PETRODORADO ENERGY LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2010

The following is management's discussion and analysis ("MD&A") of the operating and financial results of Petrodorado Energy Ltd. ("Petrodorado" or the "Corporation") for the three months and year ended December 31, 2010, as compared to 2009, as well as information and expectations concerning the Corporation's outlook based on currently available information.

The MD&A should be read in conjunction with the audited consolidated financial statements as at and for the year ended December 31, 2010, together with the notes related thereto. Additional information relating to Petrodorado is on SEDAR at www.sedar.com or on the Corporation's website at www.petrodorado.com.

All dollar values are expressed in US dollars, unless otherwise indicated, and are prepared in accordance with Canadian generally accepted accounting principles (GAAP).

This MD&A is prepared as of April 26, 2011.

NON-GAAP MEASURES

Funds generated from operations include all cash from operating activities and are calculated before the change in non-cash working capital. A reconciliation of cash provided by operating activities to funds from operations for the periods ended December 31, 2010 and 2009 are as follows:

Funds from operations ($)	**Q4 2010**	**Q4 2009**	**Year ended December, 31, 2010**	**Period ended December, 31, 2009**
Cash provided by (used in) operating activities	(843,578)	133,920	(3,248,887)	128,112
Change in non-cash working capital	(435,688)	(318,739)	578,343	(341,137)
Funds from (used in) operations	(1,279,266)	(184,819)	(2,670,544)	(213,025)

The non-GAAP measure referred to above does not have any standardized meaning prescribed by GAAP and therefore may not be comparable to similar measures used by other companies. Management uses this non-GAAP measurement for its own performance measures and to provide its shareholders and investors with a measurement of the Corporation's efficiency and of its ability to fund a portion of its future growth expenditures. As there is no standardized meaning, it is not certain that this measure will be comparable to other companies.

BUSINESS PROFILE AND STRATEGY

The Corporation is primarily engaged in petroleum and natural gas exploration and development activities in Colombia, Peru and Paraguay. Petrodorado'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.

Petrodorado was formed to explore for and develop petroleum assets in South America, with an initial focus on Colombia, Peru and Paraguay. Its highly experienced management team have acquired a significant portfolio of assets with four lower-risk blocks (blocks have an oil discovery) and five more highly prospective blocks. The Corporation evaluated approximately 55 blocks before selecting these final nine blocks.

PETROLEUM AND NATURAL GAS PROPERTIES AND OUTLOOK

At present, Petrodorado has beneficial participation in nine oil and gas blocks. A total of 23 drilling prospects and 16 drilling leads have been identified in these blocks with an overall probability of success estimated at 16%.

Colombia

Moriche Block

In January 2010, Petrodorado signed a definitive agreement with Pacific Rubiales Energy Corp. ("PRE") for an undivided 49.5% working interest in the Mauritia East Prospect in the Moriche Block. The Mauritia Este Prospect consists of approximately 3,898 acres (net 1,930 acres) and is located in the Los Llanos basin of Colombia. In exchange for this working interest, Petrodorado committed to fund 100% of the total investment of one exploratory well for the block, equal to US$5.53 million.

During 2010, Petrodorado and PRE successfully completed a discovery well ME-1 as a Mirador producer on the Moriche block. The drilling of the ME-1 well completed Petrodorado's commitment to earn the 49.5% working interest in the Moriche Block.

The ME-1 well tested at a peak rate of 693 bopd of 14 degree API oil and was put on production on June 18, 2010 at a gross rate of approximately 400 bbl/d (approximately 198 bbl/d net to Petrodorado). As at the date hereof, the ME-1 well is producing approximately 350 bbl/d of oil (175 bbl/d net).

Production from the ME-1 well is currently being shipped via truck and pipeline to oil storage facilities located on the Northwest coast of Colombia. In September 2010, the well was worked over as it was producing sand that was blocking the pump. A gravel pack was installed and the well was placed back on production. The Corporation's share of costs for this workover amounted to $0.51 million which are included in Operating Expenses for the year.

