased visibility of attacks, Colombia, statistically and otherwise, remains a very safe region in which to do business.

INDUSTRY NEWS

Production

Total crude oil production in Colombia continued to grow, posting a 2.1% quarterly increase in Q2/10 and a 6.6% increase for the year. This comes on the heels of very strong quarterly production growth of 8.0% experienced in Q4/09.

Drilling activity

As of February, the total active rig count in Colombia was 40 compared with 31 active rigs at the end of 2009. Year over year, the rig count is up 14%.

2010 blocks awarded

As of February 2010, Colombia's ANH has only awarded five new exploration and production contracts and one Technical Evaluation Agreement. However, this will be overshadowed by activity in Q3/10 as a result of the very successful ANH 2010 Bid Round.

Financings

We provide a summary of financings announced during the quarter by the companies in our Colombian universe. During the quarter, nine equity issues and approximately C\$89 million in gross capital was raised, exclusive of the C\$100 million initial public offering of C & C Energia.

Figure 2: Q2/10 financings

Issuer	Method	Date Ann.	Date Closed	Gross Proceeds (\$mm)	Int Rate	Unit Issue Price	Included Warrants	Warrant / Convert. Exer Price	Warrant Exercise Period	Units (millions)	Issue Type
Azabache	Equity	8-Feb	21-May	\$3.4	NA	\$0.21	Half	\$0.30	24 months	16.2	Brokered
Benchmark	Equity	29-May	11-Jul	\$0.6	NA	\$0.40	Half	\$0.65	12 months	1.5	Non-Brokered
Brownstone	Equity	5-Mar	13-Apr	\$11.0	NA	\$0.55	Half	\$0.75	24 months	20.0	Non-Brokered
C & C Energia	Equity	1-Apr	25-May	\$100.0	NA	\$8.50	None	-	-	11.7	Brokered
Canacol	Equity	15-Apr	13-May	\$50.0	NA	\$0.75	None	-	-	76.7	Brokered
Gold Oil	Equity	6-May	6-May	£2.0	NA	£0.035	None	-	-	56.1	Non-Brokered
Kinetix	Conv. Debt	21-Apr	30-Apr	\$0.5	10%	-	None	\$0.60	12 months	0.5	Non-Brokered
Kinetix	Equity	5-May	17-May	\$1.4	NA	\$0.40	None	-	-	3.5	Non-Brokered
La Cortez	Equity	29-Dec	20-Apr	US\$10.3	NA	US\$1.75	Full	US\$3.00	36 months	5.9	Brokered
Petrolifera	Equity	25-Mar	14-Apr	\$20.1	NA	\$0.85	None	-	-	23.7	Brokered

Source: Company reports, Canaccord Genuity

POLITICS AND ECONOMICS

POLITICAL NEWS

Welcome the new Colombian president

With a huge majority, Juan Manuel Santos Calderon won the runoff election held in Colombia on June 20 against challenger Antanas Mockus. The election campaign was short and intense as Mr. Santos did not declare his candidacy for president until the Colombian Constitutional Court rejected outgoing President Uribe's drive to run for a third consecutive term.

Mr. Santos was thought of as a shoe-in for president, but Colombia (and outside watchers of the election) were stunned as Antanas Mockus came out of "nowhere" to challenge Mr. Santos in the early stages of the election campaign. Public opinion polls ahead of the election had Mr. Mockus tied with or leading Mr. Santos before the preliminary round held on May 30. However polls can be wrong and, as we surmised early in the campaign, were fundamentally flawed, as sampling was confined to Colombia's major cities and mostly ignored the rural population.

Figure 3: Juan Manuel Santos victory speech, June 20, 2010



Source: Canaccord Genuity

Mr. Santos won by a wide margin in the runoff election held June 20, receiving 9.0 million votes (69.05%), compared with 3.59 million votes (27.52%) for Mr. Mockus. We were in Colombia for the runoff election and there was a definite buzz around the election. According to the Registraduria Nacional del Estado Civil, the voter turnout in the first and second rounds of the 2010 election was a record for Colombia. Mr. Santos also won by the widest margin in Colombian presidential election history.

In a speech given on June 25 in Cartagena, at the joint IV Colombian Investment Conference/World Petroleum Council Latin America Regional meeting, Mr. Santos spoke passionately about Colombia and his upcoming role as president. Notable was his comment that the government "will not let its guard down until the last centimetre of the country is safe". Mr. Santos quoted ancient Romans stating that "security must be the first law of the Republic". Clearly, domestic security will continue to be a focus of Mr. Santos' government.

However, he also spoke on infrastructure and spent a great deal of his speech on the environment, stating that his government will be “extremely demanding and rigorous” in enforcement of environmental laws as well as talking about his government’s upcoming priority on unemployment and the need to generate new jobs. He also noted that with the concentration of the resource sector in Colombia, the government will be working very hard to avoid the “Dutch Disease”, a reference to the result of an overweight in the resource sector that results in other sectors of the economy actually declining. However, he reiterated the message he gave in his victory speech on June 20 to the international business community that his government will continue to be an ally.

Government change on August 7

The teams for Mr. Santos and Mr. Uribe are now working together for a smooth transition of power in August. In the interim, President Uribe continues to perform official duties and make public appearances. On June 23 at the same conference in Cartagena, President Uribe gave a moving speech to the conference delegates. He talked about how when he was young, domestic security was thought of in terms of dictatorship, whereas now, security is seen as a democratic value. He noted that despite having only 47 years of peace in the 200-year history of the country, “Colombia has its soul intact”. While President Uribe’s two consecutive governments have successfully halted the many years of violence that commenced at the end of the 1950s after the Cuban revolution, he noted that “the country is not Paradise yet” (the title of this quarterly report). Needless to say, President Uribe received a long standing ovation.

ECONOMIC NEWS

Canada-Colombia Free Trade Agreement passed

On June 14, 2010, the House of Commons in Canada gave third and final reading to the act that proclaims the free trade agreement between the two countries. The vote was along Canadian political party lines and despite delays in committees as the various special interest groups sought to delay the agreement, was never in doubt. The Act of Parliament was approved by a vote of 188 For, 79 Against. The Act to implement the Free Trade Agreement also included an agreement covering environmental issues between the two countries as well as a third agreement that covers labour cooperation between the two countries. On June 29, 2010, the bill respecting the free trade agreement received Royal Assent and is now a law of the land (separately, the Canadian government also passed an Act of Parliament to implement a tax treaty between the two countries).

This was an important milestone for Colombia as the US-Colombia Free Trade Agreement remains mired in US politics. Canadian-listed oil and gas companies have been the dominant new entrant into the Colombian oil and gas sector in the past four years and collectively have had the largest impact on the country’s oil production growth. This agreement potentially opens the door for other Canadian companies to follow the oil industry’s lead into the country in other sectors of the Colombian economy. Colombia’s main exports include cattle, flowers, fruit, vegetables, sugar and cocoa, but the country has a very active resource sector. We note that the process of setting up business in Colombia, like any other country in the world, is time-consuming as local partners must be arranged, government approvals obtained, etc.

Despite reluctance on the part of US politicians to pass a free trade agreement with Colombia, we also note that the US has steadfastly remained Colombia’s largest military

supporter, pouring billions of dollars into “Plan Colombia” in the past 10+ years. This financial aid has gone a long way to assist the Colombian government turn the tide in battles with the Colombian drug cartels and guerrillas/paramilitary groups and allow the outgoing government to give Colombians their country back.

EU-Colombia Free Trade Agreement signed

In addition the passing of a free trade agreement with Canada, the Government of Colombia also signed a free trade agreement with the European Union on May 19, 2010. This agreement, with Colombia’s most important trade partner after the US, should see phased reductions in tariffs and also provides Colombia with an even footing with other countries such as Chile, which have already negotiated free trade agreements with the EU.

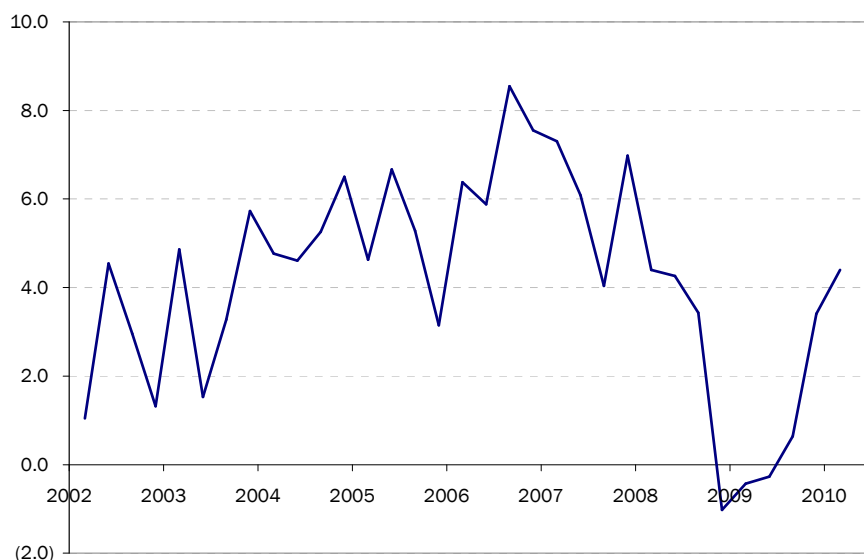
GDP strength continues with impressive Q1/10 increase

During Q1/10, Colombia’s GDP saw an impressive 4.4% year-over-year increase. This continued the trend shown in Figure 4 of increases in GDP that reversed a three quarter negative trend that started in Q4/08. Consensus median GDP estimates for the next four quarters call for continuing increases in year-over-year economic growth. Commencing with Q3/10, Colombia’s GDP is expected to increase 3.1%, 3.6% in Q3, 3.4% in Q4 and 3.7% in Q1/11. On a yearly basis, GDP growth is forecast to be 3.3% (up from previous estimate of 2.9%) in 2010 and 3.7% (down from previous estimate of 4.1%) in 2011.

The most recent review by the International Monetary Fund published in May 2010 is calling for yearly GDP growth of 2.25% in 2010, 4.0% and 5.0% respectively for 2011 and 2012.

All in all, GDP data has continually improved on a year-over-year basis, and estimates for Colombian productivity point to further GDP output gains in the upcoming quarters. This will be reflected by the continued strength in Colombian oil and gas production.

Figure 4: Colombian GDP growth (%)



Source: Bloomberg

Consumer Price Index

During Q2/10, Colombia's quarterly CPI crept up marginally from 2.0% to 2.1%. However, the downtrend in CPI has clearly bottomed and estimates are for CPI to increase along with the country's GDP as the overall Colombian economy improves. Estimates are for CPI to increase through the next year to as much as 3.5%. This is at the high end of the Colombian Central Bank target range of 3% plus or minus 1%.

Figure 5: Colombian CPI (%)

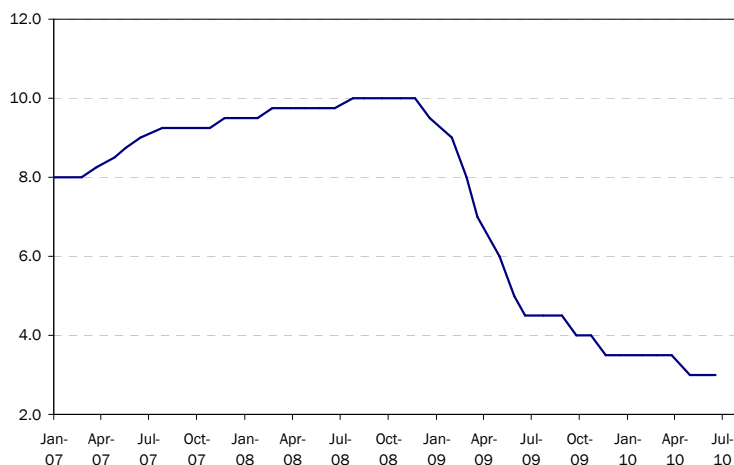


Source: Bloomberg

Central bank lending rate

In November 2008, the Colombian central bank rate was 10%. Since that time the bank rate has been cut ten times to near-historical lows of 3.0% in April 2010. In its most recent rate announcement in June, the central bank kept rates unchanged at 3.0%, which remains the lowest recorded level for the Colombian central bank rate since at least 1998 (no data prior to 1998 is available).

Figure 6: Colombian central bank lending rate (%)



Source: Bloomberg

The Colombian peso

After depreciating 6% in Q4, the peso rebounded in Q1 and reversed the previous quarter's decline by rising 6.0% against the US dollar. After reaching its highest valuation in late 2009 since August 2008 (COP1,824.81/USD1.00), the peso fell in Q1/10 close to 6%. However, since that time, the Colombian peso has found a relatively stable base of 1,900 to 2,000 per US dollar.

Figure 7: Colombian peso/US dollar



Source: Bloomberg, Canaccord Genuity

Colombian unemployment

Colombia's urban unemployment rate (unemployment in the 13 largest Colombian cities) has increased slightly since our last quarterly update, rising to 12.8% in May from the last reported figure of 12.3% for March 2010. However, this is much lower than the 15.3% unemployment rate announced in January 2010. According to the Colombian National Statistics Agency, the overall national unemployment rate was 12.1% in May, down from 14.6% in January 2010.

Figure 8: Unemployment rate (%) – 13 major cities

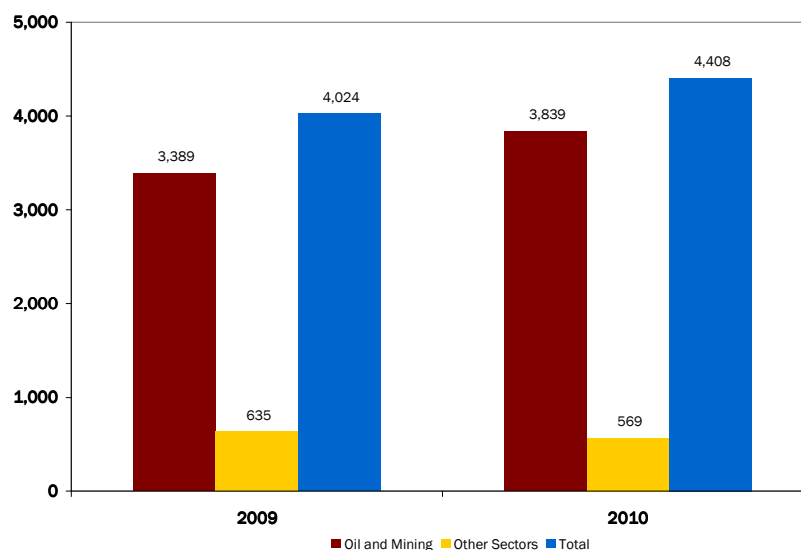


Source: Bloomberg, Canaccord Genuity

Foreign direct investment in Colombia

Colombia's foreign direct investment (FDI) was negatively affected by the significant economic decline experienced in 2009. Total capital flows in 2009 came in at US\$6.9 billion as compared with US\$8.5 billion in 2008. In 2010, investment flows have recovered significantly with reported capital inflows of US\$4.4 billion between January and June 2010, which compares with the US\$4.0 billion during the comparable period in 2009, or a 9.5% increase. The oil and mining industries continue to be primary drivers as foreign inflows in these sectors have increased 13% year over year as compared with a 10% year-over-year decline in other sectors.

