PETRODORADO ENERGY LTD.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2010

Expressed in U.S. dollars

MANAGEMENT'S REPORT

The management of Petrodorado Energy Ltd., is responsible for the preparation of all information included in these consolidated financial statements, the Management's Discussion & Analysis and related financial information. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include certain amounts that reflect management's best estimates and judgments Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects. The financial information contained in the MD&A has been reviewed to ensure consistency with the financial statements.

In management's opinion, the consolidated financial statements have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies adopted by management. If alternate accounting methods exist, management has chosen those policies it deems the most appropriate in the circumstances. Management has established systems of accounting and internal control that are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, and to produce reliable accounting records for the preparation of financial information. Policies and procedures are maintained to support the accounting and internal control systems.

The Company has retained an independent reserve evaluator, Petrotech Engineering Ltd., to evaluate corporate reserves as at December 31, 2010. The independent external auditors, KPMG LLP, have conducted an examination of the consolidated financial statements on behalf of shareholders. The auditors have unrestricted access to the Company and the Audit Committee.

The Board of Directors, currently composed of four independent and one non-independent director, carries out its responsibility for the consolidated financial statements principally through its Audit Committee, consisting of three members, all of whom are independent directors. This Committee reviews the consolidated financial statements and internal controls with management and the auditors, as well as recommends to the Board of Directors the external auditors to be appointed by the shareholders at each annual meeting. The Audit Committee meets at least quarterly to review and approve interim financial statements prior to their release, and recommend their approval to the Board of Directors.

The Board of Directors has approved the consolidated financial statements and information as presented.

(signed) *"Krishna Vathyam"*	(signed) *"Sean Bovingdon"*
Krishna Vathyam President and CEO	Sean Bovingdon VP Finance and CFO

April 26, 2011

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Petrodorado Energy Ltd.

We have audited the accompanying consolidated financial statements of Petrodorado Energy Ltd., which comprise the consolidated balance sheets as at December 31, 2010 and 2009, the consolidated statements of operations, comprehensive loss and deficit and cash flows for the year ended December 31, 2010 and the period from incorporation on May 28, 2009 to December 31, 2009, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Petrodorado Energy Ltd. as at December 31, 2010 and 2009, and the results of its consolidated operations and its consolidated cash flows for the year ended December 31, 2010 and the period from incorporation on May 28, 2009 to December 31, 2009 in accordance with Canadian generally accepted accounting principles.

(signed) *"KPMG LLP"*

KPMG LLP
Chartered Accountants
Calgary, Canada

April 26, 2011

PETRODORADO ENERGY LTD.

CONSOLIDATED BALANCE SHEETS

(Expressed in U.S. Dollars)

		December 31, 2010		December 31, 2009
Assets				
Current Assets				
Cash and cash equivalents	**$**	**12,061,874**	$	913,642
Short-term investments		**8,482,868**		68,109,697
Cash calls receivable (Note 8)		**2,249,657**		-
Accounts receivable		**303,456**		78,399
Share subscriptions receivable		**-**		124,936
Inventory (Note 3)		**468,421**		-
Prepaid expenses and deposits		**34,855**		39,652
		23,601,131		69,266,326
Restricted cash and other receivables (Note 9)		**10,205,397**		1,800,397
Deposits on acquisition		**-**		1,882,000
Property, plant and equipment (Note 11)		**51,944,008**		5,699,419
	$	**85,750,536**	$	78,648,142
Liabilities and Shareholders' Equity				
Current Liabilities				
Accounts payable and accrued liabilities	**$**	**2,791,663**	$	937,248
Due to shareholders (Note 18)		**-**		395,220
		2,791,663		1,332,468
Asset retirement obligations (Note 12)		**506,391**		-
		3,298,054		1,332,468
Shareholders' Equity				
Share capital (Note 13)		**62,975,253**		53,571,334
Warrants (Note 13)		**20,813,991**		23,010,776
Contributed surplus (Note 13)		**5,639,895**		-
Deficit		**(7,925,039)**		(214,818)
Accumulated other comprehensive income (Note 3)		**948,382**		948,382
		(6,976,657)		733,564
		82,452,482		77,315,674
	$	**85,750,536**	$	78,648,142

Commitments (Note 17)

Subsequent events (Note 21)

See accompanying notes to the consolidated financial statements

signed "*Robert Cross*"
Robert Cross, Chairman and Director

signed "*Doug Urch*"
Doug Urch, Director

PETRODORADO ENERGY LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS, AND DEFICIT

(Expressed in U.S. Dollars)

	For the Year Ended December 31, 2010	For the Period from Incorporation on May 28, 2009 to December 31, 2009
Revenue		
Oil and gas sales, net of royalties	**$ 1,216,499**	$ -
Interest and other	**180,580**	9,472
	1,397,079	9,472
Expenses		
Operating (Note 3)	**1,611,703**	-
General and administrative	**2,504,592**	254,693
Business development	**715,441**	-
Foreign exchange gain	**(1,229,409)**	(32,196)
Stock-based compensation	**4,766,985**	-
Depreciation, depletion and accretion	**737,988**	1,793
	9,107,300	224,290
Net loss and comprehensive loss for the period	**(7,710,221)**	(214,818)
Deficit, beginning of period	**(214,818)**	-
Deficit, end of period	**$ (7,925,039)**	$ (214,818)
Weighted average number of common shares outstanding	**396,700,204**	77,239,799
Net loss per share – basic and diluted	**$ (0.02)**	$ (0.00)

See accompanying notes to the consolidated financial statements

PETRODORADO ENERGY LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in U.S. Dollars)