CPO-5 Block

On June 14, 2010 Petrodorado announced the signing of a farm-in agreement with ONGC Videsh Ltd. (“ONGC”) for a 30% participating interest in the CPO-5 Block of Colombia. This 492,341 acre block (net 147,702 acres) is located in the Los Llanos basin (Meta Department) and was awarded to ONGC in the 2008 Agencia Nacional de Hidrocarburos (“ANH”) heavy oil bid round. The CPO 5 block is flanked in the North and North West by the recent discoveries by other operators in the blocks of Guatiquia (Candelilla Structure) and Corcel. Petrodorado received ANH approval of assignment on October 1, 2010.

In 1985, Elf Aquitaine drilled the Metica-1 well in the CPO-5 block, which tested 14.4 API oil and 20.8 API oil in the Los Cuervos and Barco formations. In addition, petrophysical analysis of well logs indicated hydrocarbons in the Carbonera, Mirador, Une and other deeper Palaeozoic horizons. Petrodorado has identified multiple plays and multiple prospects in the Tertiary (Carbonera, Mirador, Los Cuervos, and Barco) and Cretaceous (Guadalupe, Gacheta and Une) formations targeting 14 to 40 degree API oil.

During 2010, the Corporation with its partners completed the acquisition of 650 square Km of 3D seismic and 240 line Km of 2D seismic. Seismic processing and interpretation are expected to be completed by the end of June 2011. Two wells are planned for the second half of 2011.

Buganviles Block

Petrodorado has a varying working interest (30% to 59.5%) in the Buganviles Block located in the upper Magdalena basin of Colombia obtained through two separate transactions. The Buganviles Block consists of approximately 73,794 acres (net 43,907 acres) and is located in the upper Magdalena basin of Colombia.

In February 2010, Petrodorado obtained a 20% undivided working interest in the Buganviles Block through the purchase of all of the issued and outstanding shares of Holywell Resources S.A. (“Holywell”) from a private vendor for the aggregate cash purchase price of approximately $6.3 million. Holywell is a private (Panama incorporated) oil & gas company with operations in Colombia, South America. The name Holywell was changed to Petrodorado South America S.A. (“Petrodorado SA”) during the first quarter of 2010.

In addition, in November 2009, Petrodorado entered in to a farm-in agreement with Pacific Rubiales Energy Corp. (“PRE”) to acquire 29.5% in the Visure prospect and 25% in the Tuqueque prospect.

In addition, in September 2010, Petrodorado acquired an additional 10% Working Interest in the block through a farm-in agreement with Loon Energy Corp. The farm-in terms called for Petrodorado to pay 100% (20% net) of the drilling costs for the two exploration wells Visure 1X and Tuqueque 1X.

Overall Petrodorado’s position in the block is as follows:

Visure Prospect	59.5%
Tuqueque Prospect	55%
Rest of the block	30%

Petrodorado has identified and reclassified three drilling prospects and four drilling leads on the Buganviles Block with a probability of success set at 28%.

The first of these drilling prospects, the Visure-1X well, located in the Visure prospect to the southeastern border of the Buganviles Block, was drilled in the fourth quarter of 2010 to evaluate a structural trap, similar to the nearby producing Abanico field, to the northeast. The well was tested in the Lower Guadalupe Formation at a stabilized average production rate of 46 bbl/d with 14 barrels of water per day ("bwpd"). Oil gravity was 15.6º API. The Visure-1X well has now been suspended and the drilling rig released pending evaluation of the production testing. Depending on the results of this analysis, the Corporation will consider a possible test in the Upper Guadalupe and Barzalosa Formations. Different production techniques are being evaluated, based on the production test analysis, in order to economically produce the oil encountered in the Lower Guadalupe Formation.

The second drilling prospect, the Tuqueque-1 well was spudded on November 4, 2010, with the Caballos formation at 11,300 feet as the primary target. The well was suspended after two side tracks to reach the Caballos formation at the depth of 9,303 feet. Two secondary target formations were identified as the Monsarrate and the Olini. Three intervals in the Olini were tested and did not produce significant hydrocarbons. The Monserrate is planned to be tested via a new drill up dip from the Tuqueque-1X location.