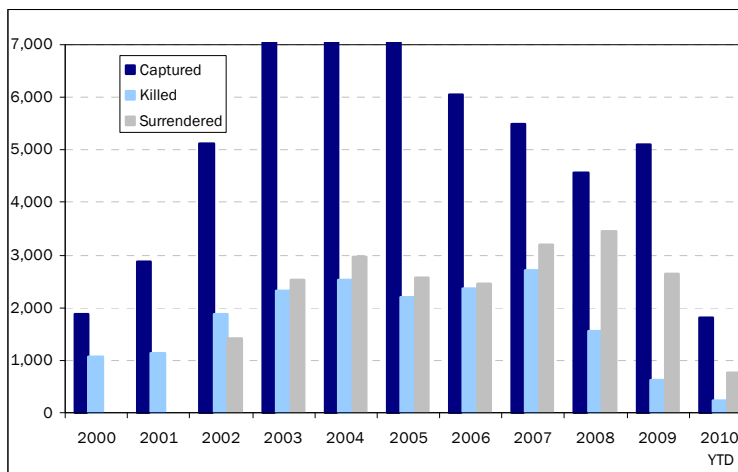
Figure 9: FDI in Colombia (January–June) (US\$M)



Source: Proexport Colombia

COLOMBIA'S WAR ON CRIME

Figure 10: Government activity against terrorists/guerrillas et al.



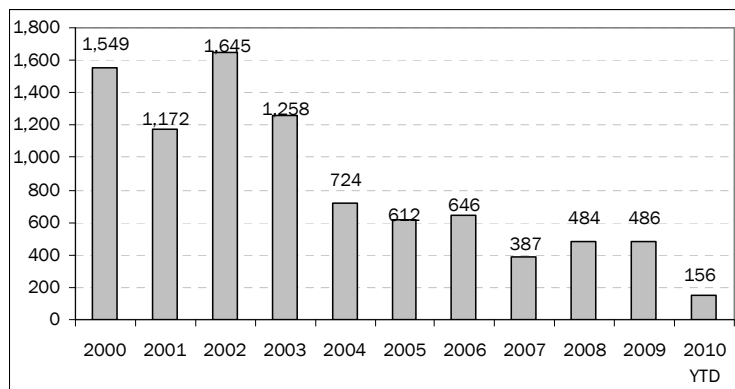
Source: National Defence Ministry of Colombia, Canaccord Genuity

Violence and crime data – only minimal election-related activity

Despite the presidential election at the end of May and the presidential runoff election held June 20, there was no major or marginal increase in domestic violence by the various guerrilla groups. Unfortunately, the terrorist/guerrillas were successful in three separate attacks on election day (June 20), killing 10 Colombian security personnel, while losing six of their own.

However, the total number of terrorist attacks in the country has decreased on a year-to-date basis. From January to May 2010, 156 attacks have occurred and represent a 19% decline from the 192 attacks reported last year during the same time in 2009.

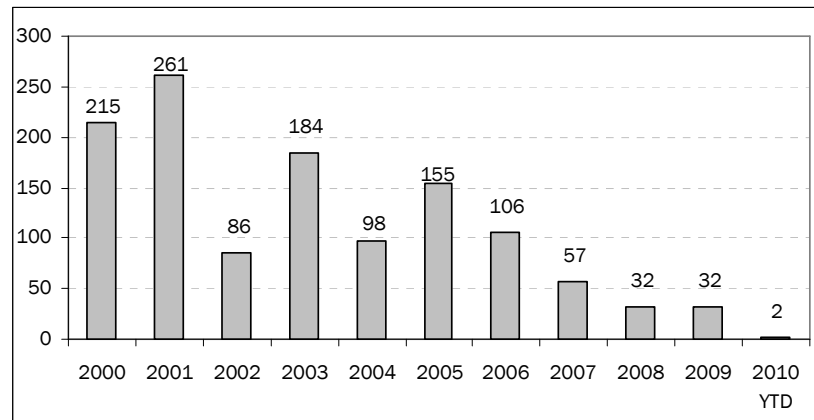
Figure 11: Total number of terrorist attacks



Source: National Defence Ministry of Colombia

Pipeline attacks have trended downward in Colombia since hitting a high of 261 in 2001. 2008 and 2009 saw drastic improvements from previous years with 32 attacks being recorded in each of those years, which is a 44% reduction from the 106 recorded in 2006. In the first four months of 2010, only two pipeline attacks have been recorded, which compares to the nine reported during the same period in 2009.

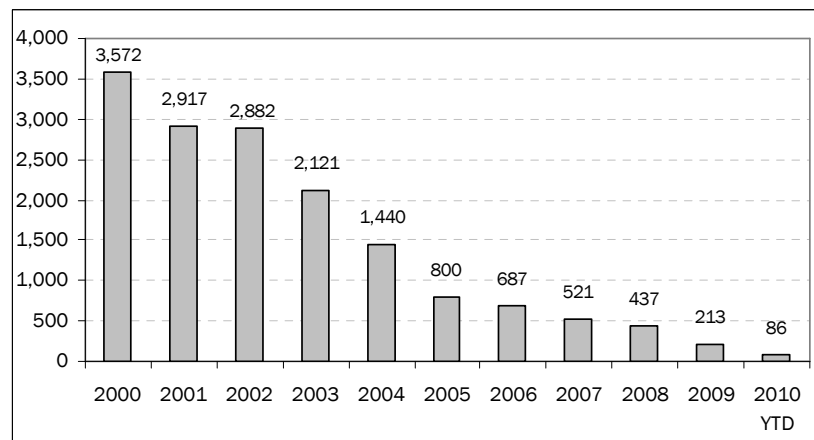
Figure 12: Total pipeline attacks



Source: National Defence Ministry of Colombia

Finally, the number of kidnappings over the last several years also continues to drop. During 2009, a total of 213 kidnappings occurred in Colombia, which compares with 437 in 2008 and more than 3,500 in 2000. In the first four months of 2010, 86 kidnappings have been reported, a 3% decline year over year.

Figure 13: Total kidnappings



Source: National Defence Ministry of Colombia

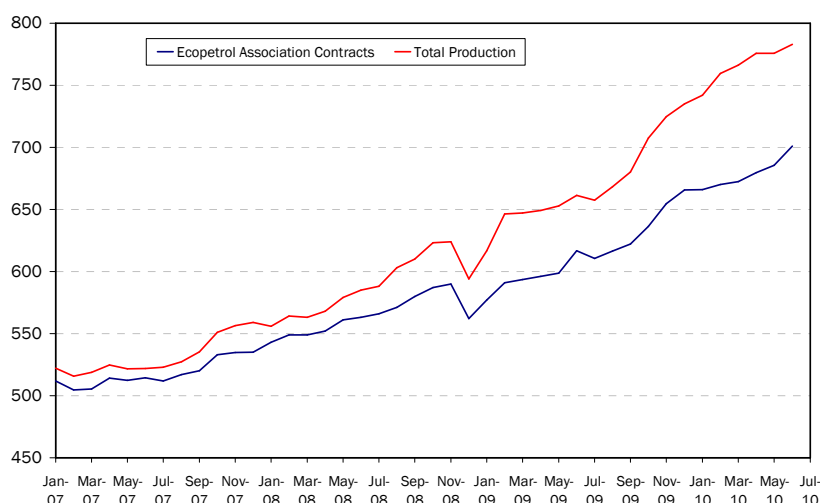
OIL AND GAS INDUSTRY UPDATE

PRODUCTION

Colombian oil production comes from two types of contracts: the old Ecopetrol Association Contract and production that is governed under new Agencia Nacional de Hidrocarburos (ANH) exploration and production contracts. As shown in Figure 14, the country's production continues to increase, with volumes having increased 6.6% since the end of 2009. Year over year both Ecopetrol and ANH contract production is up, with Ecopetrol contract production increasing 13.7% and ANH-associated contract production increasing 85%.

Total Colombia production increased to 783,000 bbl/d in June from 766,000 bbl/d in March and 735,000 bbl/d in December 2009. Both the President of Ecopetrol, Javier Gutierrez, and the head of the ANH expect that total Colombian crude oil production will reach 800,000 bbl/d by year-end and 1 million bbl/d by the end of 2011.

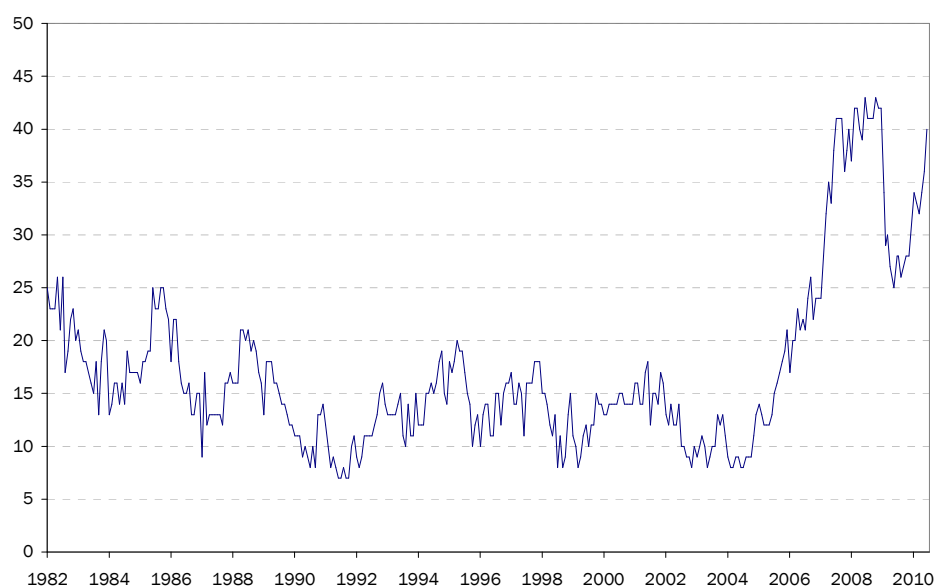
Figure 14: Colombian oil production (000 bbl/d)



Source: ANH

EXPLORATION DRILLING

As of June 2010, the total active onshore rig count in Colombia was 40, compared with 32 active rigs at the end of March and 31 rigs at the end of 2009. Drilling activity has clearly returned to near-record levels as reflected in the drilling statistics. With recent bidding activity and relatively stable commodity pricing, we expect activity levels to remain robust. This is also evidenced by the expanding service sector in Colombia, with new rigs continuing to arrive from China and North America.

Figure 15: Colombian rig count – 1982 to 2010

Source: Baker Hughes

2010 BLOCK AWARDS

As of July 2010, only five exploration and production contracts and one Technical Evaluation Area (TEA) had been awarded by the ANH. These contracts and additional details are provided in Figure 16. However, these awards will be overshadowed in Q3/10 when the blocks from the 2010 ANH Bid Round are officially awarded.

Figure 16: 2010 awarded exploration and production contracts

No.	Block	Operator	Contract Date	Type	Basin	Block Area (Ha)
1	Ceiba	Emerald Energy Colombia	18-Jan-10	E&P	Caguán-Putumayo	40,588
1	Macaya	Hupecol Operating Co LLC	21-Jan-10	TEA	Caguán-Putumayo	79,016
2	Caño Los Totumos	Advantage Energy	28-Jun-10	E&P	Llanos Orientales	8,400
3	Santa Isabel	Green Power	28-Jun-10	E&P	Middle Magdalena	41,092
4	Cedrela	Rancho Hermoso S.A. (Canacol)	29-Jun-10	E&P	Caguán-Putumayo	129,419
5	La Mona	Argenta Oil & Gas	29-Jun-10	E&P	Lower Magdalena	44,497

*Data compiled as of July 9, 2010
Source: ANH

Successful ANH 2010 Bid Round

On June 22, the ANH announced the awarding of 95 new blocks in Colombia. These bids were reviewed for eligibility and the resultant 78 block awards were announced effective June 30, 2010, and are summarized in detail below. We understand that discussions continue through the month of July on certain blocks and final block awards should be announced around the end of July.

This bid round was a much anticipated and well attended event with the final submission and bid openings held in Cartagena. Many companies already active in Colombia bid for new lands and there were a number of new bidders.

Figure 17: ANH Bid Round Results – Type 1 Blocks

Block	TYPE 1 BLOCKS Company	Work Program	X-Factor (%)
		US\$MM	
CAG 6	META PETROLEUM CORP. - En consorcio con META - TCOG	15.1	2
COR 4	AUSTRALIAN DRILLING SUC COL	1.0	1
COR 11	RANCHO HERMOSO S.A.	6.2	1
COR 23	KINETEX SUC COL	11.0	1
COR 33	ALANGE CORP	0.8	1
COR 39	RANCHO HERMOSO S.A.	9.6	1
LLA 1	MONTCO ENERGY L.C.	0.3	1
LLA 5	VETRA EXPL & PROD COL S.A.	5.3	2
LLA 6	ECOPETROL SA	5.0	1
LLA 7	META PETROLEUM CORP.	10.1	2
LLA 8	ECOPETROL S.A	8.0	1
LLA 11	STETSON OIL&GAS LTD	6.5	1
LLA 12	MONTCO ENERGY L.C.	0.3	1
LLA 13	HOCOL S.A.	4.5	3
LLA 15	PETROMINERALES COL LTD	7.0	1
LLA 37	ECOPETROL S.A	21.0	1
LLA 38	ECOPETROL S.A	3.0	1
LLA 39	HOCOL S.A.	17.8	1
LLA 40	RAMSHORN INTL LTD - CONSORCIO RAMSHORN - APCO	21.3	1
LLA 41	ALANGE CORP	2.5	1
LLA 42	TELPICO COL LLC	8.2	1
LLA 45	PERENCO COLOMBIA LIMITED	1.0	1
LLA 47	INTEROIL COL EXPL&PROD	35.0	15
LLA 48	SERVICIOS OJEDA C.A.	9.5	1
LLA 50	VETRA EXPL & PROD COL S.A.	2.1	2
LLA 52	ECOPETROL S.A	16.6	1
LLA 53	INTEROIL COL EXPL&PROD	15.0	15
LLA 55	META PETROLEUM CORP.	10.1	2
LLA 56	TABASCO OIL COMPANY	5.8	1
LLA 57	PAREX RESOURCES	7.1	1
LLA 58	HUPECOL OPERATING CO. LLC	17.0	1
LLA 59	PETROMINERALES COL LTD	21.2	1
LLA 61	SUELOPETROL C.A., S.A.C.A	9.2	2
LLA 62	HUPECOL OPERATING CO. LLC	5.4	1
LLA 71	GEO TECHNOLOGY LA, C.A.	7.0	7
PUT 6	PETRO CARIBBEAN RES LTD	5.8	1
PUT 7	PETRO CARIBBEAN RES LTD	18.0	1
PUT 8	VETRA EXPL & PROD COL S.A. - CONSORCIO GRUPO C&C ENERGY	14.9	2
PUT 10	GRANTIERRA E COL	9.3	1
PUT 12	SUROCO CONSORCIO CON WOGSA	15.5	1
PUT 13	MONTCO ENERGY L.C.	0.1	1

