

PETROLATINA (PELE.L) - BUY - PRICE/TARGET : 35P/65P

RESERVES REPORT

NPV10 of 2P Reserves significantly ahead of current market cap

EVO TAKE – The latest Ryder Scott Reserves assessment for Petrolatina has seen a slight reduction in 2P reserves to 5.9mmboe however, importantly it attributed a NPV10 value for these of some \$139m (£84m) based upon an average oil price \$79/bbl. This is well above the current market cap.

DETAILS – Petrolatina says that the report has also highlighted a number of prospective resources amounting 8.72mmboe on a net unrisked basis. These are located in the Santa Lucia field and in various formations of the La Paloma Block (in which Petrolatina has an 85% interest). We expect Petrolatina to pursue these opportunities as the year progresses. Furthermore, Petrolatina says that it intends to shoot new seismic over two leads in the exciting Putumayo-4 block in July with a view to progressing these leads to prospect status and making them drill ready within 18 months.

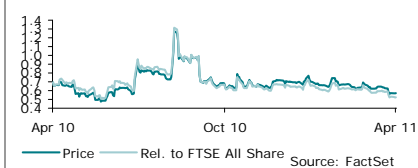
VALUATION AND RECOMMENDATION – We believe that Petrolatina continues to trade well below its Core NAV of 62p/share and offers an interesting entry route into the expanding Colombian E&P market.

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Year to Dec (USDm)	FY09A	FY10E	FY11E
SALES	14	37	46
EVO PBT	(13)	6	10
EPS (c)	27.40	9.54	9.39
P/E	-	6.0x	6.1x
Yield	0.0%	0.0%	0.0%
EV/EBITDA			

Market Cap	Net Cash	Interest Cover
\$37m	-\$25m	3



Price Perf	Abs.	Rel. to FTA
1mth (%)	(15)	(19)
3mth (%)	(19)	(23)
12mth (%)	(17)	(30)