The Corporation along with the operator, PRE, are further evaluating to deepen the Tuqueque-1X well to reach the originally intended target of the Caballos.

La Maye Block

Petrodorado has an undivided 20% working interest in an exploration and production contract with the ANH in the La Maye Block and an undivided 20% interest in four turn-key test wells and associated tie-in equipment. The La Maye Block is located in the Lower Magdalena Valley of Colombia and consists of approximately 73,956 acres (net 14,791 acres).

The Corporation has identified three additional drilling prospects on the La Maye Block with a probability of success set at 25%. Petrodorado Ltd. (the private subsidiary of Petrodorado), in conjunction with the operator, drilled the Noelia-1 as the first exploration oil well on the La Maye Block in October of 2009. This first exploration well is expected to be tested in mid-2011 A second exploration well is planned based on the results of the testing.

In 2009, Petrodorado Ltd. paid $3.5 million into an escrow account to satisfy its net commitment to the participation agreement. Petrodorado authorizes draws from this account as certain development milestones are met. As at December 31, 2010, $3,192,643 had been drawn from the escrow account leaving a $307,357 restricted cash balance. The operator has agreed to directly fund $1,493,040 of Petrodorado's obligations for future exploration activity on the La

Maye Block. The operator's obligation is accounted for as a long-term receivable on Petrodorado's balance sheet. The combination of the escrow account and the operator receivable ($1,800,397) is expected to fund Petrodorado's share of remaining wells in the project.

Talora Block

Petrodorado is party to a participation agreement with a private Colombia based company to earn a 55% interest in the Talora block located in the Upper Magdalena basin of Colombia. The Talora block consists of 108,328 acres (net 102,912 acres) southwest of Bogota. In addition Petrodorado acquired an additional 20% interest from a third party and acquired PetroSouth Energy Ltd, that also owned a 20% interest, to increase its working interest to 95%. Petrodorado's interest, via a wholly owned subsidiary, has been approved by the ANH.

The Corporation acquired 122km of 2D seismic data during the first quarter of 2010. Petrodorado has identified nine drilling prospects on the Talora Block with a probability of success set at 18%. The first exploration well, Verdal 1, targeting the Tetuan and Caballos formations, was spudded on September 15, 2010 and was completed in November 2010, after reaching the Tetuan formation only. The Tetuan formation tested at a peak rate of 770 thousand standard cubic feet per day (mscf/d), and the Corporation is evaluating advanced engineering solutions to increase this production rate.

An exploration well targeting the Caballos is planned for 2011.

Tacacho Block

In January 2010, Petrodorado acquired a 49.5% working interest in the Tacacho Block located in the Putumayo Basin of Colombia. The Tacacho block measures approximately 598,008 acres (net 296,014 acres) and is located in the foreland basin of the Putumayo mountain range, in the Eastern Cordillera of Colombia. PRE has a 50.5% working interest in the block. The 24 month-long exploration program includes the acquisition, processing and interpretation of 521 kilometres of 2D seismic data to be completed during the second half of 2011. Initial environmental assessments are underway for the seismic program. To date, Petrodorado has identified nine drilling leads on the Tacacho Block and has set the probability of success at 13%.

Petrodorado received ANH approval of assignment on October 14, 2010.

Peru

In February 2010, Petrodorado signed a definitive agreement with PRE to farm-in on two exploration blocks in Peru. The working interests in Blocks 135 and 138 are subject to Peruvian government and/or regulatory approvals.

Block 135

Petrodorado has acquired a 45% working interest in Block 135 located in the Maranon Basin of Peru with a gross area of approximately 2,521,440 acres (net 1,134,648 acres). In exchange for this working interest, Petrodorado will fund 45% of the total investment for the second exploratory phase for the block. PRE will retain a 55% working interest in the block. To date, Petrodorado and PRE have identified two drilling prospects on Block 135 and have set the probability of success at 12%.

The operator is awaiting environmental clearances before commencing the seismic program.