Source: ANH, Canaccord Genuity

Figure 17 (cont'd): ANH Bid Round results – Type 1 Blocks

Block	TYPE 1 BLOCKS Company	Work Program	X-Factor (%)
		US\$MM	
VMM 11	ISMOCOL DE COLOMBIA	0.8	2
VMM 18	MONTAJES JM SA	0.4	1
VMM 21	GRUPO C&C SUC COL	10.6	2
VMM 26	OGX PETRÓLEO E GÁS LTDA.	12.8	2
VMM 27	SHELL EXPL & PROD COL	5.0	1
VMM 28	PETROLEOS DEL NORTE S.A.	8.6	1
VMM 32	CEMENTACIONES PETROL VENEZ consorcio con ECOPETROL	10.4	1
VMM 35	ALANGE CORP	1.2	1
VMM 37	PATRIOT E SERV LLC CO	8.0	1
VSM 3	TELPICO COL LLC	4.0	1
VSM 9	HOCOL S.A.	4.8	3
VSM 12	ALANGE CORP	2.2	1
VSM 13	ALANGE CORP	2.2	1
VSM 14	TÉCNICA VIAL S EN CA	8.8	3
VSM 15	FLAMINGO S.A.	8.6	3
VSM 16	RAMSHORN INTL LTD - CONSORCIO RAMSHORN - APCO	6.4	1
VSM 22	TELPICO COL LLC	6.7	1
	Total	491.6	NA
	Average	8.5	1.9

Source: ANH, Canaccord Genuity

Figure 18: ANH Bid Round results – Type 2 Blocks

Block	TYPE 2 BLOCKS Company	Work Program	X-Factor (%)
		US\$MM	
CAYOS 1	REPSOL EXPL COL S.A. - CONSORCIO CON YPF Y ECOPETROL S.A.	0.2	2
COR 6	INTEROIL COL EXPL&PROD	16.0	32
CPO 16	HOCOL S.A.	4.0	23
PUT 3	VAST EXPLORATION INC	6.9	7
PUT 9	META PETROLEUM CORP.	9.1	18
SSJS 1	ECOPETROL S.A - CONSORCIO CON SK ENERGY CO LTD	0.1	2
VIM 2	SK ENERGY CO., LTD.	0.1	20
VIM 5	OGX PETRÓLEO E GÁS LTDA.	3.5	13
VIM 6	HOCOL S.A.	1.1	28
TUM OFF 3	ECOPETROL S.A	0.3	1
	Total	41.3	NA
	Average	4.1	14.6

Source: ANH, Canaccord Genuity

Figure 19: ANH Bid Round results – Type 3 Blocks

Block	TYPE 3 BLOCKS Company	Work Program	X-Factor (%)
		US\$MM	
CAG 5	META PETROLEUM CORP.	75.1	2
CAUCA 6	GRANTIERRA E COL	5.1	1
CAUCA 7	GRANTIERRA E COL	6.6	1
CAYOS 5	REPSOL EXPL COL S.A. - Consorcio con Ecopetrol e YPF	11.2	1
COR 15	MAUREL & PROM COL	8.0	2
COR 24	META PETROLEUM CORP. - Consorcio con PSE	5.3	2
CR 2	OGX PETRÓLEO E GÁS LTDA.	24.0	2
CR 3	OGX PETRÓLEO E GÁS LTDA.	1.5	2
CR 4	OGX PETRÓLEO E GÁS LTDA.	18.0	2
GUA OFF 3	SHELL EXPL & PROD COL	1.5	1
	Total	156.3	NA
	Average	15.6	1.6

Source: ANH, Canaccord Genuity

In total, the ANH has obtained work commitments amounting to \$492.6 million for the Type 1 blocks, \$41.3 million for the Type 2 blocks and \$156.3 million for the Type 3 blocks for a total of \$689.2 million.

Bidding for Type 1 blocks averaged \$8.5 million for the work program and 1.9% for the X-factor. However, these averages were skewed by InterOil's two separate bids in which the company bid 15% X-factor for each block – without these anomalous bids, the X-factor would have been 1.5% average. Note that InterOil also bid anomalously high work programs (\$35 million for highly contested block LLA47 and \$15 million for LLA 53).

Bidding for Type 2 blocks was much less uniform with an average work program of \$4.1 million and an average X-factor of 14.6%. However, the range of work program was \$0.1 million to \$16.0 million and the X-factor ranged from 1% to 32%.

The bidding for Type 3 blocks was the most volatile. While the average work program bid was \$15.6 million, the Pacific Rubiales bid of \$75.1 million for CAG 5 seriously skewed this segment. The successful bidders kept X-factors low at 1% to 2% (averaging 1.6%).

While a total of 78 blocks have been awarded (58 Type 1, 10 Type 2 and 10 Type 3), this was less than half of the total blocks offered in the 2010 Bid Round.

Figure 20: Bidding results – 2010 ANH bid round

Blocks	Bid	Offered	%
Type 1	58	138	42%
Type 2	10	31	32%
Type 3	10	56	18%
	78	225	35%

Source: ANH, Canaccord Genuity

MERGER AND ACQUISITION ACTIVITY

BENCHMARK ACQUIRES BOLIVAR, INCREASES EXPOSURE TO COLOMBIA (LLANOS BASIN)

Figure 21: Acquisition summary

Buyer:	Benchmark Energy Corp	Total Value of Transaction (US\$mm)	34.3
Seller:	Bolivar Energy Inc	Proven Reserves (mmboe)	0.0
		Proven + Probable Reserves (mmboe)	0.0
Announcement Date:	4/5/2010	EV/1P (US\$/boe)	NA
		EV/2P (US\$/boe)	NA
Deal Type:	Acquisition		
		Estimated Production (boe/d)	0
Key assets:	Block LLA-24		
		EV/boepd (US\$/boepd)	NA

Source: JS Herold, Canaccord Genuity

Deal summary

On May 4, Benchmark and Bolivar Energy, a private Alberta corporation, entered an amalgamation agreement whereby Benchmark will acquire all of the outstanding shares of Bolivar, effectively a reverse takeover of Benchmark by Bolivar. Benchmark is expected to issue 145 million new shares at the deemed transaction price of \$0.135 per share to complete the transaction. Bolivar is party to a farm-in agreement on Block LLA-24, located in Colombia's Llanos Basin, in which it may earn up to a 35% working interest. The combined Benchmark/Bolivar entity will be focused on balancing exploration and production opportunities in Colombia, as well as the possible reactivation of mature fields in the country's Putumayo and Magdalena basins.

SUROCO AND WINCHESTER – A FAILED MERGER

Figure 22: Acquisition summary

Buyer:	Suroco Energy Inc	Total Value of Transaction (US\$mm)	163.9
Seller:	Winchester Oil & Gas SA	Proven Reserves (mmboe)	0.0
		Proven + Probable Reserves (mmboe)	0.0
Announcement Date:	4/23/2010	EV/1P (US\$/boe)	NA
		EV/2P (US\$/boe)	NA
Deal Type:	Other		
		Estimated Production (boe/d)	731
Key assets:	Producing properties in Colombia		
		EV/boepd (US\$/boed)	\$224,260

Source: JS Herold, Canaccord Genuity

Deal summary

Over Q2/10, Suroco Energy and Winchester Oil & Gas announced and then subsequently terminated a merger between the two companies. Suroco also terminated the \$50 million equity financing that would have been completed in conjunction with the transaction.

MAUREL & PROM AND HOCOL S.A. SWAP INTERESTS IN BLOCKS, HEDGE EXPLORATION RISK

Figure 23: Acquisition summary

Buyer:	Etablissements Maurel et Prom	Total Value of Transaction (US\$mm)	0.0
Seller:	Hocol SA	Proven Reserves (mmboe)	0.0
		Proven + Probable Reserves (mmboe)	0.0
Announcement Date:	5/26/2010	EV/1P (US\$/boe)	NA
		EV/2P (US\$/boe)	NA
Deal Type:	Swap	Estimated Production (boe/d)	0
Key assets:	50% interest in block CPO-17	EV/boepd (US\$/boed)	NA

Source: JS Herold, Canaccord Genuity

Deal summary

On May 26, Maurel & Prom and Hocol (a Grupo Empresarial Ecopetrol company) executed a swap agreement involving two exploration blocks in Colombia. Maurel & Prom assigned a 50% working interest in the SSJN-9 Block (Lower Magdalena Basin) to Hocol, which in turn assigned Maurel & Prom a 50% working interest in the CPO-17 Block (Llanos Basin). Maurel & Prom has been appointed as operator of the CPO-17 Block, while Hocol has been appointed as operator of the SSJN-9 Block.

TORONTO-BASED INVESTMENT MANAGER WEST FACE CAPITAL ACQUIRES INTEROIL ASA

Figure 24: Acquisition summary

Buyer:	West Face	Total Value of Transaction (US\$mm)	46.3
Seller:	InterOil ASA	Proven Reserves (mmboe)	13.1
		Proven + Probable Reserves (mmboe)	28.1
Announcement Date:	6/7/2010	EV/1P (US\$/boe)	\$3.53
		EV/2P (US\$/boe)	\$1.65
Deal Type:	Acquisition		
		Estimated Production (boe/d)	5,492
Key assets:	Producing properties in Colombia and Peru; Interests in exploration blocks offshore Angola and Ghana	EV/boepd (US\$/boed)	\$8,425

Source: JS Herold, Canaccord Genuity

Deal summary

On June 7, InterOil announced that the company entered a binding memorandum of agreement with Toronto-based investment manager, West Face Capital to acquire all outstanding shares of the company for NOK12.50 per share in cash, valuing InterOil at NOK273 million. In conjunction with the successful completion of the offer, West Face or a related party must participate in the refinancing of InterOil, both by purchasing new equity and providing a bond loan. Together with new senior bank debt to be obtained by subsidiaries of InterOil, and secured by assets in Peru and Colombia, West Face or a related party will contribute up to US\$40 million in a new secured bond loan and up to US\$10 million in new equity. The new financing will be used to repay the outstanding senior secured US\$115 million bond loan, and for general corporate purposes. In addition, as a condition of the completion of the equity and debt financing transactions, holders of the unsecured US\$20 million bond loan and unsecured NOK100 million bond loan must agree to exchange the unsecured bonds into the new bond loan on the same terms as West Face. InterOil's principals have also agreed to convert approximately US\$10 million of unsecured bonds into equity.

PETRODORADO FARMS-IN TO UNEXPLORED BLOCK IN THE LLANOS BASIN, ESTIMATES 78 MILLION BBLs OF NET UNRISKED RESOURCE POTENTIAL

Figure 25: Acquisition summary

Buyer:	Petrodorado Ltd	Total Value of Transaction (US\$mm)	0.0
Seller:	ONGC Videsh Ltd; Oil and Natural Gas Corp	Proven Reserves (mmboe)	0.0
		Proven + Probable Reserves (mmboe)	0.0
Announcement Date:	6/16/2010	EV/1P (US\$/boe)	NA
		EV/2P (US\$/boe)	NA
Deal Type:	Farm In	Estimated Production (boe/d)	0
Key assets:	30% participating interest in Colombian block	EV/boepd (US\$/boed)	NA

Source: JS Herold, Canaccord Genuity

Deal summary

On June 16, Petrodorado announced it will farm-in for a 30% interest in the CPO-5 Block, an unexplored block with extensive seismic in Colombia's Llanos Basin. No fiscal terms have been announced, but the company expects to shoot 650 square kilometres of 3D seismic and 240 kilometres of 2D seismic before year-end, with two exploration wells planned for Q1/11. Petrodorado estimates the block contains approximately 78 million barrels of unrisked resource potential (net to its 30% interest to be earned in the block) and has a 25% chance of success.

INSIDER TRADING OF TSX-LISTED COMPANIES

Canaccord Genuity employs INK Research. This system reports, among other information, daily changes in insider trading. Security regulators require corporate insiders to report their trades within 10 days of each transaction. We highlight recent changes below, noting the acquisition or disposition of a position. Our intention is not to evaluate or analyze any purchases or sales, but to note them for the interest of all investors. We include charts generated by INK Research that note purchase and disposition points relative to share price performance. Our coverage of insider trading information is limited to Canadian-listed companies that trade on Toronto Stock Exchange (TSX) and the Toronto Venture Exchange (TSX-V).

Figure 26: Alange Energy Corp. (ALE : TSX-V)



Past 12-months - purchased:	\$20,083
Past 12-months - sold:	\$5,002,225
Since January 1, 2010 - acquisitions:	\$10,200
Price range:	\$0.34
Since January 1, 2010 - dispositions:	\$0
Price range:	\$0.00
Officer: Luis Eduardo Giusti Lugo	30,000

Source: INK Research

Figure 27: Azabache Energy Inc. (AZA : TSX-V)



Past 12-months - purchased:	\$847,121
Past 12-months - sold:	\$0
Since January 1, 2010 - acquisitions:	\$342,000
Price range:	\$0.21
Since January 1, 2010 - dispositions:	\$0
Price range:	NA
Director: Denis Arthur Clement	100,000
Officer: Daniel Boris Gordon	100,000
Officer: Glenn Gilbert Henry Van Doorne	1,428,571

Source: INK Research

Figure 28: Benchmark Energy Corp. Inc. (BEE : TSX-V)

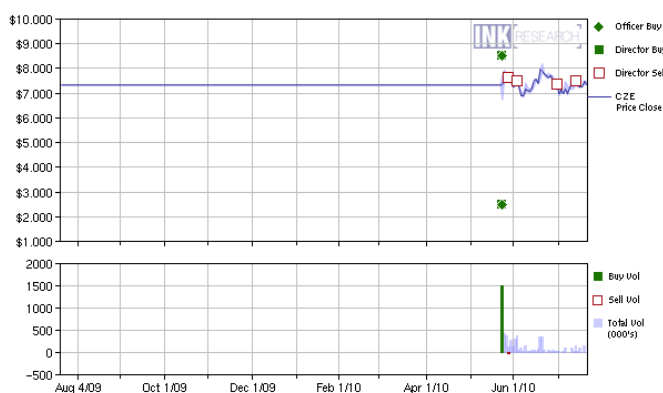
Past 12-months - purchased:	\$0
Past 12-months - sold:	\$0
Since January 1, 2010 - acquisitions:	\$0
Price range:	NA
Since January 1, 2010 - dispositions:	\$0
Price range:	NA

Source: INK Research

Figure 29: Brownstone Ventures. Inc. (BWN : TSX-V)

Past 12-months - purchased:	\$177,932
Past 12-months - sold:	\$0
Since January 1, 2010 - acquisitions:	\$91,300
Price range:	\$0.55
Since January 1, 2010 - dispositions:	\$0
Price range:	\$0.00
Officer: Jonathan Schroeder	91,000
Officer: Richard J Patricio	75,000

Source: INK Research

Figure 30: C&C Energia Ltd. (CZE : TSX-V)