Cash flows provided by (used in):	For the Year Ended December 31, 2010	For the Period from Incorporation on May 28, 2009 to December 31, 2009
Operating activities		
Net loss	**$ (7,710,221)**	$ (214,818)
Adjustments for:		
Stock-based compensation	**4,766,985**	-
Unrealized foreign exchange gain	**(465,296)**	-
Depreciation, depletion and accretion	**737,988**	1,793
	(2,670,544)	(213,025)
Change in non-cash working capital (Note 20)	**(578,343)**	341,137
	(3,248,887)	128,112
Investing activities		
Acquisition of petroleum and natural gas properties	**(37,557,437)**	(5,680,304)
Acquisition of office equipment	**(42,645)**	(20,908)
Short-term investments	**59,898,800**	(67,293,400)
Cash acquired in acquisition of Petrodorado	**-**	1,836,072
Acquisition of Holywell, net of cash received	**(4,530,556)**	-
Acquisition of PetroSouth, net of cash received	**(1,351,052)**	-
Change in deposits on acquisition	**132,000**	(1,882,000)
Change in restricted cash	**(8,405,000)**	(1,800,397)
Change in non-cash working capital (Note 20)	**(877,166)**	265,585
	7,266,944	(74,575,352)
Financing activities		
Shares issued, net of costs	**-**	51,200,686
Options and warrants exercised, net of costs	**7,207,134**	23,010,776
Due to shareholders	**(395,220)**	395,220
Share subscriptions receivable	**124,936**	-
Change in non-cash working capital (Note 20)	**-**	390,860
	6,936,850	74,997,542
Cash flow from operating, investing and financing activities	**10,954,907**	550,302
Effect of exchange rate on cash	**193,325**	363,340
Change in cash	**11,148,232**	913,642
Cash, beginning of period	**913,642**	-
Cash, end of period	**$ 12,061,874**	$ 913,642
Supplemental Disclosure:		
Interest paid	**-**	**-**
Income taxes paid	**-**	**-**

Cash is defined as cash and cash equivalents

See accompanying notes to the consolidated financial statements

Note 1 Nature of Business

Petrodorado Energy Ltd. (formerly Cap-Link Ventures Ltd.) (the "Corporation") was incorporated under the Canadian Business Corporations Act on May 25, 2005. On December 21, 2009, the Corporation acquired all of the issued and outstanding shares of Petrodorado Ltd. ("Petrodorado") (see note 5), which has been accounted for as a reverse take-over. As a result, these consolidated financial statements reflect the financial position, operating results and cash flows of the legal subsidiary, Petrodorado, which was incorporated on May 28, 2009 and commenced operations on August 4, 2009.

The Corporation is a public oil and natural gas exploration company primarily engaged in exploration and development activities in Colombia, Peru and Paraguay. The Corporation's head office is located in Calgary, Alberta, Canada and the Corporation's shares are traded on the TSX Venture Exchange under the trading symbol PDQ. The Corporation's oil and gas interests are principally in the pre-production stage and other than for two blocks in Colombia, the Corporation has not yet determined whether all of its petroleum and natural gas properties contain reserves that are economically recoverable. Accordingly, the recoverability of amounts recorded as petroleum and natural gas properties is dependent upon the existence and discovery of economically recoverable oil and gas reserves, confirmation of the Corporation's interests in the properties, the political stability of Colombia, Peru and Paraguay and the ability of the Corporation to secure adequate sources of financing to fund the development of its assets and put them into production and then achieving future profitable operations. The outcome of these matters cannot be predicted with certainty at this time.

Note 2 Basis of presentation

These consolidated financial statements have been prepared on the going concern basis in accordance with Canadian generally accepted accounting principles ("GAAP"), which assumes that the Corporation will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Unless otherwise indicated, all financial amounts are reported in United States ("U.S.") dollars.

Note 3 Significant Accounting Policies

The significant accounting policies used in these consolidated financial statements are as follows:

a) Principles of Consolidation

These consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries Petrodorado Ltd., Petrodorado South America S.A. (formerly Holywell Resources S.A.) and PetroSouth Energy Corp. Intercompany transactions and balances are eliminated upon consolidation.

b) Use of Estimates

The timely preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the recorded amounts of assets and liabilities and disclosures of contingencies, if any, at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Specifically, amounts recorded for depreciation, depletion and accretion expense, asset retirement obligations, income taxes and the amounts used in impairment tests for property, plant and equipment are based on estimates. These estimates include petroleum and natural gas reserves, future petroleum and natural gas prices, future interest and currency exchange rates, future tax rates and timing of estimated reversals, future abandonment costs, timelines to abandonment and future costs to develop those reserves as well as other fair value assumptions. By their nature, these estimates are subject to change and the impact on the consolidated financial statements of changes in such estimates in future periods could be material.

c) Property, plant, and equipment

Petroleum and natural gas properties

Petroleum and natural gas properties are recorded using the full cost method of accounting, whereby all costs relating to the exploration and development of petroleum and natural gas reserves are capitalized on a country-by-country basis. Such costs include land acquisition costs, geological and geophysical costs, costs of drilling both productive and non-productive wells, production equipment, asset retirement costs and overhead charges directly related to acquisition, exploration, and development activities. Gains or losses on disposal of properties are recognized only when crediting the proceeds to the recorded costs would result in a change of 20% or more in the depletion and depreciation rate.

Depletion and depreciation

Petroleum and natural gas properties are depreciated and depleted using the unit-of-production method based on estimated proven reserves, before royalties, as determined by independent petroleum engineers. For purposes of this calculation, natural gas is converted to equivalent volumes of crude petroleum based on the approximate energy equivalent ratio of six thousand cubic feet of natural gas to one barrel of crude oil. Capitalized costs subject to depletion include estimated future costs to be incurred in developing proved reserves. The costs of undeveloped properties are excluded from the costs subject to depletion and depreciation until it is determined whether proved reserves are attributable to the properties or impairment occurs.

Computer equipment and office furniture are recorded at cost and depreciated over their estimated remaining lives using the declining balance method of depreciation.

Ceiling test and unproved properties

An impairment loss is recognized in net earnings when the carrying amount of a cost centre of petroleum and natural gas properties is not recoverable and the carrying amount of the cost centre exceeds its fair value. The carrying amount of the cost centre is tested for recoverability by determining if the carrying amount exceeds the sum of the undiscounted cash flows from proved reserves, plus the costs of undeveloped properties, net of impairment. If the sum of the cash flows is less than the carrying amount, the impairment loss is then determined to be the amount by which the carrying amount exceeds the sum of the discounted cash flows from proved and probable reserves, plus the costs of undeveloped properties, net of impairment. The cash flows are estimated using expected future product prices and costs and are discounted using a risk-free interest rate.