Block 138

Petrodorado has acquired a 45% working interest in Block 138 located in the Ucayali Basin of Peru with a gross area of approximately 1,023,561 acres (net 460,602 acres). In exchange for this working interest, Petrodorado will fund 45% of the total investment for the second exploratory phase for the block. PRE will retain a 55% working interest in the block. To date, Petrodorado and PRE have identified four drilling prospects on Block 138 with a probability of success set at 10%.

The 2D seismic program of 558Km is 50% complete and is expected to be completed by June 2011. An exploration well is planned for 2012.

Paraguay

Pirity Block

Through a non-binding letter of intent with a private US based company dated September 23, 2009, Petrodorado has the opportunity to negotiate definitive agreements granting Petrodorado up to an undivided 60% working interest in a concession contract with the Government of the Republic of Paraguay in the Pirity Block. The Pirity Block consists of approximately 2,000,000 acres (net 1,200,000 acres) and is located in the Western Region of Paraguay.

Based upon available information, Petrodorado has identified three drilling prospects and one drilling lead on the Pirity Block. Petrodorado has set the probability of success at 15%.

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 Operator on the La Maye Block on Petrodorado’s behalf.
2) Commitment included the purchase of Holywell which was completed in the first quarter of 2010 and the cost to drill one exploration well. The 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 US$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.

DISCUSSION OF OPERATING RESULTS

On December 21, 2009, the Corporation acquired all of the issued and outstanding shares of Petrodorado Ltd. which has been accounted for as a reverse take-over. As a result, the consolidated financial statements and this MD&A reflect the financial position, operating results and cash flows of the legal subsidiary, which was incorporated on May 28, 2009 and commenced operations on August 4, 2009. All annual comparative analysis is provided in respect to this period.

Revenue

During the three and twelve months ended December 31, 2010, the Corporation generated oil and gas revenues of $1,142,111 and $1,216,499 respectively. In addition, interest revenue on cash balances and short-term investments was $26,076 for the fourth quarter of 2010 and $180,580 during the full year 2010. These compare to no oil or gas revenues in 2009 and interest revenues of $9,431 and $9,472 for the fourth quarter 2009 and the period from May 28, 2009 to December 31, 2009, respectively. The increase in oil revenues is due to production from the Moriche ME-1 well, which began in June 2010, for which only test oil sales were realized prior to the fourth quarter. The increase in interest revenue is primarily due to interest being earned throughout the year on equity funds of CDN$74,999,750 (US$70,792,264) that were raised on December 3, 2009, and utilized for operations and capital expenditures on a gradual basis throughout 2010.

Revenue ($)	Q4 2010	Q4 2009	Year ended December 31, 2010	Period from May 28, 2009 to December 31, 2009
Oil and gas sales, net of royalties	1,142,111	-	1,216,499	-
Interest and other	26,076	9,431	180,580	9,472
Total Revenue	1,168,187	9,431	1,397,079	9,472

Total production from the ME-1 well, net to Petrodorado, for the year was 25,215 bbls, with 15,922 bbls being sold (net of shrinkage and royalty taken-in-kind of 3,231 bbls). Production from the ME-1 well is shipped via truck and pipeline to oil storage facilities located on the Northwest coast of Colombia pending sales, which occur on an infrequent basis. Current production, net to Petrodorado, is approximately 175 bbl/d.

Operating Costs

During the three and twelve months ended December 31, 2010, the Corporation incurred $983,139 and $1,611,703 in operating costs (including transportation) respectively, due to expenses incurred regarding the ME-1 well. This represents total operating and transportation costs per barrel of production sold of $84.15 per bbl. The annual total includes one-time expenses of $510,345 ($26.65 per bbl) related to work-over costs incurred in the start-up of the well, resulting in net costs of $57.50 per bbl. This is significantly higher than planned and the Corporation believes the operator's billings are overstated by approximately $650,000 (of which $496,000 has been expensed). Discussions are underway with the operator to resolve this issue in accordance with the existing Joint Operating Agreement. Furthermore, the Corporation expects the costs per bbl to be reduced further in 2011 as production has stabilized.