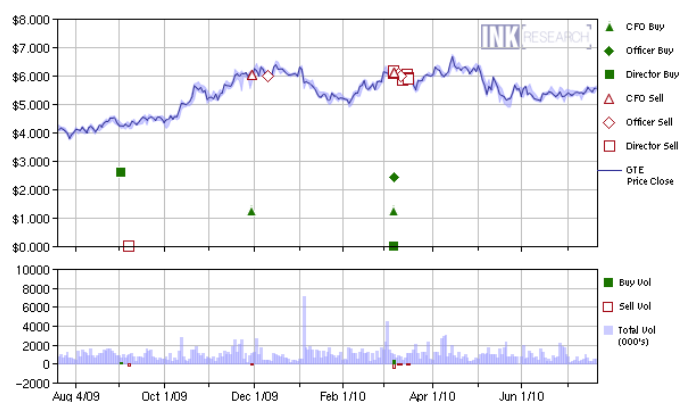
Past 12-months - purchased:	\$4,593,852
Past 12-months - sold:	\$274,235
Since January 1, 2010 - acquisitions:	\$4,593,852
Price range:	\$2.50-\$8.50
Since January 1, 2010 - dispositions:	\$274,235
Price range:	\$7.33-\$7.60
Director: Norman John Mackenzie	(36,478)
Director: Larry Gordon Evans	129,400
Director: Donald Michael Godfrey Stewart	10,500
Director: Richard Alan Walls	798,934
Officer: Victor Hugo Franco Tamayo	3,500
Officer: Randy Mcleod	249,667
Officer: Kenneth Dale Hilier	299,600

Source: INK Research

Figure 31: Canacol Energy Ltd. (CNE : TSX-V)

Past 12-months - purchased:	\$167,347
Past 12-months - sold:	\$187,181
Since January 1, 2010 - acquisitions:	\$95,800
Price range:	\$0.19-0.68
Since January 1, 2010 - dispositions:	\$160,781
Price range:	\$0.69-0.72
Officer: Mark Teare	60,000
Officer: Brian Hearst	0
Director: Trevor Wong-chor	(137,588)
Officer: Mark Reginald Teare	60,000
Officer: Trevor Wong-Chor	(227,588)
CFO: Brian Mack Hearst	(100,000)

Source: INK Research

Figure 32: Gran Tierra Energy Inc. (GTE : TSX)

Past 12-months - purchased:	\$772,563
Past 12-months - sold:	\$3,703,068
Since January 1, 2010 - acquisitions:	\$304,980
Price range:	US\$1.19-\$2.37
Since January 1, 2010 - dispositions:	\$3,240,814
Price range:	\$5.86-US\$6.16
Director: Verne Johnson	(396,825)
Officer: Shane O'leary	(90,000)
Officer: Martin Eden	(50,000)

Source: INK Research

Figure 33: Kinetex Resources (KTX : TSX-V)

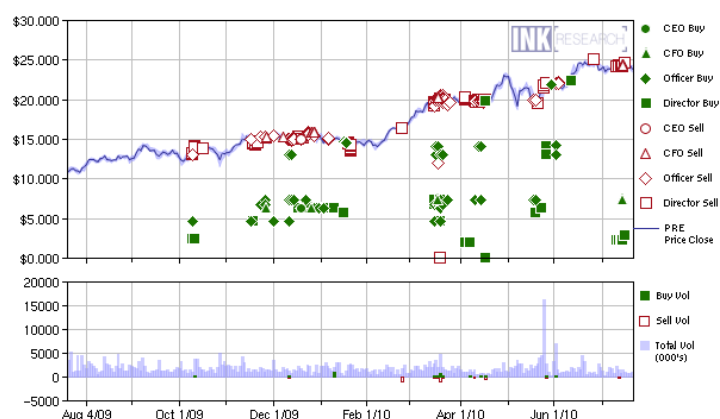
Past 12-months - purchased:	\$77,900
Past 12-months - sold:	\$7,450
Since January 1, 2010 - acquisitions:	\$50,000
Price range:	\$0.150
Since January 1, 2010 - dispositions:	\$7,450
Price range:	\$0.365-\$0.38
Officer: Leonard Van Betuw	(20,000)
Director: Sayed-amr El-hamamsy	166,666
Officer: Robert Ashauer	166,667

Source: INK Research

Figure 34: Loon Energy Corporation (LNE : TSX-V)

Past 12-months - purchased:	\$0
Past 12-months - sold:	\$0
Since January 1, 2010 - acquisitions:	\$0
Price range:	NA
Since January 1, 2010 - dispositions:	\$0
Price range:	NA

Source: INK Research

Figure 35: Pacific Rubiales Energy Corp. (PRE : TSX)

Past 12-months - purchased:	\$41,629,864
Past 12-months - sold:	\$106,327,809
Since January 1, 2010 - acquisitions:	\$46,836,687
Price range:	\$2.22-\$22.20
Since January 1, 2010 - dispositions:	\$116,570,846
Price range:	\$13.50-\$24.66
Director: Jose Francisco Arrata	(79,167)
Director: Alexander Bialer	80,000
Director: Miguel Angel De La Campa	(241,867)
Director: German Efromovich	(1,501,800)
Director: Serafino Iacono	(665,326)
Officer: Nelson Lee	(341,516)
Officer: Eduardo Jorge Lima	(158,000)
Officer: Daniel Loureiro	(100,000)
Officer: Jairo Miguel Lugo Lobo	(175,000)
Officer: Wuilian Andres Mauco	(148,000)
Officer: Marino Ostos	(200,000)
Officer: Luis Augusto Pacheco Rodriguez	(88,807)
CFO: Carlos Perez Olmedo	410,000
Director: Victor Rivera Giraldo	(25,000)
Director: Miguel Rodriguez	(292,084)
Officer: Peter Volk	(278,109)
Director: Neil Woodyer	(433,334)
Director: John Zaozirny	(124,000)

Source: INK Research

Figure 36: Parex Resources (PXT : TSX-V)

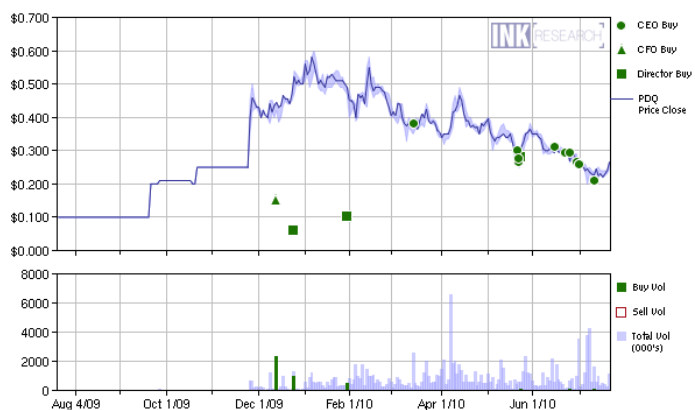
Past 12-months - purchased:	\$11,892,783
Past 12-months - sold:	\$0
Since January 1, 2010 - acquisitions:	\$0
Price range:	\$0.00
Since January 1, 2010 - dispositions:	\$0
Price range:	0

Source: INK Research

Figure 37: Petroamerica Oil Corp. (PTA : TSX-V)

Past 12-months - purchased:	\$600,700
Past 12-months - sold:	\$139,515
Since January 1, 2010 - acquisitions:	\$484,950
Price range:	\$0.335-0.75
Since January 1, 2010 - dispositions:	\$22,705
Price range:	\$0.73-0.79
Officer: Gordon Keep	(29,500)
CEO: Alfred Kroshko	371,400
Officer: Pat Klassen	45,000
CFO: Colin Wagner	32,000
Officer: Anh Vardalos	215,200
Officer: Wade Spark	166,500

Source: INK Research

Figure 38: Petrodorado Ltd (PDQ : TSX-V)

Past 12-months - purchased:	\$543,742
Past 12-months - sold:	\$0
Since January 1, 2010 - acquisitions:	\$134,210
Price range:	\$0.10-0.38
Since January 1, 2010 - dispositions:	\$0
Price range:	\$0.00
CEO: Krishna Vathyam	257,100
Douglas Urch	80,000

Source: INK Research

Figure 39: Petrolifera Petroleum Ltd. (PDP : TSX)

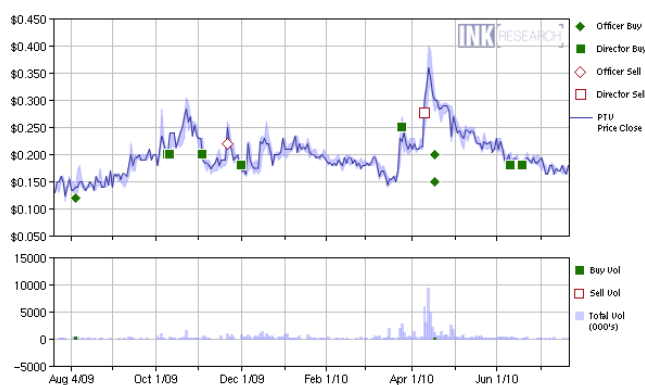
Past 12-months - purchased:	\$1,604,249
Past 12-months - sold:	\$0
Since January 1, 2010 - acquisitions:	\$219,109
Price range:	\$0.50-\$0.93
Since January 1, 2010 - dispositions:	\$0
Price range:	\$0.00
Officer: Gary Wine	40,000
Director: Pasquale Dicapò	968,182
Director: Gordon Johnston	31,300

Source: INK Research

Figure 40: Petrominerales Ltd. (PMG : TSX)

Past 12-months - purchased:	\$1,671,093
Past 12-months - sold:	\$5,113,496
Since January 1, 2010 - acquisitions:	\$1,150,121
Price range:	\$0.05-\$11.59
Since January 1, 2010 - dispositions:	\$4,091,929
Price range:	\$24.14-30.13
Officer: John Scott	9,813
Officer: J. Erik Lyngberg	14,154
Officer: Tannya Morales	(63,359)
Director: Ernesto Sarpi	(3,000)
Director: Geir Ytreland	(17,371)
Director: Enrique Umana-valenzuela	(20,000)
Director: Brodie Macdonald	(30,000)

Source: INK Research

Figure 41: Petro Vista Energy Corp. (PTV : TSX-V)

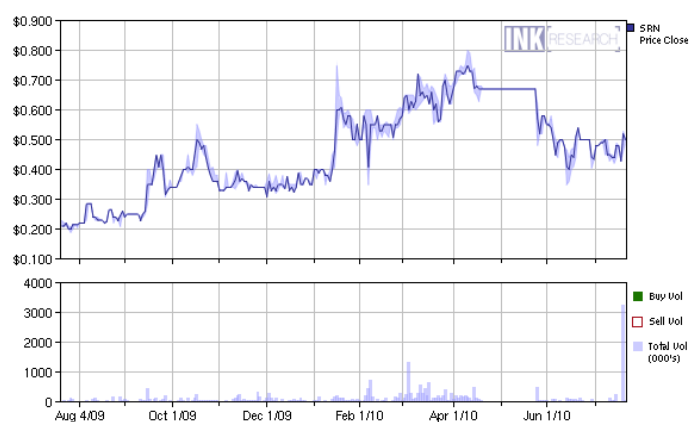
Past 12-months - purchased:	\$164,767
Past 12-months - sold:	\$32,083
Since January 1, 2010 - acquisitions:	\$75,680
Price range:	\$0.15-\$0.25
Since January 1, 2010 - dispositions:	\$13,750
Price range:	\$0.27
Director: Darren Devine	151,000

Source: INK Research

Figure 42: Quetzal Energy (QEI : TSX-V)

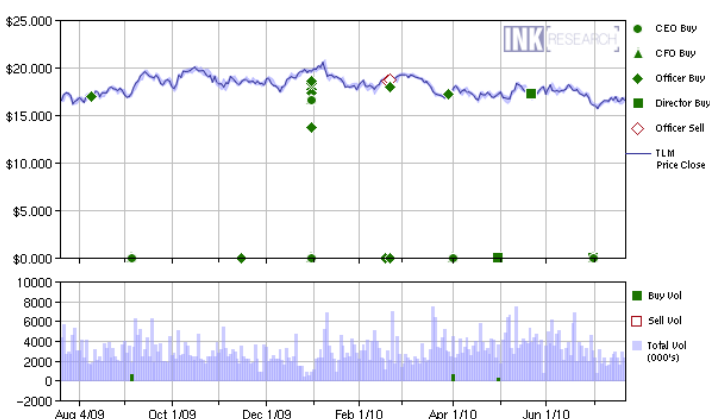
Past 12-months - purchased:	\$15,750
Past 12-months - sold:	\$0
Since January 1, 2010 - acquisitions:	\$15,750
Price range:	\$0.145-0.17
Since January 1, 2010 - dispositions:	\$0
Price range:	\$0.00
Officer: Wally Rudensky	100,000

Source: INK Research

Figure 43: Suroco Energy Inc. (SRN : TSX-V)

Past 12-months - purchased:	\$87,500
Past 12-months - sold:	\$0
Since January 1, 2010 - acquisitions:	\$0
Price range:	\$0.000
Since January 1, 2010 - dispositions:	\$0
Price range:	\$0.000

Source: INK Research

Figure 44: Talisman. (TLM : TSX)

Past 12-months - purchased:	\$1,157,022
Past 12-months - sold:	\$60,496
Since January 1, 2010 - acquisitions:	\$177,857
Price range:	\$17.19-\$17.95
Since January 1, 2010 - dispositions:	\$43,466
Price range:	\$18.65-\$18.75
Officer: Leslie Lawson	(823)
Officer: Christine Ohta	(1,407)
Officer: Helen Wesley	5,294
Director: Harold Kvisle	5,000

Source: INK Research

COMPANY SUMMARIES

ALANGE ENERGY CORP.

(ALE : TSX-V : C\$0.39 | BUY, TARGET C\$1.05)

Company statistics

Forecast return %	170%
52-week range	\$0.30–0.74
Avg. daily vol. (000)	2,621.1
Shares outstanding (M, basic)	747.0
Shares outstanding (M, fd)	747.0
Market cap (M)	C\$291.3
Estimated net debt (M)	C\$(3.3)
Enterprise value (M)	C\$288.1

Company summary

Alange is an international exploration and production company with assets in the Topoyaco, Carbonera Cerro Gordo, Catguas, Cerrito and Cubiro areas in Colombia.

Share price performance



Operational updates

- On May 3, Alange announced that the Copa-1 exploration well (the first of the company's four-well exploration drilling program on the Cubiro Block) discovered three prospective productive horizons (C5, C7, and C3 zones) within the Carbonera Formation. Test results from the first prospective productive horizon, the C5 zone, indicated a flow rate of 854 bbl/d. On May 17, Alange announced test results confirming a second productive horizon (the C3 zone) in the Copa-1 exploration well. Initial production tests resulted in an initial flow rate of 120 bbl/d. The company estimates installation of an electric submersible pump could increase productive capacity to 1,200 bbl/d.
- On June 3, Alange announced that production had surpassed the 3,000 boe/d level, with the increase attributable to appraisal and optimization work on the Cubiro Block, and incremental production additions from the La Punta-3 well.
- On June 22, Colombia's National Hydrocarbon Agency (ANH) held Colombia's 2010 bid round – Alange was awarded two blocks, one in proximity to its existing Cubiro assets, the other in the intermountain region near Bogota. Subsequent to the end of the quarter, the company announced that Alange had been awarded an additional three blocks in the Magdalena Basin.