Certain costs related to unproved properties and major development projects are excluded from costs subject to depletion and depreciation. Undeveloped properties are excluded until it is determined whether proved reserves are attributable to the properties or impairment occurs. Major development projects are excluded, until the earliest of a portion of the property becomes capable of production, development activity ceases, or impairment occurs. These properties are reviewed quarterly and are subject to a separate impairment test. Any impairment is transferred to the costs being depleted. If the properties are located in a cost centre where there is no reserve base, the impairment is charged directly to earnings.

d) Asset retirement obligations

The Corporation recognizes the fair value of an asset retirement obligation in the period in which it occurs by recording the future costs associated with the removal, site restoration and asset retirement costs. The fair value of the liability for the Corporation’s asset retirement obligation is recorded in the period in which it is incurred, discounted to its present value using the Corporation’s credit-adjusted risk free rate and the corresponding amount is recognized by increasing the carrying amount of petroleum and natural gas properties. The liability is increased in each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. Revisions to the estimated timing of cash flows or to the original estimated undiscounted cost could also result in an increase or decrease to the obligation. Actual costs incurred upon settlement of the retirement obligation are charged against the obligation to the extent of the liability recorded.

e) Revenue recognition

Revenue associated with the sale of the Corporation's crude oil, natural gas liquids, and natural gas is recognized when the title passes from the Corporation to the customer and the underlying risks and rewards of ownership have been substantially passed and the amount of the revenue can be reasonably estimated and collection is reasonably assured.

f) Joint operations

The Corporation's oil and gas exploration, development and production activities are conducted jointly with other entities, and, accordingly the consolidated financial statements reflect only the Corporation's proportionate interest in such activities.

g) Cash and cash equivalents

Cash and cash equivalents, when applicable, consist of cash and highly liquid short-term investments with a maturity of 90 days or less from the date of acquisition that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value.

h) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Upon initial recognition all financial instruments, including derivatives, are measured on the balance sheet at fair value. Subsequent measurement is then based on the classification of financial instruments into one of five categories: held for trading, held to maturity, loans and receivables, available for sale and other liabilities. The Corporation has designated its cash and cash equivalents, short-term investments and restricted cash as held for trading, which are measured at fair values. Accounts receivable, cash calls receivable and other receivables are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and due to shareholders are classified as other liabilities, which are measured at amortized cost. Amortized cost is determined using the effective interest method. The Corporation will assess at each reporting period whether a financial asset is impaired with any impairment being recognized in net earnings. The Corporation records all transactions incurred, in relation to the acquisition of a financial or liability, against the related financial asset or liability.

Short-term investments consist of highly liquid short-term interest bearing securities with a term to maturity of greater than three months on the date of purchase. Short-term investments are recorded at carrying value which approximates fair value due to the short term nature of this instrument.

i) Foreign currency translation

Effective January 1, 2010, the Corporation changed its reporting currency from Canadian dollars to the United States dollar, as the Corporation anticipates that the majority of its future income stream and sources of new capital and financing will be denominated in United States dollars. The Corporation has restated prior period comparative information.

Effective January 1, 2010, the Corporation reclassified all entities within the corporate group from integrated to self-sustaining foreign operations. Accordingly, all entities now use the United States dollars as their functional currency. This change was made due to significant changes in facts and circumstances as follows:

1. The Corporation acquired 100% of the issued and outstanding shares of Holywell Resources S.A. ("Holywell") on February 1, 2010 and renamed this company Petrodorado South America S.A. ("PDSA"). The Corporation expects to conduct all of its future Colombian operations through PDSA. The PDSA acquisition was in United States dollars with future operating activity in the company anticipated to be also in US dollar currency.
2. The vast majority of the Corporation's expenditures, commencing in the first quarter were transacted in U.S. dollars and an even greater percentage will be conducted in U.S. dollars in the future, as the U.S. dollar is the predominant currency base for transactions in South America.
3. It is anticipated that future petroleum and natural gas revenues from recent and future drilling will be denominated in U.S. dollars.
4. As a greater percentage of expenditures will be in U.S. dollars the Corporation will consider pursuing sources of new capital in the same U.S. dollar currency.

The Corporation prospectively adopted the current rate method of foreign currency translation as of January 1, 2010. Under this method revenues and expenses are translated using the average exchange rates for the applicable period, assets and liabilities are translated using the exchange rates in effect on the balance sheet dates, and shareholder's equity is translated using historical rates in effect at the date of each transaction. Resulting exchange differences are reported as a separate component of other comprehensive income.

For the period ended December 31, 2009, the Corporation recorded $948,382 as an adjustment to opening accumulated other comprehensive income, with this amount is the result of the prospective adoption of the current rate method for currency translation of the accounts of the Corporation's reclassified self-sustaining foreign operations, adoption of the U.S. dollar as functional currency for the parent entity and the change in reporting currency from Canadian to United States dollars.

As the functional currency of the parent and all other subsidiaries and related entities is the U.S. dollar, there is currently anticipated to be no further translation gains or losses to be recognized through accumulated other comprehensive income. Further, transactions occurring within the parent, subsidiaries and other related entities in currencies other than U.S. dollars will be translated such that monetary assets and liabilities are translated at the period end exchange rates and revenues and expense are translated using average period exchange rates. All of the other assets and liabilities are recorded at historical rates. Translation gains or losses are included in income or expense in the period they occur.

j) Income taxes

The Corporation uses the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are based on the differences between asset and liability balances reported for financial accounting purposes and those reported for income tax. Future income tax assets and liabilities are measured using the substantively enacted tax rates and laws expected to apply in the years in which the temporary differences are expected to be recovered or settled. The effect on future tax asset and liabilities of a change in tax rates is recognized in net income in the period in which the change occurs. A valuation allowance is recorded against any future tax assets if it is more likely than not that the asset will not be realized.

k) Per share amounts

Basic per share information is computed by dividing the earnings by the weighted average number of shares outstanding during the reporting period. The Corporation utilizes the treasury stock method in the determination of the diluted per share amounts. Under this method, the diluted weighted average number of shares is calculated assuming the proceeds that arise from the exercise of outstanding, in-the-money options and warrants are used to purchase common shares of the Corporation at their average market price for the period. The weighted average number of shares outstanding is then adjusted by the net change.

l) Stock-Based Compensation

The Corporation follows the fair-value method for valuing stock options and other dilutive instruments granted to employees, directors and consultants. Under this method, the compensation cost is measured at the grant date using the Black-Scholes option pricing model and expensed over the vesting period of the instrument granted as stock-based compensation expense with a corresponding increase to contributed surplus. The contributed surplus balance is reduced as stock options and other dilutive instruments are exercised with the amount previously recognized plus any consideration received credited to share capital.

m) Inventory

The Corporation recognizes crude oil inventory held in storage tanks. They are valued at the lower of cost or net realizable value. Cost is determined on a first-in, first-out basis and relates to the direct cost of production on an actual basis. Crude oil inventory of $468,421 has been recognized on the balance sheet at December 31, 2010.