General and Administrative Expenses

General and administrative expenses ("G&A") for the three months and year ended December 31, 2010 were $626,438 and $2,504,592 respectively, as compared to $226,446 and $254,693 for the fourth quarter and the period ended December 31, respectively in 2009. The increase from prior year reflects the movement to full operations in the current year and the establishment of the office in Bogota, Colombia, where ten people are now employed. Petrodorado has budgeted $5 million for G&A expenses in 2011.

General and Administrative Expenses ($)	Q4 2010	Q4 2009	Year ended December 31, 2010	Period from May 28, 2009 to December 31, 2009
Professional Fees	24,710	94,723	682,703	121,548
Wages & Salaries	271,072	87,727	893,301	87,727
Investor Relations and Travel	(22,073)	4,163	115,764	4,163
Office Rent	88,190	14,335	246,859	15,757
Regulatory Fees, Insurance and Other	264,539	25,498	565,965	25,498
Total	626,438	226,446	2,504,592	254,693

Business Development Expenses

During the three months and year ended December 31, 2010, the Corporation incurred Business Development expenses of $289,547 and $715,441. There were no such expenses in 2009. These expenses relate to activity establishing contracts and securing the various property acquisitions in Colombia, Peru and Paraguay, including the acquisition of technical data to participate in the ANH Bid Rounds in Colombia.

Business Development Expenses ($)	Q4 2010	Q4 2009	Year ended December 31, 2010	Period from May 28, 2009 to December 31, 2009
Professional Fees	156,321	-	451,831	-
Technical Data	100,000	-	201,481	-
Travel	33,226	-	62,129	-
Total	289,547	-	715,441	-

Depreciation, Depletion and Accretion

For the three months ended December 31, 2010, the Corporation recorded depreciation, depletion and accretion expenses ("DD&A") of $721,343. During the fourth quarter of 2009 there was $1,793 of DD&A. For the twelve months ended December 31, 2010, Petrodorado recorded DD&A of $737,988 compared to $1,793 for the 2009 period.

This increase reflects primarily the depletion of developed properties on the Moriche and Buganviles Blocks in Colombia for 2010. At December 31, 2010, petroleum and natural gas properties included undeveloped properties of $40,198,173 which were excluded from the depletion calculation.

Depreciation, Depletion and Accretion Expenses ($)	Q4 2010	Q4 2009	Year ended December 31, 2010	Period from May 28, 2009 to December 31, 2009
DD&A	721,343	1,793	737,988	1,793

Stock-Based Compensation

For the three months ended December 31, 2010, the Corporation recorded a stock-based compensation of $1,279,024 of which $406,114 was expensed and $872,910 was capitalized in property, plant and equipment. The stock-based compensation for the full year 2010 amounted to $5,639,895 of which $872,910 has been capitalized and $4,766,985 expensed. There was no stock-based compensation in 2009. The stock-based compensation relates to a total of 30,000,000 options granted in the year less forfeitures of 1,333,333 options on September 1, 2010. As the Corporation applied a graded vesting schedule and with one third vesting at the date of grant, a significant portion of the stock-based compensation was recorded during the first quarter of 2010, as 28,000,000 of the options were granted in January 2010.

Stock-based compensation for the three and twelve months ended December 31, 2010 was calculated using the Black-Scholes pricing model using a risk free rate of between 2.1% and 2.99%, volatility of 60% to 66%, an expected life of five years, a forfeiture rate of 10% and a zero dividend yield. The resulting fair value of options granted was between CDN$0.259 and CDN$0.276.

Stock-Based Compensation Expense ($)	Q4 2010	Q4 2009	Year ended December 31, 2010	Period from May 28, 2009 to December 31, 2009
Expensed	406,114	-	4,766,985	-
Capitalized	872,910	-	872,910	-
Total (to Contributed Surplus)	1,279,024	-	5,639,895	-

Foreign Exchange Gain (Loss)

The Corporation generated a foreign exchange loss of $339,070 for the fourth quarter of 2010 and a gain of $1,229,409 for the year ended December 31, 2010. This compares to a foreign exchange gain of $32,196 for both the quarter ended December 31, 2009 and the period from incorporation on May 28, 2009 until December 31, 2009. The main difference in foreign exchange gains (losses) year over year is due to an increase (decrease) in the value of the Canadian dollar against the US dollar, with a small amount in 2010 due to increases in the value of the Colombian Peso against the US dollar. Of the gain in 2010, $465,296 relates to an unrealized gain on the cash and short-term investments held in Canadian dollars.