Corporate updates

- On April 27, Alange announced updated reserves as at December 31, 2009. The company posted a 181% increase in 2P reserves while also increasing its NPV10% value. The increases were attributed to drilling success on the Cubiro Block, higher forecast commodity prices and slightly lower costs. The report was prepared by reserve evaluator Petrotech Engineering Ltd.

Financial updates

- On April 30, Alange announced its 2009 year-end financial and operating results. After reaching a record production rate of 3,773 boe/d in December 2009, the company exited 2009 at 2,129 boe/d due to a lack of trucking and takeaway capacity. Alange had negative operating cash flow of US\$(10.3 million) in Q4/09 and

a loss of US\$10.6 million for the full year. As of year-end, the company had US\$25.1 million in cash and cash equivalents, with a net US\$4.1 million of positive working capital.

- On May 26, Alange released Q1/10 results, with production averaging 2,305 boe/d for the quarter, and an exit rate of 2,280 boe/d. Production has since increased to approximately 3,100 boe/d. The company is guiding to reach the 10,000 boe/d level by Q2/11. Alange generated US\$4.3 million in cash flow (relative to our previous estimate of \$5.3 million) due to higher than expected G&A costs, which have recently stabilized at US\$1 million per month. Alange also announced additional debt financing of up to US\$27 million, representative of all additional financing necessary to complete the company's planned US\$76 million in capital expenditures for 2010.

Valuation

- Our C\$1.05 target price is based on the company's 2P reserves value (\$0.48/share) plus our estimate of the risked exploration upside (\$0.50/share) associated with the Company's inventory of exploration prospects.

AMERISUR RESOURCES PLC (AMER : AIM : 15p | NOT RATED)

Company statistics

52-week range	3.0–20.0p
Avg. daily vol. (000)	3,634.9
Shares outstanding (M, basic)	828.9
Shares outstanding (M, fd)	828.9
Market cap (M)	£122.3
Estimated net debt (M)	£ (8.0)
Enterprise value (M)	£114.3

Company summary

Amerisur is an international exploration and production company with assets in the Putumayo and Middle Magdalena basins in Colombia as well as holdings in Paraguay's Curupaty and Parana Basins. £

Share price performance



Source: Yahoo! Finance

Operational updates

- On April 12, Amerisur announced drill stem test results from two zones of the Isabel-1 well, located in the Fenix Block in Colombia. The first zone (1121 ft to 1164 ft) flowed oil, but not consistently to surface and remains a candidate for stimulation at a later date. The second zone (960 ft to 1040 ft) produced light oil to surface under natural flow at rates of 150 boe/d to 350 boe/d. The company applied to the Ministry of Mines and Energy for authorization to begin a long-term test of this second interval. Amerisur also announced it has finalized sourcing of the required equipment to re-enter and stimulate the Iguasa-1 well deep section.


Corporate updates

- On May 5, the company announced the appointment of the Royal Bank of Canada Europe Ltd (RBC Capital Markets) as its Nominated Adviser and Broker.

Financial updates

- On April 30, Amerisur announced the issuance of 82,888,530 new ordinary shares at a price of 16.5p per share, for gross proceeds of £13.7 million or US\$20.8 million. Proceeds will be used to fund a six-well and 3D seismic program on the Platanillo Block in Colombia, two offset wells, two further appraisal wells and an infill 2D seismic program on the Fenix block in Colombia and a 2D seismic program on the company's San Pedro block in Paraguay.
- On July 1, Amerisur announced results for the year ended March 31, 2010, as well as post period end highlights to May 31, 2010. As at May 31, 2010, the company was producing 498 boe/d from Alea-1 and Platanillo-2, and held a cash position of £17.6 million (~US\$26.7 million).

AZABACHE ENERGY INC. (formerly ARGENTA) (AZA : TSX-V : C\$0.19 | NOT RATED)

Company statistics		Share price performance
52-week range	\$0.15–0.40	 <p>AZA.V (Argenta Oil & Gas) CDNX © StockCharts.com 23-Jul-2010 4:00pm Last 0.19 Chg -0.02 (-11.90%)</p>
Avg. daily vol. (000)	90.9	
Shares outstanding (M, basic)	36.2	
Shares outstanding (M, fd)	36.2	
Market cap (M)	C\$6.7	
Estimated net debt (M)	C\$(0.3)	
Enterprise value (M)	C\$6.4	
Company summary Azabache Energy is an emerging international exploration and production company with assets in the Neuquen Basin in Argentina and holdings in Colombia's Lower Magdalena basin.		

Operational updates

- Effective June 29, Azabache signed an E&P Contract with the Colombian National Hydrocarbons Agency to explore for, develop and produce hydrocarbons found in La Mona Block, an area of 109,954 acres located in the Northern State of Magdalena.


Corporate updates

- On June 24, Azabache announced the addition of Mr. Bill Wheeler to the company's board of directors, as well as the resignation of Mr. Jose Luis Perez. Mr. Wheeler co-founded Leith Wheeler Investment Council, a Vancouver-based investment firm with approximately \$10 billion in assets.

Financial updates

- On May 21, Azabache closed a previously announced brokered private placement with Toll Cross Securities, Jennings Capital Inc., and Lightyear Capital Inc. Azabache sold 16,195,682 units at a price of \$0.21 per unit, for gross proceeds of \$3.4 million. Each unit consisted of one common share and one-half of one common share purchase warrant, with each whole warrant entitling its holder to acquire one common share at a price of \$0.30 per share for 24 months from the date of issuance. A second tranche of the offering is expected to close on or before August 20.

BENCHMARK ENERGY CORP. (BEE : TSX-V : C\$0.17 | NOT RATED)

Company statistics		Share price performance
52-week range	\$0.06–0.23	 <p>BENCHMARK ENERGY BEE.V</p> <p>Source: Yahoo! Finance</p>
Avg. daily vol. (000)	66.4	
Shares outstanding (M, basic)	25.8	
Shares outstanding (M, fd)	25.8	
Market cap (M)	C\$4.4	
Estimated net debt (M)	C\$(0.8)	
Enterprise value (M)	C\$3.6	
Company summary Benchmark Energy Corp. is an emerging international exploration and production company with Radial Drilling Technology rights in South America and a working interest in a production block in Colombia.		

Operational updates

- On March 31, Benchmark announced that its Recio 1 exploration well, located on the Sierra Exploration and Production Contract, was cased as a potential oil discovery. The well targeted the Lower Tertiary Honda Formation, a prolific oil-producing formation located within the Middle Magdalena Basin of Colombia. Recio 1 reached a total depth of 1,812 measured feet, and encountered two zones of potential oil pay (1,548 to 1,558 feet measured depth within a sandstone of the Middle Honda Formation, and 1,608 to 1,635 feet measured depth within a sandstone of the Lower Honda Formation). Benchmark and its partners, including operator Canacol, are moving ahead with the testing of both zones.

Corporate updates


- On May 4, Benchmark and Bolivar Energy, a private Alberta corporation, entered an amalgamation agreement whereby Benchmark will acquire all of the outstanding shares of Bolivar. Benchmark is expected to issue 145 million new shares at the deemed transaction price of \$0.135 per share to complete the transaction. Bolivar is party to a farm-in agreement on Block LLA-24, located in Colombia's Llanos Basin, in which it may earn up to a 35% working interest. The combined Benchmark/Bolivar entity will be focused on balancing exploration and production opportunities in Colombia, as well as the possible reactivation of mature fields in the country's Putumayo and Magdalena Basins.

Financial updates

- On July 11, and further to an announcement made on May 29, Benchmark closed a non-brokered private placement offering of units of up to C\$4 million. An aggregate of 1,525,000 units have been sold to date at a price of \$0.40 per unit, for proceeds of \$610,000. Each unit comprises one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable for a period of 12 months for one common share at a price of \$0.65 per share.

BROWNSTONE VENTURES INC.

(BWN : TSX-V : C\$0.39 | NOT RATED)

Company statistics		Share price performance
52-week range	\$0.27–0.95	 <p>BWN.V (Brownstone) CDNX © StockCharts.com 23-Jul-2010 4:00pm Last 0.39 Chg +0.08 (+25.81%) ▲ BWN.V (Daily)</p>
Avg. daily vol. (000)	97.1	
Shares outstanding (M, basic)	67.6	
Shares outstanding (M, fd)	68.4	
Market cap (M)	C\$26.7	
Estimated net debt (M)	C\$(26.0)	
Enterprise value (M)	C\$0.7	
Company summary Brownstone Ventures Inc. is a Canadian-based, energy focused investment company with equity interests and direct interests in oil and gas exploration projects, including working interests in the Piceance/Uinta Basins of Colorado and Utah, the Assam/Arakan Basin in Northeast India, the Rio Negro in Argentina, several projects in Brazil, the Québec Lowlands, two off-shore Israel oil and gas blocks; and is earning interests in three Colombian blocks in the Llanos basin.		

Operational updates

- On May 31, Brownstone was advised of the completion of five wells on the company's Vaca Mahuida licence in the Rio Negro province of Argentina, by partner and operator, Petrolifera Petroleum, with all five wells encountered hydrocarbons in one or more of the target formations. Brownstone is incurring 50% of the costs to earn a 25% working interest in the project.
- On June 7, Brownstone and partner/operator, Quetzal Energy, commenced drilling the Canaguay 1 well on the Canaguaro Block in the Llanos Basin of Colombia. The well has a planned total depth of 16,000 feet, is programmed to test the hydrocarbon potential of the Carbonera, Mirador, Gacheta and Une reservoirs, and is expected to take 75 days to complete. Brownstone was also advised by Quetzal that the acquisition of 220 square kilometres of 3-D seismic data on Block LLA-27 in the Llanos Basin has been completed and is being processed, with interpretation expected to be completed by Q3/10. Finally, the seismic program on Block LLA-21 has been postponed until after the rainy season, targeting completion by late 2010 or early 2011.

Corporate updates

- On June 18, Brownstone announced that the Israel Petroleum Board had issued the company a 6.75% stake in the Samuel Licence, offshore Israel. The Samuel Licence is contiguous to and south east of Brownstone's and Adira's Gabriella and Yitzhak licenses. Drilling is expected in 2011, after a 3D seismic acquisition program is completed later this year.

Financial updates

- On April 13, and further to previous announcements, Brownstone closed a non-brokered private placement financing. The company issued 20,000,000 units at a price of \$0.55 per unit for gross proceeds of \$11,000,000. Each unit consists of one

common share and one-half warrant, with each whole warrant entitling the holder to acquire one additional common share at \$0.75 per share until April 13, 2012.

- On May 26, Brownstone announced results for the quarter ended March 31, 2010. As at March 31, the company had cash and cash equivalents of \$5.2 million and investments of \$21 million. Brownstone spent \$3.3 million on oil and gas properties in the quarter.

C&C ENERGIA LTD.

(CZE : TSX-V : C\$7.65 | NOT RATED)

Company statistics		Share price performance
52-week range	\$6.70-8.19	<i>No chart available</i>
Avg. daily vol. (000)	120.9	
Weighted Shares outstanding (M, basic)	40.9	
Weighted Shares outstanding (M, fd)	42.5	
Market cap (M)	C\$325.1	
Estimated net debt (M)	C\$(3.8)	
Enterprise value (M)	C\$321.3	

Company summary

C&C Energia Ltd. is a Canadian-based international oil and gas exploration and development company with operations in Colombia.

Operational updates

- On June 23, C&C Energia announced it was the successful bidder on two blocks in the ANH 2010 Bid Round. The first block, VMM-21, comprises 119,000 acres in the Middle Magdalena Basin in central Colombia. C&C has made a total work commitment of US\$13.6 million for seismic and drilling programs. The second block, the Putumayo Block-8, which comprises 103,000 acres in the Putumayo Basin in southern Colombia, was awarded to C&C (50% interest) and partner/operator VETRA Exploration and Production Colombia S.A. (50% interest). A total work commitment of US\$20.9 million for seismic and drilling programs was made.
- On June 23, C&C Energia also provided an update on ongoing operations in Colombia. In the Llanos Basin, the company drilled eleven wells (six wells on the Cravoviejo block, and five on the Cachicamo block), tested eight wells (five on the Cravoviejo block, and three on the Cachicamo block) with a 100% success rate and grew production to 6,000 boe/d, with an additional 750 boe/d awaiting tie-in later in 2010. The company also completed drilling of the Carrizales 8 horizontal well (now tied-in and producing in excess of 400 bbl/d), and the IVF exploration well on the Cachicamo Block (which was designed to test a completely new stratigraphic play in the basin, and is awaiting further testing).

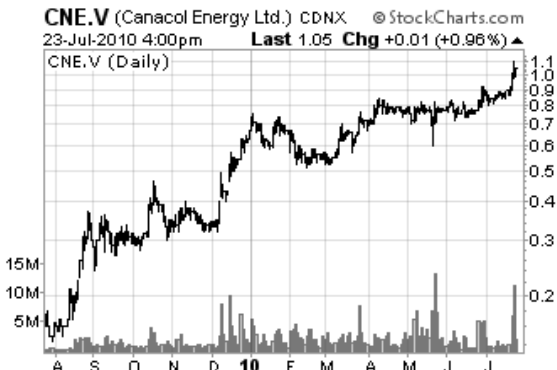
Corporate updates

- On May 25, C&C closed its previously announced \$100 million initial public offering (11.76 million shares at C\$8.50 per share), with net proceeds expected to fund a portion of the company's \$90 million 2010 capital expenditure program. The program includes drilling and completions on exiting properties, expansion of existing facilities and pipelines, acquisition of new seismic and geological data, and potential acquisitions, all primarily within Colombia.

Financial updates

- None

CANACOL ENERGY LTD.**(CNE : TSX-V : C\$1.05 | SPECULATIVE BUY, TARGET C\$1.00)**

Company statistics		Share price performance
52-week range	\$0.15-1.11	 <p>CNE.V (Canacol Energy Ltd.) CDNX © StockCharts.com 23-Jul-2010 4:00pm Last 1.05 Chg +0.01 (+0.96%)</p>
Avg. daily vol. (000)	1,717.6	
Weighted Shares outstanding (M, basic)	332.3	
Weighted Shares outstanding (M, fd)	332.3	
Market cap (M)	C\$348.9	
Estimated net debt (M)	C\$(4.4)	
Enterprise value (M)	C\$344.5	
Company summary Canacol Energy is a Canadian-based international oil and gas exploration and development company with operations in Colombia, Brazil and Guyana.		

Operational updates

- On May 31, Canacol announced a five-well infill development program at Rancho Hermoso (Llanos Basin) starting in mid-June, targeting net royalty interest production from the recently discovered Guadalupe and Los Cuervos reservoirs.

Corporate updates

- On April 7, Canacol announced it had filed all documentation required by the Colombian Financial Superintendency for listing on the Colombian Stock Exchange, Bolsa de Valores de Colombia. The application process is expected to take approximately 45 days. Canacol subsequently began trading on the BVC on July 22.
- On May 13, Canacol announced the closing of the overallotment on the company's recent \$50 million financing. The company has now raised a total of \$57.5 million, through the issuance of 76.7 million shares at \$0.75/share.

Financial updates

- On May 31, Canacol reported its financial and operating results for the period ended March 31, 2010. Production for the quarter averaged 2,406 bbl/day, but has since increased to a current rate of 3,240 bbl/d (comprised of 1,890 bbl/d of net production and 1,350 bbl/d of tariff production).