Note 4. Future Accounting Policies

International Financial Reporting Standards

On January 1, 2011, International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board will become the generally accepted accounting principles in Canada. The adoption date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Corporation for the year ended December 31, 2010, including the opening balance sheet as at January 1, 2010. The transition from Canadian GAAP to IFRS is significant with differences affecting the financial position and results of operations. Subsequent to the year ended December 31, 2010, the Corporation continued its work to finalize the impact on its financial statements of the convergence of GAAP with IFRS and this process is expected to be completed in time for the first IFRS-compliant reporting required for the period ended March 31, 2011.

Note 5 Acquisition of Petrodorado Ltd.

On December 21, 2009, the Corporation acquired all of the issued and outstanding shares of Petrodorado Ltd. As consideration, the Corporation issued 124,999,978 common shares.

The transaction was recorded as a reverse take-over transaction that does not constitute a business combination, and accordingly has been accounted for as though Petrodorado Ltd. acquired the Corporation using the purchase method of accounting. As a result, these consolidated financial statements reflect the financial position, operating results and cash flows of the legal subsidiary Petrodorado Ltd. The results of the Corporation have been included commencing December 21, 2009. The number of common shares outstanding is that of the Corporation, the legal parent.

The purchase cost and the allocation of costs to Corporation’s assets and liabilities are as follows:

Net assets acquired at fair value		
Cash and cash equivalents	$	1,836,072
Short-term investments		231,255
Accounts receivable		48,468
Prepaid expenses and deposits		135,827
Accounts payable and accrued liabilities		(5,910)
	$	2,245,712
Consideration		
Share capital	$	2,245,712

Note 6 Acquisition of Holywell Resources S.A.

On February 1, 2010, the Corporation acquired all of the issued and outstanding shares of Holywell from a private vendor. The assets of Holywell principally included an undivided 20% working interest in the Buganviles Block located in the upper Magdalena Valley in central Colombia. The aggregate purchase price was $6,334,000, with deposits of $1,750,000 paid to December 31, 2009 towards this purchase and the balance of $4,584,000 paid in full, upon closing.

The results of Holywell, renamed PDSA, have been included in the accounts of the Corporation commencing February 1, 2010. The transaction was accounted for using the purchase method of accounting. The fair values assigned to the net assets and liabilities and consideration paid are as follows:

Net assets acquired at fair value		
Cash and cash equivalents	$	53,444
Accounts receivable		68,373
Property, plant and equipment		6,500,000
Accounts payable and accrued liabilities		(287,817)
	$	6,334,000
Consideration		
Cash	$	6,334,000

The above amounts are estimates based on information available at the time of the preparation of these consolidated financial statements. Accordingly, these amounts are subject to change as cost estimates and values are finalized.

Note 7 Acquisition of PetroSouth Energy Corp.

On October 27, 2010, the Corporation acquired PetroSouth Energy Corp. (“PetroSouth”) for cash consideration of $1,500,000. The assets of PetroSouth principally included an undivided 20% working interest in the Talora Block in Colombia.

The results of PetroSouth have been included in the accounts of the Corporation commencing October 27, 2010. The transaction was accounted for using the purchase method of accounting. The fair values assigned to the net assets and liabilities and consideration paid are as follows:

Net assets acquired at fair value		
Cash and cash equivalents	$	148,948
Accounts receivable		41,967
Property, plant and equipment		1,503,194
Accounts payable and accrued liabilities		(194,109)
	$	1,500,000
Consideration		
Cash	$	1,500,000

The above amounts are estimates based on information available at the time of the preparation of these consolidated financial statements. Accordingly, these amounts are subject to change as cost estimates and values are finalized.

Note 8 Cash Calls Receivable

At December 31, 2010, the Corporation had $2,249,657 recorded in cash calls receivable, which is comprised of funds advanced to operating partners in respect of future exploration activity on blocks in which the Corporation is a non-operating partner. As these funds are expended by the operating partner, balances in this account are booked to property, plant and equipment. To date, the Corporation has not experienced any credit loss in the drawdown of this account. The Corporation does not have an allowance for doubtful accounts and does not consider any of its cash calls receivables past due.

Note 9 Restricted Cash and Other Receivables

On June 12, 2009, the Corporation entered into a joint farm-in participation agreement with an unrelated company (the La Maye Operator) to earn a 20% working interest in four wells in the La Maye Block in the country of Colombia. This agreement required Petrodorado to advance $3,500,000 into an escrow account. Petrodorado authorizes draws on this escrow account as certain development milestones are met. As at December 31, 2010, $3,192,643 had been drawn from this account, leaving $307,357 (December 31, 2009 - $1,800,397) in this escrow account. Also included in this balance are other receivable amounts of $1,493,040 due from the La Maye Operator (December 31, 2009 - $NIL).

Term deposits totalling $8,405,000 are established to secure the Credit Facility and the Letters of Credit referred to in Note 10 of these statements.

Note 10 Credit Facility

The Corporation has a $5 million revolving demand loan facility (the “Credit Facility”) with a Canadian chartered bank (the “Lender”). The Credit Facility is available by way of account overdraft in U.S. dollars or by letters of credit up to $4.8 million. As at December 31, 2010, no overdrafts were drawn under this Credit Facility. Any outstanding amounts will bear interest at the Lender’s U.S. base rate plus an applicable margin. The Credit Facility is secured by security agreement over cash, credit balances and deposit instruments in the amount of $5 million. On July 7, 2010, a letter of credit for $4.8 million was issued under the credit facility to guarantee the Corporation’s drilling obligations with ONGC Videsh Ltd. on the CPO-5 Block on Colombia, that are required to be completed by June 25, 2012. On December 21, 2010, a further $3.0 million letter of credit was issued through a Colombian bank to Agencia Nacional De Hidrocarburos (“ANH”) in respect of the drilling obligations on this CPO-5 Block. This letter of credit is secured by a $3 million term deposit made at the Colombian bank.

A $403,920 letter of credit was issued through a Colombian bank on December 20, 2010 to ANH to guarantee the Corporation’s capital expenditure obligations with its partner, Pacific Rubiales, in the Tacacho Block. This letter of credit is secured by a $405,000 term deposit made at the Colombian bank.