Effective January 1, 2010, the Corporation changed its reporting currency from Canadian dollars to US dollars, as the Corporation anticipates that the majority of its future income stream and sources of new capital and financing will be denominated in US 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 US 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. The Corporation expects to conduct all of its future Colombian operations through Holywell. The Holywell acquisition was in US dollars with future operating activity in the company anticipated to be also in US dollars.
2. The vast majority of the Corporation’s expenditures, commencing in the first quarter were transacted in US dollars and even a greater percentage will be conducted in US dollars in the future, as the US dollar is the predominant currency in South America.
3. It is anticipated that future petroleum and natural gas revenues from recent and future drilling will be denominated in US dollars.
4. As a greater percentage of expenditures will be US dollars, the Corporation will consider pursuing sources of new capital in the same US 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. 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 US dollar as functional currency for the parent entity and the change in reporting currency from Canadian to United States dollars.

Net Loss and Comprehensive Loss

The Corporation generated a net loss and comprehensive loss of $2,197,464 for the quarter ended December 31, 2010 compared to a net loss and comprehensive loss of $186,612 for the quarter ended December 31, 2009. For the year ended December 31, 2010, the net loss and comprehensive loss was $7,710,221 compared to a loss for the prior period of $214,818. The increase in the loss arises primarily due to the commencement of operations in Colombia, with the resulting incurrence of G&A expenses, Business Development expenses and Stock-Based

Compensation related to these activities and the hiring of staff. Also included in the net loss, the Corporation experienced a loss of $395,204 from its producing properties and incurred DD&A related to this asset. These outgoings were partially offset by the foreign exchange gain for the year.

Funds from Operations

The Corporation incurred negative funds from operations of $1,279,266 and $2,670,544 for the quarter ended and year ended December 31, 2010, respectively, as compared to negative funds from operations of $184,819 and $213,025 for the quarter ended and period from incorporation to December 31, 2009, respectively. The increase in fund from operations outflow relates primarily to the G&A and Business Development expenses incurred in commencing operations in Colombia.

CAPITAL EXPENDITURES

For the three months ended December 31, 2010, the Corporation spent $24.6 million in capital expenditures. These expenditures related to the acquisition of seismic on the CPO-5 block, the drilling of 2 wells (net 1.15 wells) in the Buganviles Block, 1 well (0.95 net) in Talora, pre-drilling technical work in Tacacho and Peru. In addition, the Corporation purchased an additional 20% interest in the Talora block for $0.7 million.

For the year ended December 31, 2010, the Corporation spent a total of $37.6 million in capital expenditures. In addition to the items outlined above for the fourth quarter, the expenditures relate to the $1.5 million balance of the acquisition cost of its initial 55% interest in Talora, the drilling, completion, testing and equipping of the ME-1 well at Moriche (net 0.5 well to Petrodorado), and pre-drilling work at Tacacho and in Paraguay.

The Corporation also capitalized G&A of $833,282 ($156,834 in the fourth quarter) and related Stock-Based Compensation of $872,910 during 2010.

The Corporation obtained an independent engineering evaluation on it reserves as at December 31, 2010. The evaluation was conducted by Petrotech Engineering Ltd. for the Mauritia Este Prospect and Visure-1X well in Buganviles Block, and was prepared in accordance with National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities.