Valuation

- Our \$1.00 target price is based on a sum of the parts valuation of the company's Proven plus Probable (2P) reserves, as well as risked potential exploration upside in Colombia, Brazil and Guyana.

GLOBAL ENERGY DEVELOPMENT PLC (GED : AIM : 65p | NOT RATED)

Company statistics

52-week range	60–133p
Avg. daily vol. (000)	29.2
Shares outstanding (M, basic)	35.4
Shares outstanding (M, fd)	35.4
Market cap (M)	US\$23.1
Estimated net debt (M)	US\$12.3
Enterprise value (M)	US\$35.4

Company summary

Global Energy Development is a UK-based company engaged in the exploration and production of oil and gas in Panama, Peru and Colombia.

Share price performance



Source: Yahoo! Finance

Operational updates

- On June 15, Global Energy Development PLC announced that testing of the Rio Verde 2 exploratory well (located within the previously untested Rio Verde fault block of the Colombian Rio Verde contract) was unsuccessful in demonstrating commercial quantities of hydrocarbons. The well, drilled earlier in the quarter, has been plugged and the Rio Verde fault block relinquished to the National Hydrocarbons Agency. The Rio Verde field accounted for 0.9 million boe of probable reserves (representing 1% of the company's net probable reserves) and 2.2 million boe of possible reserves.


Corporate updates

- On April 6, the company announced the appointment of Patrick Garo as Chief Financial Officer.

Financial updates

- None

GOLD OIL PLC (GOO : AIM : 3.14p | NOT RATED)

Company statistics		Share price performance
52-week range	2.43–9.10p	 <p>GOLD OIL GOO.L</p> <p>© Yahoo!</p> <p>Volume</p> <p>Millions</p>
Avg. daily vol. (000)	1,390.1	
Shares outstanding (M, basic)	500.8	
Shares outstanding (M, fd)	500.8	
Market cap (M)	£15.7	
Estimated net debt (M)	£ (1.9)	
Enterprise value (M)	£13.9	
Company summary £ Gold Oil PLC is an independent oil and gas exploration and production company with an emphasis on Central and Southern America. Its focus is in Colombia, Peru and Brazil. Additionally, the company also has interests in Spain and Cuba.		

Operational updates

- On May 6, Gold Oil announced an update on activities in Colombia. At the Rosa Blanca Block in Colombia, the company entered an agreement with Colombian service company, Montecz S.A., specifying that Gold Oil (and partner Empresa) will be carried for one well, scheduled for late Q3/10. On the Azar Block, drilling is scheduled for Q4/10 after the completion of 3D seismic programs. At Nancy Burdine, the Nancy-1 well continues steady production at 250 boe/d from the Villeta Formation, while results from production testing of three idle wells in the Burdine field are under evaluation. A new surface development plan is also scheduled.
- On May 6, Gold Oil also announced an update on activities in Peru. The company reported it has been unable to obtain environmental permits necessary for the completion of additional seismic studies, but has also negotiated a standstill on the related licence obligations. Also, the company is negotiating a farm-in deal for onshore Block XXI, and planning a 2D seismic program over the Verdun Formation located on a neighbouring block.

Corporate updates

- On May 6, Gold Oil announced that Sheer Energy Pty has subscribed to 56.1 million shares of Gold Oil at 3.5 pence per share, for gross proceeds of £1.96 million. Sheer is a private oil and gas company headed by Mr. John Bell, who has joined Gold Oil's board of directors in conjunction with the offering. Also, the company has granted Sheer options to subscribe for additional shares: (1) an option to subscribe for up to US\$1.75 million new shares at 3.5 pence per share until September 30, 2010; (2) an option to subscribe for 50 million new shares at 4 pence per share until December 31, 2010. In conjunction with the placement, Gold Oil announced appointment of three board members (Mr. John Bell, Mr. Guy Cowan and Mr. Ian Reid), and resignation of Mr. Michael Burchell from the board.

Financial updates

- None.

GRAN TIERRA ENERGY INC.

(GTE : TSX : C\$6.00 | BUY, TARGET C\$6.50)

Company statistics		Share price performance
Forecast return %	8.3%	<p>GTE.TO (Gran Tierra Energy) TSE © StockCharts.com 23-Jul-2010 4:00pm Last 6.00 Chg +0.02 (+0.33%) ▲ GTE.TO (Daily)</p>
52-week range	\$3.77-6.75	
Avg. daily vol. (000)	1,100	
Shares out (M, basic)	248.8	
Shares out (M, fd)	256.9	
Market cap (M)	US\$1492.8	
Estimated net debt (M)	US\$ (265.7)	
Enterprise value (M)	US\$1,227.1	
Company summary Gran Tierra is an international exploration and production company headquartered in Calgary, Alberta, Canada. The company has exploration and producing assets in Colombia and Argentina and has exploration acreage in Peru.		

Operational updates

- In June, Gran Tierra announced an exploration success at the Moqueta prospect on the Chaza Block. A total of four potential horizons were encountered, which was better than expected. Initial testing of the Moqueta-1 well confirmed hydrocarbons in the Caballos and Villeta Formations producing 349 bbl/d and 13 mmcf/day. Planning for an 8 kilometre pipeline to tie the well into Costayaco infrastructure has commenced, with long-term testing and early production expected in Q1/11. The drill rig is currently being mobilized to complete an appraisal well, Moqueta-2.

Corporate updates

- On June 24, Gran Tierra announced successful bids on three blocks in the 2010 Colombia Bid Round. The 114,097 acre Putumayo 10 Block is located in proximity to the company's Piedmont Norte and Piedmont Sur exploration blocks and is on the same structural trend as the Chaza Block (Costayaco field). The Cauca 6 and 7 Blocks represent a combined 1,356,647 acres of wildcat exploration acreage in the southern portion of the Cauca Basin in southern Colombia, approximately 100 kilometres north of the Putumayo Basin


Financial updates

- On May 10, Gran Tierra released financial and operating results for the quarter ended March 31, 2010. Production for the quarter averaged 14,908 boe/d, representing a 43% increase over Q1/09 production of 10,389 boe/d and a 1% increase over Q4/09 production of 14,714 boe/d. Cash and cash equivalents totalled US\$265 million as at March 31, 2010.

Valuation

- Our target price of C\$6.50 is based on the after-tax value of the company's fully diluted Proven plus Probable (2P) reserves, plus value from the company's exploration upside potential.

HOUSTON AMERICAN ENERGY CORP. (HUSA : NASDAQ : US\$9.34 | NOT RATED)

Company statistics		Share price performance
52-week range	\$2.10-20.36	 <p>HUSA (Houston Am...) Nasdaq CM ©StockCharts.com 23-Jul-2010 4:00pm Last 9.34 Chg +0.31 (+3.43%) ▲ HUSA (Daily)</p>
Avg. daily vol. (000)	208.8	
Shares outstanding (M, basic)	31.0	
Shares outstanding (M, fd)	31.4	
Market cap (M)	US\$293.6	
Estimated net debt (M)	US\$(12.2)	
Enterprise value (M)	US\$281.4	
Company summary Houston American Energy Corp. is an independent energy company based in Houston, Texas with interests in oil and natural gas production and prospects. The company's business strategy includes a property mix of producing and non-producing assets with a focus on Texas, Louisiana and Colombia.		

Operational updates

- None

Corporate updates

- On June 1, Houston American announced that negotiations surrounding the sale of Colombian assets, operated by Hupecol LLC, are ongoing.

Financial updates

- On May 6, Houston American announced that its board of directors had declared a quarterly dividend of US\$0.005 per common share.
- On May 7, Houston American reported financial results for the quarter ended March 31, 2010. The company reported net income of US\$808,716, or US\$0.03 per share, on revenues of US\$4,241,395 for the quarter ended March 31, 2010, compared to a loss of US\$1,478,320 or US\$(0.05) per share on revenues of US\$445,142 for the quarter ended March 31, 2009. Production increased by 326% year-over-year. The company retained a cash balance of US\$14 million as at March 31, 2010. Monthly sales reached the 36,000 bbl level in June 2010.

INTEROIL EXPLORATION AND PRODUCTION ASA (IOX : OSE : NOK12.40 | NOT RATED)

Company statistics

52-week range	NOK4.11–13.00
Avg. daily vol. (000)	48.9
Shares outstanding (M, basic)	17.4
Shares outstanding (M, fd)	17.4
Market cap (M)	US\$43.4
Estimated net debt (M)	US\$142.3
Enterprise value (M)	US\$180.3

Company summary

InterOil Exploration & Production ASA is an international independent petroleum company headquartered in Oslo. The company is engaged in the acquisition, exploration, development and operation of oil and natural gas properties. The company serves as operator or active license partner in several production and exploration assets in Peru, Colombia, Ghana and Angola.

Share price performance



Source: Yahoo! Finance

Operational updates

- On May 6, InterOil announced completion of the Altair-1 exploratory well located in the Llanos Basin of Colombia. The well reached a total depth of 7,206 feet. The top of the prospective C-7 reservoir was reached at 5,973 ft, finding a pay zone of 17 ft. Initial flow testing, saw average production of 1,392 bbl/d, while natural flow rates demonstrated production of 995 bbl/d. Further evaluation and testing is expected.
- On May 11, InterOil announced April average production levels of 5,624 boe/d, representing a 1% month-over-month decline.
- On June 11, InterOil announced May average production levels of 5,492 boe/d.
- On June 24, InterOil announced that the company was ranked as the preferred operator of three licences in Colombia, based on a preliminary eligibility list of operators released by the Colombian Hydrocarbon Agency at the Colombian license round held in June, 2010. The company won the blocks by bidding aggressively with work programs and X-factors that on surface appear to be uneconomic.

Corporate updates

- On June 7, InterOil announced that the company entered a binding memorandum of agreement with Toronto-based investment manager West Face Capital to acquire all outstanding shares of the company for NOK12.50 per share in cash, valuing InterOil at NOK273 million. In conjunction with the successful completion of the offer, West Face or a related party must participate in the refinancing of InterOil, both by purchasing new equity and providing a bond loan. Together with new senior bank debt to be obtained by subsidiaries of InterOil, and secured by assets in Peru and Colombia, West Face or a related party will contribute up to US\$40 million in a new secured bond loan and up to US\$10 million in new equity. The new financing will be used to repay the outstanding senior secured US\$115 million bond loan, and for general corporate purposes. In addition, as a condition of the completion of the equity and debt financing transactions, holders of the unsecured US\$20 million bond loan and unsecured NOK100 million bond loan must agree to exchange the


unsecured bonds into the new bond loan on the same terms as West Face. InterOil's principals have also agreed to convert approximately US\$10 million of unsecured bonds into equity.

- On June 26, InterOil announced that the company's Colombian subsidiary signed a term sheet with Citibank for a loan of US\$30 million. InterOil believes that the new US\$30 million term loan, coupled with a previously announced US\$60 million loan granted by Citibank to InterOil's Peruvian subsidiary in Q1/10, as well as the proposed refinancing included in the offer from West Face Capital, will together provide all necessary funding for the company on a go-forward basis.

Financial updates

- On May 6, InterOil reported financial and operating results for the period ended March 31, 2010. The company realized production, net of royalties, of 385,967 boe for the quarter, down 5% from 409,213 boe for the quarter ended December 31, 2009, and down 24% from 545,375 on a year-over-year basis for the quarter ended March 31, 2009. EBITDA increased to US\$14.2 million, from US\$9.5 million in Q1/10, due to higher realized oil prices. InterOil had US\$11 million of cash as at March 31, 2010.

KINETEX RESOURCES CORPORATION (KTX : TSX-V : C\$0.13 | NOT RATED)

Company statistics		Share price performance
52-week range	\$0.11–0.45	 <p>KTX.V (Kinetex Resources) CDNX © StockCharts.com 23-Jul-2010 4:00pm Last 0.13 Chg +0.00 (+0.00%)</p>
Avg. daily vol. (000)	53.2	
Shares outstanding (M, basic)	33.8	
Shares outstanding (M, fd)	33.8	
Market cap (M)	C\$5.8	
Estimated net debt (M)	C\$10.5	
Enterprise value (M)	C\$16.3	
Company summary Kinetex is a 100%-owned subsidiary of Kinetex-Multi-Component Services, Inc. and provides advanced geophysical services to energy, metals and minerals exploration and mining companies. The company also holds an interest in Block 17 in the Llanos Basin in Colombia. Kinetex has offices in Calgary, Vancouver and Bogota, Colombia.		

Operational updates

- None


Corporate updates

- On July 8, Kinetex announced that its subsidiary, upon completion of a credit review with HSBC Bank Canada, has been approved for renewal and an increase of 20% to its credit facility, which now totals C\$11.9 million. The credit facility bears interest at the HSBC Bank Canada's prime rate (2.50%) plus 2.25%, is secured by a fixed and floating charge over all of the company's assets, and is subject to periodic review. The Company is currently in compliance with all covenants.

Financial updates

- On April 30, Kinetex announced it had closed the private placement announced on April 21, consisting of 500,000 convertible debentures for gross proceeds of \$500,000. The debentures will bear interest at a rate of 10% per annum, payable quarterly, in arrears, on March 31, June 30, September 30 and December 31 of each year. Unless converted earlier, principal and accrued interest shall be due and payable on April 17, 2013, or the maturity date of the debenture. The debentures are convertible into common shares at \$0.60 per share, at any time prior to maturity. The debentures are redeemable at the option of the company at any time after April 17, 2011.
- On May 17, Kinetex announced the closing of a previously announced non-brokered private placement. The placement consisted of 3,525,000 common shares at a subscription price of C\$0.40 per share, for gross proceeds of C\$1.41 million.

LA CORTEZ ENERGY INC. (LCTZ : OTC : US\$1.88 | NOT RATED)

Company statistics		Share price performance
52-week range	US\$1.25–4.07	 <p>LA CORTEZ ENERGY INC LCTZ.OB</p> <p>© Yahoo!</p> <p>Feb 10 Mar 10 Apr 10 May 10 Jun 10 Jul 10</p> <p>Volume</p> <p>Thousands</p> <p>Source: Yahoo! Finance</p>
Avg. daily vol. (000)	30.2	
Shares outstanding (M, basic)	30.3	
Shares outstanding (M, fd)	30.3	
Market cap (M)	US\$57.0	
Estimated net debt (M)	US\$(7.2)	
Enterprise value (M)	US\$49.9	
Company summary La Cortez Energy Inc. is an early-stage international oil and gas company with exploration and development projects in Colombia and Peru.		

Operational updates

- On May 27, La Cortez announced that the company, along with partner/operator Emerald Energy Plc, had commenced drilling of the Mirto-2 exploration well located on the Maranta Block in southwest Colombia. Mirto-2 will be drilled to a targeted depth of 11,604 feet, to test the Villeta N, U and T sands. The Maranta Block is located adjacent to Gran Tierra's Costayaco discovery.


Corporate updates

- None

Financial updates

- On April 20, La Cortez announced the closing of a US\$10.33 million financing. Units were sold at a price of US\$1.75 per unit and consisted of one common share and one common share purchase warrant, with each warrant exercisable into common shares of the company until March 2013, at a price of US\$3.00 per share. The financing brings total equity raised to US\$15 million since December 29, 2009.