Note 11 Property, Plant and Equipment

As at December 31, 2010	Cost	Accumulated Depletion and Depreciation	Net Carrying Amount
Petroleum and natural gas properties including production equipment	$ 52,597,087	$ 703,898	$ 51,893,189
Office equipment	63,553	12,734	50,819
	$ 52,660,640	716,632	$ 51,944,008

As at December 31, 2009	Cost	Accumulated Depletion and Depreciation	Net Carrying Amount
Petroleum and natural gas properties including production equipment	$ 5,680,304	$ -	$ 5,680,304
Office equipment	20,908	1,793	19,115
	$ 5,701,212	$ 1,793	$ 5,699,419

At December 31, 2010, petroleum and natural gas properties included undeveloped properties of $40,198,173 (December 31, 2009 - $5,680,304) which have been excluded from the depletion calculation. Future development costs of $6,010,760 (December 31, 2009 – nil) for proved reserves have been included in the depletion calculation. Included in petroleum and natural gas properties are capitalized General and Administrative expenses of $1,342,410 (December 31, 2009 - $509,128) and capitalized Stock Based Compensation of $872,910 (December 31, 2009 – nil).

The Company performed a ceiling test on its Colombian cost centre at December 31, 2010 to assess whether the carrying value of petroleum and natural gas properties and equipment is recoverable. Based on the calculations, the undiscounted future cash flows from the Company's proved reserves exceeded the carrying value of the Company's petroleum and natural gas properties and equipment at December 31, 2010 and therefore, the carrying values are considered recoverable.

The benchmark prices used in the December 31, 2010 calculations, provided by an independent recognized evaluation firm, are as follows:

	WTI Oil 40° API ($/bbl)	Vasconia Oil 25° API ($/bbl)	Moriche Oil 15° API ($/bbl)	Buganviles Oil 15.8° API ($/bbl)
2011	93.61	91.22	90.82	90.51
2012	93.95	91.54	91.14	91.17
2013	92.95	90.57	90.17	90.20
2014	92.40	90.04	89.65	89.68
2015	92.55	90.19	89.79	89.82
2016	93.11	90.73	90.33	90.36
Average increase thereafter	2.0%	2.0%	2.0%	2.0%

Note 12 Asset Retirement Obligations

The Corporation's asset retirement obligations result from ownership interests in petroleum and natural gas assets, including well sites, gathering systems and processing facilities. The Corporation estimates the total undiscounted amount of cash flows required to settle its asset retirement obligation at December 31, 2010 to be $535,500 for well sites which will be incurred in approximately 10 years and $198,000 for pipelines which will be incurred in approximately 20 years. The fair value of the asset retirement obligations incurred in the year ended December 31, 2010 was calculated using an average credit-adjusted risk free rate of 8% and an average inflation factor of 5%. Settlement of the obligations will be funded from general corporate funds at the time of retirement or removal. As at December 31, 2010, no funds have been set aside to settle these obligations. Changes to asset retirement obligations during the year were as follows:

	December 31, 2010	December 31, 2009
Balance, beginning of year	**$ -**	$ -
Liabilities incurred during year	**483,242**	-
Accretion expense for year	**23,149**	-
Balance, end of year	**$ 506,391**	$ -

Note 13 Share Capital

a) Authorized

Unlimited common shares

b) Issued

Common shares

	Number of Common Shares	**Amount**
Balance, May 28, 2009	-	$ -
Initial private placement for cash (i)	4,650,000	46,663
Stock split (ii)	27,900,000	-
Shares issued for preferred shares (ii)	3,750	3,763,073
Private placement for cash (iii)	12,918,000	1,803,611
Private placement for cash (iv)	8,171,428	2,706,704
Share issue costs	-	(5,921)
	53,643,178	8,314,130
Petrodorado Energy Ltd. shares outstanding	54,933,333	
Issued pursuant to acquisition (Note 5) (v)	124,999,978	2,245,712
Private placement for cash (vi)	214,285,000	46,111,989
Share issue costs	-	(3,100,497)
Balance, December 31, 2009	394,218,311	53,571,334
Options exercised	910,000	86,338
Warrants exercised for cash	20,460,706	7,120,796
Transfer of assigned fair value from warrants	-	2,196,785
Balance, December 31, 2010	415,589,017	$ 62,975,253

Common Shares Issued:

(i) On August 4, 2009, Petrodorado Ltd. issued, pursuant to its initial private placement equity offering 3,750,000 preferred shares at $1.00 per share and 4,650,000 common shares at $0.01 per common share.

(ii) On October 20, 2009, Petrodorado split the common shares such that each common shareholder received 7 common shares for every 1 common share they held on that date. The preferred shares were also converted to common shares such that each preferred shareholder received 0.001 of a common share for each preferred share they held.

(iii) On November 2, 2009, Petrodorado issued, pursuant to a private placement equity financing, a total of 12,918,000 common shares at a price of CDN $0.15 per share for gross proceeds of CDN $1,937,700 (U.S. $1,803,611).

(iv) On November 9, 2009, Petrodorado issued, pursuant to a private placement equity financing, a total of 8,171,428 common shares at a price of CDN $0.35 per share for gross proceeds of CDN $2,860,000 (U.S. $2,706,704).

(v) On December 21, 2009, the Corporation acquired all of the issued and outstanding shares of Petrodorado (see note 5).

(vi) On December 3, 2009, the Corporation issued 214,285,000 subscription receipts at an issue price of CDN $0.35 per subscription receipt for gross proceeds of CDN $74,999,750 (U.S. $70,792,264). Each subscription receipt entitled the holder to receive one unit of the Corporation without payment of any additional consideration, on satisfaction of certain conditions. Each unit was comprised of one common share of the Corporation and one common share purchase warrant. Each whole warrant entitled the holder to purchase one common share of the Corporation at a price equal to CDN $0.35 per share, until December 3, 2012. The Corporation has the right to accelerate the expiry date of the warrants to 30 days from the date of notice when and if the 20 day volume weighted average price of the Corporation's common shares has become equal to, or greater than, CDN $0.90 per share.