Summary of Reserves:

	Heavy Oil		NPV of Future Net Revenue (@10%)	
Reserve Category	Gross (Mbbl)	Net (Mbbl)	Before Tax (M$)	After Tax (M$)
Proved Producing	288	271	13,127	11,507
Proved Non-Prod.	75	69	3,557	2,915
Proved Undeveloped	149	137	5,012	4,818
Total Proved	**512**	**477**	**21,697**	**19,240**
Total Probable	309	285	8,228	6,170

Proved + Probable	**822**	**762**	**29,925**	**25,410**

LIQUIDITY AND CAPITAL RESOURCES

The Corporation's approach to managing liquidity is to ensure a balance between capital expenditure requirements and cash provided by operations, available credit facilities and working capital. As at December 31, 2010, Petrodorado had working capital of $20.8 million comprised primarily of cash and short term investments. This working capital will be used to fund exploration and development activities on Petrodorado's oil and gas properties and for general corporate purposes

The Corporation is pursuing its strategy of focusing on its high impact exploration blocks in 2011, by drilling 9 exploration wells and acquiring over 1,000 Km of 2D and 350 square Km of 3D seismic through a fully funded budget of approximately US $55 Million. The funding arises from the working capital noted above together with the proceeds of the equity financing that was completed on March 1, 2011, for gross proceeds of CDN$35,035,000. The Corporation plans to drill a total of five exploration wells in at least two of its five high impact exploration blocks in 2011. Included within this plan are amounts required to meet contract commitments as outlined in the 'Commitment Summary' above.

On June 11, 2010, the Corporation executed a facility letter with a major international bank for a US$5 million demand operating loan. The purpose of the loan is for general operating purposes and is available by way of overdraft or by letters of credit up to US$4.8 million. The operating loan is secured by a security agreement over cash, credit balances and deposit instruments in the amount of US$5 million. On July 7, 2010, a letter of credit of US$4.8 million was issued under the operating loan as partial consideration for the farm-in agreement with ONGC for a 30% participating interest in the CPO-5 Block in Colombia.

On December 21, 2010, a further $3.0 million letter of credit was issued through a Colombian bank to 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.

Petrodorado's consolidated financial statements have been prepared on the going concern basis in accordance with Canadian generally accepted accounting principles, 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.

The Corporation's oil and gas interests are in the early production stage and the Corporation has only determined whether its petroleum and natural gas properties contain reserves that are economically recoverable on two of its Blocks to date, namely Moriche and Buganviles. 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 on the remaining Blocks, confirmation of the Corporation's interests in the properties in Peru and

Paraguay, 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 production. The outcome of these matters cannot be predicted with certainty at this time.

RELATED PARTY TRANSACTIONS

During the first quarter of 2010, the Corporation repaid advances from the President of the Corporation and two companies who are minority shareholders of the Corporation, in amounts of $95,220, $150,000 and $150,000 respectively.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The carrying values of the Corporation's financial instruments, consisting of cash and cash equivalents, short-term investments, cash calls receivable, accounts receivable, restricted cash, other receivables, accounts payable and accrued liabilities, approximate their fair values due to the short-term maturity of such instruments. Unless otherwise noted, it is management's opinion the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

SHARE CAPITAL

Common Shares

Balance, December 31, 2009	394,218,311
Options exercised	910,000
Warrants exercised	20,460,706
Balance, December 31, 2010	415,589,017
Shares issued[4]	53,900,000
Warrants exercised	12,921,453
Balance, April 20, 2011	482,410,470

Options

Balance, December 31, 2009 [1]	910,000
Options exercised	(910,000)
Options issued	30,000,000
Forfeitures	(1,333,333)
Balance, December 31, 2010	28,666,667
Options issued[1]	1,000,000
Forfeitures	(666,666)
Balance, April 20, 2011	29,000,001

Warrants [2]

Balance, December 31, 2009	214,285,000
Warrants exercised[3]	(20,460,706)
Balance, December 31, 2010	193,824,294
Warrants exercised	(12,921,453)
Balance, April 20, 2011	180,902,841

1) As at December 31, 2009, there were 910,000 stock options outstanding with an exercise price of $0.10 per share. All of these options were exercised during the first quarter of 2010. On January 31, 2010, the Corporation granted stock options to acquire 28 million common shares of the Corporation at a price of $0.49 per common share. The options are exercisable on or prior to January 31, 2015 subject to the provisions of the Corporation's stock option plan. An additional 1,000,000 stock options to acquire common shares, at a price of $0.49 per common share, were granted on each of May 1, 2010 and September 1, 2010. Each option is for a five year term, expiring on May 1, 2015 and September 1, 2015 respectively. All options granted vest over three years (1/3 on issuance and 1/3 on each of the first and second anniversary of the grant date). On January 6, 2011, the Corporation granted 1,000,000 stock options at an exercise price of $0.73 per share to a new employee with the same vesting terms as prior grants and these options expire on January 6, 2016.
2) The Corporation issued the warrants to purchase common stock in December 2009. The warrants are exercisable at a price of $0.35 per share until December 3, 2012.
3) During the year ended December 31, 2010, a total of 20,460,706 warrants were exercised for cash.
4) 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 (US$34,033,000).