LOON ENERGY CORPORATION (LNE : TSX-V : C\$0.05 | NOT RATED)

Company statistics		Share price performance
52-week range	C\$0.03–0.14	 <p>LNE.V (Loon Energy Corp.) CDNX © StockCharts.com 23-Jul-2010 4:00pm Last 0.05 Chg +0.00 (+0.00%)</p> <p>LNE.V (Daily)</p>
Avg. daily vol. (000)	60.3	
Shares outstanding (M, basic)	96.0	
Shares outstanding (M, fd)	96.0	
Market cap (M)	C\$4.8	
Estimated net debt (M)	C\$(1.6)	
Enterprise value (M)	C\$3.2	
Company summary Loon Energy Corp. is an international oil and gas company with exploration and development projects in Colombia and Peru.		

Operational updates

- None


Corporate updates

- Subsequent to the end of Q2/10, on July 20, Petrodorado (PDQ : TSX-V) and Loon Energy entered into a non-binding letter of intent whereby Petrodorado will acquire Loon for approximately 19.2 million shares of Petrodorado, plus \$3 million of additional shares that could be issued pending the meeting of exploration goals surrounding Block 127 in Peru.

Financial updates

- None

MAUREL & PROM (MAU : FR : €9.45 | NOT RATED)

Company statistics		Share price performance
52-week range	€8.85–15.13	 <p>MAUREL & PROM. ■ EITX.F</p> <p>© Yahoo!</p> <p>Source: Yahoo! Finance</p>
Avg. daily vol. (000)	441.9	
Shares outstanding (M, basic)	118.7	
Shares outstanding (M, fd)	118.7	
Market cap (M)	€1,083.5	
Estimated net debt (M)	€28.9	
Enterprise value (M)	€1,112.4	
Company summary Maurel & Prom is a French oil and gas exploration and production company focused in the Congo, Tanzania, Colombia as well as other global opportunities in Peru, Syria and Sicily.		

Operational updates

- On May 19, Maurel & Prom announced an update on operations in Tanzania (operator, 60% interest), the Congo (operator, 75% interest) and Gabon operator, 92.5% interest). At the Mafia Bigwa Rufji permit in Tanzania, tests carried out in the upper zone of the well have produced a flow of salt water from the formation. On the Marine III permit in the Congo, drilling of the NGoumba-1D exploration well reached a final depth of 2,600 metres, but was plugged and abandoned post unsuccessful test results. In Gabon, Banio-5 well drilling reached a final depth of 1,853 metres in the Melania formation. Post encountering 4 metres of thick Banio limestone filled with formation water, the well was cemented pending potential side-track wells.


Corporate updates

- On May 26, Maurel & Prom and Hocol (a Grupo Empresarial Ecopetrol company) executed a swap agreement involving two exploration blocks in Colombia. Maurel & Prom assigned a 50% working interest in the SSJN-9 Block (Lower Magdalena basin) to Hocol, which in turn assigned Maurel & Prom a 50% working interest in the CPO-17 Block (Llanos basin). Maurel & Prom has been appointed as operator of the CPO-17 Block, while Hocol has been appointed as operator of the SSJN-9 Block.
- On June 18, the Nigerian National Petroleum Corp announced approval of the sale of 45% of the rights to the OML 4, 38 and 41 blocks to SEPLAT (Maurel & Prom).

Financial updates

- On April 7, Maurel & Prom announced its operating and financial results for the year ended December 31, 2009. The company announced average production of 8,578 boe/d during the year, with corporate net income reported at a loss of €50.7 million.
- On May 6, Maurel & Prom released operational results for the quarter ended March 31, 2010. Production for the quarter averaged 9,114 boe/d, representing an increase over Sales were reported at €48.9 million, with €33.5 million attributable to oil production, €23.5 million attributable to oil-related services, and €(8.1 million) attributable to hedging losses.

PACIFIC RUBIALES ENERGY CORP. (PRE : TSX : C\$24.62 | BUY, TARGET \$36.00)

Company statistics		Share price performance
Forecast return %	46%	 <p>PRE.TO (Pacific Rubiales) TSE © StockCharts.com 23-Jul-2010 4:00pm Last 24.62 Chg +0.27 (+1.11%) ▲ PRE.TO (Daily)</p>
52-week range	C\$10.66–25.00	
Avg. daily vol. (000)	1,860.9	
Shares Out (M, basic)	240.1	
Shares Out (M, fd)	251.6	
Market cap (M)	US\$5911.08	
Estimated net debt (M)	US\$59.2	
Enterprise value (M)	US\$5,971.3	
Company summary Pacific Rubiales Energy is a Canadian-based international oil and gas production and exploration company focused on heavy oil exploration and development in the eastern Llanos Basin of Colombia and natural gas exploration and development in the Lower Magdalena Valley of northwest Colombia.		

Operational updates

- On April 7, 2010 Pacific Rubiales and partner Ecopetrol, S. A. announced the successful completion of the first phase of the companies' STAR thermal recovery project and the kick off of the second phase. Phase 2 will include the field pilot for the STAR project as well as setting the basic terms and conditions for the commercial implementation of STAR at the Rubiales field.
- On April 26, Pacific Rubiales declared commerciality of the southwest regions of the Quifa and Rubiales fields. The commerciality comprises 40,000 hectares, while the development plan calls for the production of 30,000 bbl/d gross by the end of 2010, and 60,000 bbl/d gross by the end of 2011 from the Quifa block. The company also commented on ongoing successful drilling in the northern Quifa area, where regional success has resulted in Petrotech Engineering allocating 251 million barrels of certified gross resources on the Quifa A, F, and Q prospects.
- On July 12, Pacific Rubiales announced a new heavy oil success in Colombia. A stratigraphic test well drilled on the CPE-6 Block, located 100 kilometres west-southwest of the Rubiales field, has confirmed the presence of oil first identified on the block 30 years ago. The well, in combination with the previous four wells drilled in the 1980s, has identified a potential stratigraphic closure of 25,200 acres. By comparison, the Rubiales field, which we estimate to contain approximately 5 billion barrels of oil in place, is approximately 75,000 acres in size.

Corporate updates

- None

Financial updates

- On May 14, Pacific Rubiales announced operating and financial results for the quarter ended March 31, 2010. The quarter was dominated by exploration and drilling results from the Quifa Block. Production and cash flow came in ahead of


expectations largely due to better than expected timing of well tie-ins. The company remains on track to expand gross Rubiales field production to 170,000 bbl/d around the end of 2010 and develop the southwest corner of the Quifa Block for production of 30,000 bbl/d by year-end.

Valuation

- Our C\$36.00 target price is based on an estimated NAV for the company's producing assets at Rubiales and Quifa plus risked exploration upside for near-term work in Colombia and Peru.

PAREX RESOURCES INC.

(PXT : TSX-V : C\$5.20 | NOT RATED)

Company statistics		Share price performance
52-week range	C\$3.50–5.70	 <p>PXT.V (Parex Resources) CDNX © StockCharts.com 23-Jul-2010 4:00pm Last 5.20 Chg +0.35 (+7.22%) ▲ PXT.V (Daily)</p>
Avg. daily vol. (000)	110.6	
Shares outstanding (M, basic)	63.9	
Shares outstanding (M, fd)	64.0	
Market cap (M)	C\$332.8	
Estimated net debt (M)	C\$(91.9)	
Enterprise value (M)	C\$240.8	
Company summary Parex is engaged in oil and natural gas exploration, development and production in South America and the Caribbean region. Parex is conducting exploration activities on its 489,000 acre (244,500 net acre) holdings in the Llanos Basin of Colombia and 211,000 acre (105,500 net acre) holdings onshore Trinidad & Tobago.		

Operational updates

- On June 14, Parex provided an update on the company's 2010 11-well exploration program in Colombia and Trinidad. In Colombia, drilling at the Kona prospect on Block LLA-16 located within the country's Llanos Basin has almost reached targeted depth, and has observed four intervals of hydrocarbons at depths ranging from 11,700 to 13,000 feet. Wireline logs have been obtained to the base of the Mirador Formation and indicate potential net oil pay of 82 feet (35 feet in the upper C7 and 47 feet in the Mirador). Logging of the deeper Gacheta and Une Formations, as well as flow tests, are expected by the end of July, 2010. After drilling the Kona well, drilling will commence at the Goroka prospect, also located on Block LLA-16. In Trinidad, drilling of the Firecrown well on the Moruga Block has reached total depth (8,701 feet), and is currently being cased. Firecrown represents the first of a three-well drilling program in Trinidad in 2010. Parex will earn a 50% working interest in the Moruga Block by paying 95% of drilling costs to a maximum of \$13.3 million.


Corporate updates

- On June 14, Parex announced it had qualified as a Type 1 block operator by the National Agency of Hydrocarbons, allowing the company to potentially be awarded blocks located in currently producing basins.

Financial updates

- On May 26, Parex reported its financial and operating results for the quarter ended March 31, 2010. The company has no current production and is the process of an 11-well exploration drilling program across Colombia and Trinidad. Drilling is ongoing in both Colombia (Kona) and Trinidad (Firecrown). Parex ended the quarter with working capital of \$86 million and cash and cash equivalents of \$92 million, and no long-term debt.

PETROAMERICA OIL CORP. (PTA : TSX-V : C\$0.39 | NOT RATED)

Company statistics		Share price performance
52-week range	C\$0.28–0.90	 <p>PTA.V (PetroAmerican Oil) CDNX © StockCharts.com 23-Jul-2010 4:00pm Last 0.39 Chg -0.01 (-1.27%) ▼</p>
Avg. daily vol. (000)	1,251.1	
Shares outstanding (M, basic)	342.8	
Shares outstanding (M, fd)	342.8	
Market cap (M)	C\$133.7	
Estimated net debt (M)	C\$(36.2)	
Enterprise value (M)	C\$97.5	
Company summary Petroamerica Oil Corp. is focused on light/medium oil in Colombia. The company has assembled a large portfolio of prospective oil properties in several prolific basins and is joint ventured on some of these properties with established producers in the country.		

Operational updates

- On June 21, Petroamerica announced an operations update. Initial production from the company's first oil discovery (Balay Block farm-in with Petrobras) is expected online shortly, while drilling of the Playon well in northern Colombia is expected to commence in Q3/10. Petroamerica also reported that subsidiary, Compound Hydrocarbons Inc., had been recognized by the Colombian National hydrocarbon Agency as a restricted operator for a Type 1 block in the country's June 2010 bid round.

Corporate updates


- None

Financial updates

- None

PETRODORADO ENERGY LTD.

(PDQ : TSX-V : C\$0.265 | SPECULATIVE BUY, C\$0.65 TARGET)

Company statistics		Share price performance
Forecast return %	145%	 <p>PDQ.V (Petrodorado Energy) CDNX © StockCharts.com 23-Jul-2010 4:00pm Last 0.26 Chg -0.02 (-5.36%)</p>
52-week range	C\$0.20–0.60	
Avg. daily vol. (000)	796.0	
Shares outstanding (M, basic)	394.9	
Shares outstanding (M, fd)	394.9	
Market cap (M)	C\$104.7	
Estimated net debt (M)	C\$(56.9)	
Enterprise value (M)	C\$47.7	
Company summary Petrodorado is a Canadian-listed oil and gas exploration and production company with producing operations in Colombia and exploration assets in Peru and Paraguay. The company has working interests in five Colombian properties, two Peruvian properties and one block in Paraguay.		

Operational updates

- On June 15, Petrodorado announced that the company remains on track with its 2010 drilling and production objectives and expected first production from its Moriche Block in Colombia within three to four days time. Production came on stream as expected.

Corporate updates

- On June 14, Petrodorado announced it will farm-in for a 30% interest in the CPO-5 Block, an unexplored block with extensive seismic, in Colombia's Llanos Basin. No further terms have been announced, but the company expects to shoot 650 square kilometres of 3D seismic and 240 kilometres of 2D seismic before year end, with two exploration wells planned for Q1/11. Petrodorado estimates the block contains approximately 78 million barrels of unrisks resource potential (net to its 30% interest to be earned in the block) and has a 25% chance of success.
- Subsequent to the end of Q2/10, on July 20, Petrodorado announced the proposed acquisition of Loon Energy (LNE : TSX-V) in an all-stock transaction. Petrodorado will acquire Loon for approximately 19.2 million shares of Petrodorado, plus \$3 million of additional shares that could be issued pending the meeting of exploration goals surrounding Block 127 in Peru.


Financial updates

- On April 20, Petrodorado announced financial and operating results for the year ended December 13, 2009. While 2009 was a start-up year, production stumbled in early 2010 due to transportation issues in the Cubiro region of Colombia. However, the company expects resolution of said issues by the end of Q2/10.

Valuation

- Our C\$0.65 target price is based on a sum-of-the-parts valuation of the company's fully diluted Proved plus Probable (2P) reserves, as well as the risked potential exploration upside from Colombian and Paraguayan exploration opportunities.

PETROLATINA ENERGY PLC (PELE : AIM : 47p | NOT RATED)

Company statistics		Share price performance
52-week range	30–81p	 <p>PETROLATINA ENERGY ■ PELE.L</p> <p>Jul 01, 2010</p> <p>© Yahoo!</p> <p>Source: Yahoo! Finance</p>
Avg. daily vol. (000)	112.9	
Shares outstanding (M, basic)	45.3	
Shares outstanding (M, fd)	45.3	
Market cap (M)	US\$21.1	
Estimated net debt (M)	US\$21.1	
Enterprise value (M)	US\$42.2	
Company summary PetroLatina is an independent oil and gas exploration, development, and production company focused on operations in Latin America. In Colombia, the company currently holds 40% and 20% interests in the Los Angeles and Santa Lucía fields on the Tisquirama licence respectively, and a 100% interest in the Doña María field.		

Operational updates

- On April 19, Petrolatina announced test results for its Santa Lucia-4 development well, located on the company's Tisquirama A Block in Colombia's Middle Magdalena Valley Basin. The company reported that the well's indicated net pay was 27 feet (in line with previous expectations) and that the well would be expected to produce at a gross rate of 240 bbl/d upon the commencement of commercial production.
- On June 6, Petrolatina announced that the installation of electrical submersible pumps in the company's Colon-1 and Colon-2 wells had been completed. The installations are expected to increase production to a combined rate of 1,200 bbl/d, from a combined natural flow rate of 500 bbl/d. The wells are located on Petrolatina's La Paloma field in Colombia's Middle Magdalena Valley Basin. The company also announced that its Querubin-1 well, located within the Los Angeles field, spudded on May 28 and had reached a depth of 1,244 feet.


Corporate updates

- On June 25, Petrolatina announced successful bidding of two new blocks in Colombia's June 2010 license bidding round. VMM28, a 54,552-hectare block, is located in the Middle Magdalena basin, adjacent to the company's existing La Paloma block. LLA57, a 42,304-hectare block, is located in Colombia's Llanos basin.

Financial updates

- On April 7, PetroLatina announced its operating and financial results for the year ended December 31, 2009. The company announced net production of 1,340 bbl/d for 2009, compared with 849 bbl/d in 2008. The company ended the year with cash and cash equivalents of US\$4.91 million.