Upon closing of the Petrodorado Ltd. acquisition on December 21, 2009, the subscription receipts were converted to units. The Corporation has allocated the total proceeds of CDN $74,999,750 (U.S. $70,792,264) to share capital of U.S. $46,111,989 and warrants of U.S.$24,680,275. The warrant fair value was determined based on a Black-Scholes option pricing model (see note 13 (c)). The issue costs on the private placement totaling $5,053,496 (U.S. $4,769,996) were also allocated to share capital of U.S. $3,100,497 and warrants of U.S.$1,669,499.

c) Warrants

A summary of the changes in share purchase warrants is presented below:

	Number of Warrants	Amount
Balance, May 28, 2009	-	$ -
Private Placement (i)	214,285,000	24,680,275
Warrant issue costs	-	(1,669,499)
Balance, December 31, 2009	214,285,000	23,010,776
Warrants exercised	(20,460,706)	(2,196,785)
Balance, December 31, 2010	193,824,294	$ 20,813,991

(i) Pursuant to the private placement of units discussed in note 13 (b), the Corporation issued 214,285,000 common share purchase warrants. The warrants are exercisable immediately at a price of CDN $0.35 per share until December 3, 2012.

The warrants were allocated a value using the Black-Scholes option pricing model to estimate the fair value with the following weighted average assumptions:

Risk-free interest rate		1.36%
Expected dividend yield		0%
Expected stock price volatility		50.00%
Expected warrant lives		3 years
Weighted average fair value of warrant granted (CAD)	$	0.122

d) Stock Options

The Corporation has adopted a formal rolling stock option plan whereby options can be granted from time to time to directors, employees and consultants at the discretion of the Board of Directors. The number of options that can be granted is limited to 10% of the total shares issued and outstanding.

A summary of the changes in stock options is presented below:

	Number of Options		Weighted Average Exercise Price (CDN$)
Balance, May 28, 2009	-	$	-
Outstanding at the date of acquisition (i)	910,000	$	0.10
Balance, December 31, 2009	910,000	$	0.10
Options exercised	(910,000)	$	0.10
Options issued (ii)	30,000,000	$	0.49
Forfeitures	(1,333,333)	$	0.49
Balance, December 31, 2010	28,666,667	$	0.49
Exercisable, December 31, 2010	**10,000,005**	**$**	**0.49**

(i) On the date of acquisition, there were 910,000 stock options outstanding that were a continuation of the Corporation’s stock option plan. The options were all exercisable at a price of CDN $0.10 per share and were set to expire on March 21, 2010. All 910,000 options were exercised during the year ended December 31, 2010.

(ii) On January 31, 2010, the Corporation granted 28,000,000 stock options, to its directors, officers, key employees and consultants at a price of CDN $0.49 per common share. On May 1, 2010, the Corporation granted 1,000,000 stock options to a new employee at a price of CDN $0.49 per common share. On September 1, 2010, a grant of 1,000,000 options was made to a new officer at a price of CDN $0.49 per common share, concurrent with the forfeiture of 1,333,333 unvested options previously granted to the exiting officer. All options are for a five year term, and vested one-third on the date of grant and one-third on the first anniversary date and one-third on the second anniversary date from the grant date

As at December 31, 2010, the outstanding options had a remaining weighted average term to expiry of 3.46 years.

The options were allocated a value using the Black-Scholes option pricing model to estimate the fair value with the following weighted average assumptions:

Expected forfeiture rate	10.00%
Risk-free interest rate	2.10% to 2.99%
Expected dividend yield	0%
Expected stock price volatility	60% to 66%
Expected option life	5 years
Fair value of options granted	CDN $0.259 to $0.276

During the year ended December 31, 2010, the Corporation recognized $4,766,985 of stock-based compensation expense and capitalized $872,910 to Property, Plant and Equipment, for a total of $5,639,895 that is recorded as contributed surplus.

Note 14 Income Taxes

The components of the future income tax assets are as follows:

	December 31 ,2010	December 31 ,2009
Non-capital losses carried forward	**$ 3,721,128**	$ 471,950
Share issue costs	**796,532**	995,660
Asset retirement obligations	**151,917**	-
Property, plant and equipment	**(319,663)**	65,410
Valuation allowance	**(4,349,914)**	(1,533,020)
Balance, end of period	**$ -**	$ -

The provision for income taxes differs from the result which would be obtained by applying the combined Canadian and provincial statutory income tax rate of 28.0% and the Colombian income tax rate of 30.0% to arrive at an effective rate of 28.82% (2009 – 29.0%) to the loss before income taxes. The differences result from the following:

	For The Year Ended December 31, 2010	For the Period From Incorporation on May 28, 2009 to December 31, 2009
Loss before income taxes	**$ (7,710,221)**	$ (214,818)
Tax rate	**28.82%**	29.00%
Computed expected recovery	**$ 2,222,337**	$ 62,297
Stock-based compensation	**(1,374,001)**	-
Change in valuation allowance	**(1,004,447)**	(62,297)
Change in rate	**156,111**	-
	$ -	$ -

The Corporation has the following available for deduction against future taxable income:

	December 31 ,2010	December 31 ,2009
Cumulative Foreign exploration expenses	**$ 50,859,665**	$ 5,940,160
Non-capital losses carried forward	**12,811,311**	1,887,800
Share issue costs	**3,186,128**	3,982,660
Undepreciated capital cost allowance	**63,554**	20,910
	$ 66,920,658	$ 11,831,530

As at December 31, 2010, the Corporation has $12,811,311 (December 31, 2009 - $1,887,800) in non-capital losses available to claim against future taxable income. $2,445,298 of these non-capital losses incurred in Canada expire between 2025 and 2030. Non-capital losses of $10,366,013 incurred in Colombia can be carried forward indefinitely.

Note 15 Financial Instruments

Overview

The Corporation has exposure to the following risks from its use of financial instruments:

a) Credit risk
b) Liquidity risk
c) Market risk

This note presents information about the Corporation’s exposure to each of the above risks and the Corporation’s objectives, policies and processes for measuring and managing these risks. The Board of Directors has overall responsibility for the establishment and oversight of the Corporation’s risk management framework. The Corporation’s risk management policies are established to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Corporation’s activities.

Credit risk

Credit risk reflects the risk of loss if counterparties do not fulfill their contractual obligations. A substantial portion of the Corporation’s revenues will be derived from customers and joint venture partners in the oil and gas industry and will be subject to normal industry credit risks in the countries in which the

Corporation will operate. For oil and natural gas sales, the Corporation follows a risk procedure whereby counterparties are reviewed on a regular basis and the Corporation attempts to transact with only counterparties management has had previous experience with. As at December 31, 2010, the Corporation has $8,000,000 and $1,800,397 in restricted cash towards development activity in the CPO-5 Block and La Maye Block in Colombia, respectively and an additional $405,000 in respect of development activity in the Tacacho Block. The Corporation has mitigated this risk by being the only authority who can authorize draw-downs on this account by third parties. At December 31, 2010, the Corporation had $2,249,657 recorded in cash calls receivable and $303,456 in accounts receivable. To date, the Corporation has not experienced any credit loss in the collection of accounts receivable. The Corporation does not have an allowance for doubtful accounts and does not consider any of its receivables past due.

Cash and cash equivalents consist of cash bank balances and short-term deposits maturing in less than 90 days. The carrying amount of cash and cash equivalents, short-term investments, cash calls receivable, accounts receivable, restricted cash and other receivables represent the maximum credit exposure. The Corporation manages the credit risk exposure related to cash and cash equivalents and short-term investments by selecting counterparties based on credit ratings and by avoiding complex investment vehicles with high risk such as asset-backed commercial paper.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due and describes the Corporation's ability to access cash. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient cash resources in order to finance operations, fund capital expenditures, and to repay debt and other liabilities of the Corporation as they come due, without incurring unacceptable losses or risking harm to the Corporation's reputation. The Corporation's processes for managing liquidity risk include preparing and monitoring capital and operating budgets, coordinating and authorizing project expenditures, and authorization of contractual agreements. The Corporation seeks additional financing based on the results of these processes. The budgets are updated when required as conditions change.

The Corporation has exploration commitments in Latin America as described in Note 17. Petrodorado anticipates no restrictions in respect of funding these contracted and/or anticipated exploration programs. The Corporation's contractual obligations consist of accounts payable and accrued liabilities which are considered current in nature and due within one year.

Market risk

Market risk is the risk or uncertainty that changes in price, such as commodity prices, foreign exchange rates, and interest rates will affect the Corporation's net earnings and the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns. From time to time, the Corporation may utilize financial derivate contracts to manage market risks in accordance with the risk management policy that has been approved by the Board of Directors. There were no financial contracts or embedded derivatives outstanding at December 31, 2010 or 2009.

Commodity price risk is the risk that the fair value of the future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum and natural gas are impacted by not only the United States dollar, but also by world economic events that dictate the levels of supply and demand.

Foreign currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign currency exchange rates. Some of the Corporation's business transactions and commitments occur in currencies other than U.S. dollars. A portion of the Corporation's oil and natural gas activities in Colombia transact in Colombian Peso (COP$). In addition, the majority of the Corporation's financing and a portion of the administrative costs will be based in Canadian dollars, or COP$ and paid in Canadian dollars or COP$. Therefore, the Corporation is exposed to the risk of fluctuations in foreign exchange rates between U.S. dollars, COP$ and Canadian dollars. As at December 31, 2010 and 2009, the Corporation had not entered into any foreign currency derivatives to manage its exposure to currency fluctuations. At December 31, 2010, the Corporation had balances within its cash and short-term investments in denominations of CDN$8.6 million, COP$2.4 billion and U.S.$10.5 million.

The impact to the net loss for the year had the US$ to CDN$ rate exchange changed by 1 cent would amount to approximately $45,000 and the impact to the net loss and comprehensive loss for the year had the U.S.$ to COP$ rate exchange changed by 1 cent would amount to approximately $12,000.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in prevailing market interest rates. The Corporation is exposed to interest rate risk on its cash and cash equivalents and short-term investments that have a floating interest rate. Fluctuations of interest rates for the year ending December 31, 2010 and the period ended December 31, 2009 would not have had a significant impact on the consolidated financial statements.

Fair value of financial instruments

The Corporation's financial instruments as at December 31, 2010, include cash and cash equivalents, short-term investments, cash calls receivable, accounts receivable, restricted cash, other receivables and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying values due to their short terms to maturity.

The Corporation's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in accordance with the following hierarchy.

Level 1 inputs are based on quoted market prices in active markets that the Corporation has the ability to access at the measurement date. Level 2 inputs are based on quoted prices in the markets that are not active or based on prices that are observable for the asset of liability. Level 3 inputs are based on unobservable inputs for the asset of liability. As at December 31, 2010, the only financial instruments recorded at fair value according to the three-level hierarchy were cash and cash equivalents, short-term investments and restricted cash, all of which were considered level 1.

Note 16 Capital Disclosures

The Corporation's objectives when managing capital are to ensure the Corporation will have sufficient financial capacity, liquidity, and flexibility to fund the Corporation's operations, growth, and ongoing exploration and development commitment activities of its oil and gas assets. The Corporation is dependent upon funding these activities through a combination of available cash, debt and equity, which it considers to be the components of its capital structure as outlined below.

	December 31, 2010	December 31, 2009
Shareholders' Equity	**$ 82,452,482**	$ 77,315,674
Cash	**$ 12,061,874**	$ 913,642
Working capital, excl. Cash	**$ 8,747,594**	$ 67,020,216

Due to operational shortfalls and long lead cycles of some of its exploration and development activities, the Corporation's capital requirements currently exceed its operational cash flow generated. As such, for requirements beyond cash resources, the Corporation is dependent upon external financing in order to maintain its financial flexibility and liquidity (see Note 21).

The Corporation regularly monitors its capital structure and as necessary adjusts to changing economic circumstances and the underlying risk characteristics of its assets in order to meet current and upcoming obligations and investments by the Corporation. The Corporation frequently reviews alternate financing options and arrangements to meet its current and upcoming commitments and obligations.

The Corporation's objectives when managing capital are: (i) to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and (ii) to maintain investor, creditor and market confidence in order to sustain the future development of the business. The Corporation's share capital is not subject to external restrictions.