PETROLIFERA PETROLEUM LTD. (PDP : TSX : C\$0.58 | NOT RATED)

Company statistics		Share price performance
52-week range	C\$0.56-1.92	 <p>PDP.TO (Petrolifera Limited) TSE © StockCharts.com 23-Jul-2010 4:00pm Last 0.58 Chg +0.01 (+1.75%) ▲ PDP.TO (Daily)</p>
Avg. daily vol. (000)	615.7	
Shares outstanding (M, basic)	121.8	
Shares outstanding (M, fd)	121.8	
Market cap (M)	C\$69.4196	
Estimated net debt (M)	C\$46.0	
Enterprise value (M)	C\$115.4	
Company summary Petrolifera Petroleum Ltd. is a Canadian oil and gas exploration and production company with operations in Colombia, Argentina and Peru. Connacher Oil and Gas Ltd. of Calgary owns approximately 22% of Petrolifera's common shares.		

Operational updates

- On April 19, Petrolifera announced that test results from the Brillante SE-1X well, located on the company's Sierra Nevada Licence (Lower Magdalena Basin, Colombia), found a 212 foot interval of gross pay and tested at 8.4 mmcf/d. Long-term tests are suspended pending receipt of necessary permits. On April 26, the company calculated an absolute flow rate of 18 mmcf/d for the well.
- On May 25, Petrolifera announced test results from the La Pinta-1X well, also located within the company's Sierra Nevada Licence in Colombia. Four-day drill-stem testing returned a rate of 139 bbl/d and 739 mcf/d from a 30 foot gross pay interval. Further testing will be required before an assessment of commerciality can be made.
- On May 31, Petrolifera announced an update on activities in the Neuquen Basin of Argentina. Production from the Puesto Morales Norte field reached 4,000 boe/d, while water injection and treatment capacity increased 32% (25,000 to 33,000 bbl/d) and 175% (12,000 to 33,000 bbl/d), enabling the handling of increased fluid volumes. Also, the northern portion of the company's Rinconada field was farmed out for a 35% carried interest in three wells. Finally, at the Vaca Mahuida field, five wells encountered hydrocarbons and await final testing to determine future plans.

Corporate updates

- On April 14, Petrolifera announced the over-allotment option (issuance of an additional 3,088,500 shares at of \$0.85 per share) related to the company's March 25-announced financing had been closed. Total gross proceeds increased to C\$20,126,725.

Financial updates

- On May 5, Petrolifera announced financial and operating results for the quarter ended March 31, 2010. Quarterly sales production was 4,349 boe/d (flat quarter-over-quarter), with cash flow at \$7.2 million. As at March 31, the company had a net debt position of \$19.1 million. Petrolifera also reported an operational update – in Argentina it will be drilling up to four additional infill wells at Puesto Morales Norte in 2010, in Peru it is awaiting an EIA to commence operations, and in Colombia it is awaiting permits for long-term testing of the Brillante-SE-1X well.

PETROMINERALES LTD.

(PMG : TSX : C\$30.50 | BUY, TARGET \$43.00)

Company statistics		Share price performance
Forecasted Return	41%	<p>PMG.TO (Petrominerales Ltd.) TSE © StockCharts.com 23-Jul-2010 4:00pm Last 30.50 Chg +0.50 (+1.67%) ▲</p>
52-week range	\$10.25–35.00	
Avg. daily vol. (000)	231.4	
Shares outstanding (M, basic)	98.7	
Shares outstanding (M, fd)	105.2	
Market cap (M)	US\$3,207.9	
Estimated net debt (M)	US\$64.2	
Enterprise value (M)	US\$3,272.1	
Company summary Petrominerales is an international exploration and production company operating and headquartered in Colombia. The company has contracts on 13 exploration blocks covering a total of 1.5 million acres in the Llanos and Putumayo Basins. It trades on the TSX with 76.6% of its common shares owned by Calgary-based Petrobank Energy and Resources Ltd.		

Operational updates

- On April 13, Petrominerales announced exploration results for the company's Casimena heavy oil block. The Yenac-1 well was tested in the Mirador Formation and is now on stream at over 1,800 bbl/d. The company also announced a March production level of 45,250 bbl/d, indicative of very strong reservoir performance from the Candelilla field.
- On May 31, Petrominerales announced an operational update. Recent testing of the Capybara-1 well in Colombia's Central Llanos Basin achieved levels of 400 bbl/d and 600 bbl/d in two zones. In addition, the first Corcel well of 2010 at Corcel C2, was put on stream at over 3,000 bbl/d, helping to offset natural declines. The company anticipates increasing this rate to the 6,000 bbl/d level with installation of a higher volume pump. Total production has averaged 47,086 bbl/d thus far in the quarter.

Corporate updates

- On June 10, Petrominerales announced the initiation of a quarterly dividend payment of \$0.125 per share. The first dividend is expected to be paid on July 15, 2010 to shareholders of record on June 30, 2010.

Financial updates

- On May 6, Petrominerales announced financial and operating results for the quarter ended March 31, 2010. Production averaged 38,199 bbl/d, while cash flow was reported at US\$140 million. The company maintains an undrawn US\$150 million credit facility.

Valuation

- Our C\$43.00 target price is based on an estimated NAV for the company's Proven plus Probable (2P) reserves plus value from the company's exploration upside potential.

PETRO VISTA ENERGY CORP.

(PTV : TSX-V : C\$0.20 | NOT RATED)

Company statistics

52-week range	C\$0.12–0.41
Avg. daily vol. (000)	400.4
Shares outstanding (M, basic)	106.0
Shares outstanding (M, fd)	106.0
Market cap (M)	C\$21.2
Estimated net debt (M)	C\$1.2
Enterprise value (M)	C\$22.4

Company summary

Petro Vista Energy Inc. is an independent oil and gas exploration company with near-term production opportunities in South America and operations in the US, Canada and Brazil.

Share price performance



Operational updates

- On April 12, Petro Vista announced that the 7-TTG-1DP-SES development well (Tartaruga Block, Brazil) was drilled to a total depth of 3,445 metres. The well encountered a potential net pay interval of 101 feet, and awaits arrival of a workover rig to conduct completion operations. The Penedo reservoir P13 interval (3,400 metre depth) will be perforated during first completion. If successful, the well will be the second in production on the Tartaruga Block.

Corporate updates

- None

Financial updates

- None

QUETZAL ENERGY LTD.

(QEI : TSX-V : C\$0.13 | NOT RATED)

Company statistics

52-week range	C\$0.07–0.25
Avg. daily vol. (000)	766.4
Shares outstanding (M, basic)	91.8
Shares outstanding (M, fd)	91.8
Market cap (M)	C\$11.9
Estimated net debt (M)	C\$(7.2)
Enterprise value (M)	C\$4.7

Company summary

On April 16, 2009 Southampton Ventures and Quetzal Energy Inc. completed an amalgamation and name change to Quetzal Energy Ltd. Quetzal Energy Ltd. is a petroleum development and mineral exploration company with petroleum projects in Guatemala and mineral projects in Canada and Africa.

Share price performance



Operational updates

- On April 26, Quetzal announced the casing of the Atzam #3A development well (to a depth of 1,506 feet), as a potential Coban C-12 new pool oil discovery in the 1-2005 E&P contract area of Guatemala. The well encountered the top of the C-12 member of the upper Coban Formation at 1330 feet, 330 feet and 660 feet higher than in the Atzam #2 and Atzam #1A wells. Approximately 20 feet of potential net oil pay was determined. The well's targeted depth of 4,300 feet was not reached (total depth was 1,800 feet) due to unexpected over-pressure and mud volumes. The company is evaluating modifications before drilling Atzam #4 (targeted depth of 4,000 feet).
- On July 7, Quetzal announced an update on operations in Colombia and Guatemala. In Colombia, Canaguay well drilling has reached 11,618 feet of a project total depth of 16,000 feet, while the processing of 220 square kilometres of 3-D seismic data on Block LLA-27 (Llanos Basin) is expected to be complete by Q3/10. In Guatemala, testing of the Atzam #3 well is expected to be completed in late July.


Corporate updates

- On April 30, Quetzal announced that the net present value of its reserves increased by 21% over the previous year's filing (\$104,209,505 as at December 31, 2010, from \$86,399,934 as at December 31, 2009). The increase was primarily attributed to an increase in the oil price forecasts incorporated into the report.

Financial updates

- None

SUROCO ENERGY INC. (SRN : TSX-V : C\$0.50 | NOT RATED)

Company statistics		Share price performance
52-week range	\$0.19–0.80	 <p>SRN.V (Suroco Energy Inc.) CDNX © StockCharts.com 23-Jul-2010 4:00pm Last 0.50 Chg +0.00 (+0.00%) SRN.V (Daily)</p>
Average daily volume (000)	115.9	
Shares outstanding (M, basic)	90.6	
Shares outstanding (M, fd)	127.9	
Market cap (M)	C\$45.3	
Estimated net debt (M)	C\$ (3.6)	
Enterprise value (M)	C\$41.7	
Company summary Suroco Energy is a Latin American-focused international oil and gas exploration company focused in Colombia with some minor production in Canada.		

Operational updates

- On May 25, Suroco announced that net production from the Surorienté Block (Putumayo region, Colombia) averaged 948 bbl/d from March 31 to May 23, representing a 65% increase over Q1/10 average net production of 574 bbl/d. The ongoing building of fluid handling and transportation facilities is expected to continue to optimize production rates in the region. Furthermore, a multiple well appraisal and development program will commence in Q3/10.

Corporate updates

- On April 6, Suroco announced reserves as at December 31, 2009. Proved reserves and proved plus probable reserves were reported at 0.7 million bbls and 1.1 million bbls, representing 69% and 61% increases over December 2008 levels. Proved reserves were assigned a net present value of \$30.9 million, while proved plus probable reserves were assigned a net present value of \$51.1 million.
- On July 12, and further to other announcements made over Q2/10, Suroco reported a failed merger. The company, together with Winchester Oil & Gas S.A., jointly decided to terminate the proposed merger between the two companies. As a result, Suroco also terminated the \$50 million equity financing expected to be completed in conjunction with the transaction.

Financial updates

- On May 27, Suroco reported financial and operating results for the quarter ended March 31, 2010. Production averaged 581 boe/d, while the company exited the quarter at a rate of 956 boe/d. Cash flow from operations totalled \$1.7 million.

TALISMAN ENERGY INC.

(TLM : TSX : C\$16.73 | BUY, TARGET \$24.00)

Company statistics	Share price performance
<p>Forecasted Return 45%</p> <p>52-week range \$15.71–20.86</p> <p>Average daily volume (000) 3,419</p> <p>Shares outstanding (M, basic) 1,019</p> <p>Shares outstanding (M, fd) 1,035</p> <p>Market cap (M) C\$16,925</p> <p>Estimated net debt (M) C\$1,886</p> <p>Enterprise value (M) C\$15,044</p> <p>Company summary Talisman Energy Inc. is a global, diversified, upstream oil and gas company, headquartered in Canada. Talisman's three main operating areas are North America, the North Sea and Southeast Asia. The Company also has a portfolio of international exploration opportunities, including in South America.</p>	<p>TLM.TO (Talisman Energy) TSE © StockCharts.com</p> <p>23-Jul-2010 4:00pm Last 16.73 Chg +0.03 (+0.18%) ▲</p> <p>TLM.TO (Daily)</p>

Operational updates

- None

Corporate updates

- On April 7, Talisman announced that the company had entered into five separate agreements to sell a number of non-core Canadian assets, with proceeds totalling C\$1.9 billion. These transactions include approximately 1 million net acres of land in the greater Peace River Arch, central Alberta Foothills and greater Hinton areas in Alberta, as well as the company's Ontario properties. The assets are currently producing 42,500 boe/d (approximately 90% natural gas), with net proved reserves of 120 mmboe. The sale equates to approximately \$44,000/boe/d and \$16/boe of proved reserves and seven times cash flow.
- On May 5, Talisman announced the declaration of a semi-annual dividend of C\$0.125 per share on the company's common shares. This represents an 11% increase from the previous semi-annual dividend the Company paid on its common shares. The dividend will be paid on June 30, 2010 to shareholders of record at the close of business on June 4, 2010.
- On May 12, Talisman announced a long-term strategy update, including its intention to build an oil-focused, new core region in Latin America.

Financial updates

- On May 5, Talisman reported financial and operating results for the quarter ended March 31, 2010. Cash flow totalled \$837 million for the quarter, compared to \$921 million for the quarter ended December 31, 2009, and \$1.3 billion for the quarter ended March 31, 2009. Adjusting for the effect of financial instruments, cash flow increased 23% on a year-over-year basis. Production from continuing operations was 405,000 boe/d, compared to 389,000 boe/d and 401,000 boe/d for the periods ended December 31, 2009 and March 31, 2009.

WOBURN ENERGY PLC

(WBN : AIM : 2.00p | NOT RATED)

Company statistics

52-week range	1.00–3.50p
Average daily volume(000)	56.0
Shares outstanding (M, basic)	196.8
Shares outstanding (M, fd)	196.8
Market cap (M)	£3.9
Estimated net debt (M)	£1.5
Enterprise value (M)	£5.4

Company summary £

Woburn Energy is engaged in oil and gas exploration. Its business focus is on projects that reside in politically stable countries in Europe and South America. The company's major projects are located in Colombia, Australia and the UK North Sea.

Share price performance



Operational updates

- On April 20, Woburn provided an update on activities at the company's Las Quinchas Association Contract in Colombia. In early April, upon confirmation that the company's Arce-4 well was unable to produce commercially viable volumes, Woburn relocated production equipment to its Acacia Este-1 well. The Acacia Este-1 well remains in long term production testing, and continues to produce at a minimal rate of 24 bbl/d. The company also reported it plans to initiate a four-month test to investigate whether the use of the Cold Heavy Oil Production with Sand (CHOPS) technique might potentially increase recoveries at its Acacia Este-2 well.

Corporate updates

- None

Financial updates

- On April 20, Woburn released financial and operating results for an 18-month period ended March 31, 2010. Results were non-material as the company made limited operational progress, and realized limited production, throughout the period.

INVESTMENT RISKS

Investors need to be aware of the risks inherent in the oil and gas industry that could affect our valuations. Without limitation, these risks include:

1) trading liquidity risks; 2) geological, engineering, regulatory and environmental risks related to the exploration for and development of crude oil and natural gas resources; and 3) volatility in crude oil and natural gas prices that can materially affect financial performance and the accuracy of our estimates. Risks also include government tax, and potential changes to the royalty regime and regulatory policy pertaining to either income trusts or the oil and gas industry.

In addition, the following risks apply to companies operating in Colombia.

- Risk of attacks on oil and gas infrastructure by Colombian insurgents.
- Potential kidnappings of key company personnel by militants.
- Commodity price swings in crude oil and natural gas could impact the company's profitability.
- The companies report in US dollars and operate in Colombia. Therefore, their profitability is sensitive to the fluctuations of the US dollar and the Colombian peso.
- Adverse changes to government regulations and fiscal terms. Any adverse changes could impact the companies' execution and profitability.
- For the companies to keep growing, they will have to maintain a constant, high-quality drilling inventory. If the company is successful in finding new fields, it might still need to raise capital and the dilution of the current share count is a possibility.
- A left-leaning government which is less business friendly.

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