Note 17 Commitments

COMMITMENT SUMMARY

A summary of the estimated capital commitments in millions are as follows:

Block/Country	Petrodorado Interest	Contract Commitment	Spent To date	2011	2012	2013	2014
		($mm)	($mm)	($mm)	($mm)	($mm)	($mm)
La Maye, Colombia (1)	20%	3.5	3.2	0.3	-	-	-
Buganviles, Colombia (2)	59.5%	14.4	14.8	-	-	-	-
Moriche, Colombia (3)	49.5%	5.5	8.9	-	-	-	-
Talora, Colombia (4)	95%	20.5	14.8	-	-	-	6.0
Tacacho, Colombia (5)	49.5%	8.0	0.6	7.4	-	-	-
CPO-5, Colombia (6)	30.0%	12.0	8.8	-	4.8	-	-
Block 135, Peru (7)	45%	10.0	-	5.0	5.0	-	-
Block 138, Peru (8)	45%	8.0	0.1	7.9	-	-	-
Total		81.9	51.2	20.6	9.8	-	6.0

1) Petrodorado has funded an escrow account for $3.5 million for a third party to drill, test and complete four exploration wells. The remaining balance in the escrow account is $307,357 as at December 31, 2010. Petrodorado also has a receivable of $1,493,040 due from the La Maye Operator to be satisfied by expenditures to be made by the La Maye Operator on the La Maye Block on Petrodorado's behalf.
2) Commitment included the purchase of Holywell in February 2010 and the cost to drill one exploration well. The Holywell purchase was completed during the first quarter of 2010 and the first exploration well, Visure-1, completed drilling in the fourth quarter of 2010.
3) Commitment included the cost to drill one oil exploration well. The well was drilled, then additional costs incurred to complete and test were incurred in February 2010. The well was placed on production on June 18, 2010.

4) Net commitment included amounts to purchase a 95% interest in the Block, achieve operatorship status for Petrodorado, acquire and process 120 km of 2D seismic data and drill one exploratory well, which was drilled in the fourth quarter of 2010. A further 2 wells are required by 2014.
5) Petrodorado to pay 100% of costs to acquire and process 480 km of 2D seismic data (up to a maximum of U.S.$8 million).
6) Includes Petrodorado's 30% share of Phase I commitments on the CPO-5 Block, which consist of 500km of 2D seismic and 50 sq.km of 3D seismic and 2 exploration wells by June 2012.
7) Petrodorado to pay 45% of the second exploration phase of the block. The Commitment amount represents currently budgeted cost to gather and process 400 km of seismic data.
8) Petrodorado to pay 45% of the second exploration phase of the block. The Commitment amount represents currently budgeted cost to acquire and process 300 km of seismic data.

The expenditures provided in the above table represent the Corporation's estimated cost to satisfy contract requirements. Actual expenditures to satisfy these commitments, initiate production or create reserves may differ from these estimates.

Note 18 Related Party Transactions

During the year ended December 31, 2010, the Corporation repaid advances from the President of the Corporation, and two companies who are minority shareholders of the Corporation, in the amounts of $95,220, $150,000 and $150,000, respectively. The amounts due to shareholders of the Corporation were unsecured, interest free and due on demand.

Note 19 Segmented Information

The Corporation defines its reportable segments based on geographical locations and the information for this is reported in the following tables for the periods ended December 31, 2010 and 2009.

For the year ended December 31, 2010:

	Canada	Colombia	Paraguay	Peru	Total
Oil and Gas Sales	$ -	$ 1,216,499	-	-	$ 1,216,499
Interest and Other Revenue	176,960	3,620	-	-	180,580
	176,960	1,220,119	-	-	1,397,079
Expenses					
Operating	-	1,611,703	-		1,611,703
General and administrative	1,495,160	1,009,432	-	-	2,504,592
Business development	505,397	210,044	-	-	715,441
Foreign exchange (gain) loss	(2,062,630)	833,221	-	-	(1,229,409)
Stock-based compensation	4,766,985	-	-	-	4,766,985
Depreciation, depletion and accretion	8,483	729,505	-	-	737,988
	4,713,395	4,393,905	-	-	9,107,300
Net loss for the year	(4,536,435)	(3,173,786)	-	-	(7,710,221)
Assets, December 31, 2010	$ 20,931,639	$ 64,537,497	$ 137,766	$ 143,634	$ 85,750,536
Additions to property, plant and equipment	$ 20,362	$ 46,676,968	$ 121,072	$ 141,026	$ 46,959,428

For the period ended December 31, 2009:

Interest and Other Revenue	$ 9,472	$ -	$ -	$ -	$ 9,472
Expenses					
Operating	-	-	-	-	-
General and administrative	254,693	-	-	-	254,693
Business development	-	-	-	-	-
Foreign exchange gain	(32,196)	-	-	-	(32,196)
Stock-based compensation	-	-	-	-	-
Depreciation, depletion and accretion	1,793	-	-	-	1,793
	224,290	-	-	-	224,290
					-
Net loss for the period	(214,818)	-	-	-	(214,818)
Assets, December 31, 2009	$ 69,266,326	$ 9,362,514	$ 16,694	$ 2,608	$ 78,648,142
Additions to property, plant and equipment	$ 20,908	$ 5,661,002	$ 16,694	$ 2,608	$ 5,701,212

Note 20 Supplemental Cash Flow Information

Changes in non-cash working capital:

	December 31, 2010	December 31, 2009
Accounts receivable	**(225,057)**	(78,399)
Cash calls receivable	**(2,249,657)**	-
Prepaid expenses and deposits	**4,797**	(39,652)
Inventory	**(468,421)**	-
Accounts payable and accrued liabilities	**1,854,415**	937,248
Working capital acquired on acquisitions	**(371,586)**	178,385
Change in non-cash working capital	**(1,455,509)**	997,582
Relating to:		
Operating activities	**(578,343)**	341,137
Investing activities	**(877,166)**	265,585
Financing activities	**-**	390,860
Change in non-cash working capital	**(1,455,509)**	997,582

Note 21 Subsequent Events

(i) On January 6, 2011, the Corporation granted 1,000,000 options to acquire common shares to a new officer, at a price of CDN $0.73 per common share. The options are for a five year term, expiring on January 6, 2016 and vest one-third on June 1, 2011, and one-third on the first anniversary date and one-third on the second anniversary date from the grant date. Of the options previously granted to the exiting officer, 666,666 were cancelled on February 28, 2011.

(ii) From January 1, 2011 to April 19, 2011, a total of 12,921,453 warrants (Note 12 c) were exercised into common shares, realizing total proceeds of CDN$4,522,509 (U.S.$4,562,008).

(iii) On March 1, 2011, the Corporation issued, pursuant to a short form prospectus equity financing, a total of 53,900,000 common shares at a price of CDN $0.65 per share for gross proceeds of CDN $35,035,000 (U.S. $34,033,000).