NEW ACCOUNTING STANDARDS AND POLICIES

Transition to International Financial Reporting Standards ("IFRS")

In February 2008, the CICA's Accounting Standards Board confirmed that IFRS will replace Canadian GAAP in 2011 for profit-oriented Canadian publicly accountable enterprises. The Corporation will be required to report its results in accordance with IFRS beginning in 2011. The Corporation has developed a changeover plan to complete the transition to IFRS by January 2011, including the preparation of 2010 required comparative information. Petrodorado will be required to report its results in accordance with IFRS beginning in 2011.

The Corporation is assessing the potential impacts of this changeover and has developed its implementation plan accordingly. The Corporation is currently in the process of evaluating the impact of accounting policy changes and the effect these changes will have on our financial statements. Any amendments to existing IFRS standards or implementation of new IFRS standards could lead to additional changes.

The quantitative impact on the future financial position and results of operations is not reasonably determinable at this point in time, however, the Corporation expects the highest impact will be in the following areas:

Property, Plant and Equipment

Under Canadian GAAP, Petrodorado follows the CICA's guideline on full cost accounting in which all costs directly associated with the acquisition of, the exploration for, and the development of natural gas and crude oil reserves are capitalized on a country-by-country cost centre basis. Costs accumulated within each country cost centre are depleted using the unit-of-production method based on proved reserves determined using estimated future prices and costs. Upon transition to IFRS, the Corporation will be required to adopt new accounting policies for exploration and evaluation costs and development costs.

Exploration and evaluation costs are those expenditures for an area or project for which technical feasibility and commercial viability have not yet been determined. Under IFRS, Petrodorado intends to initially capitalize these costs as Exploration and Evaluation assets on the balance sheet. When the area or project is determined to be technically feasible and commercially viable, the costs will be transferred to PP&E. Unrecoverable exploration and evaluation costs associated with an area or project will be expensed.

Development costs include those expenditures for areas or projects where technical feasibility and commercial viability have been determined. Under IFRS, the Corporation expects to continue to capitalize these costs within PP&E on the balance sheet. However, the costs will be depleted on a unit-of-production basis over an area level (unit of account) instead of the country cost centre level currently utilized under Canadian GAAP. The Corporation has not finalized the areas or the inputs to be utilized in the unit-of-production depletion calculation. Under IFRS, divestures will generally result in a gain or loss recognized in net earnings. Under Canadian GAAP, proceeds of divestitures are normally deducted from the full cost pool without recognition of a gain or loss unless the deduction would result in a change to the depletion rate of 20 % or greater, in which case a gain or loss is recorded.

The Corporation expects to adopt the IFRS 1 exemption, which allows the Corporation to deem its January 1, 2010 IFRS PP&E costs to be equal to its Canadian GAAP historical net book value. On January 1, 2010, the IFRS exploration and evaluation costs will be equal to the Canadian GAAP unproved properties balance. As all assets were in the exploration and evaluation phase, there will be no development costs to allocate on transition.

Asset Retirement Obligation

Under Canadian GAAP, ARO is initially measured as the estimated fair value of the retirement and decommissioning expenditures expected to be incurred. Existing liabilities are not re-measured using current discount rates. Under IFRS, ARO is measured as the best estimate of the expenditure to be incurred and requires the use of current discount rates at each re-measurement date. Generally, the change in discount rates results in a balance being added to or deducted from PP&E.

As the Corporation had no ARO on January 1, 2010, there will be no transition adjustment.

Impairment

Under Canadian GAAP, Petrodorado is required to recognize an impairment loss if the carrying amount exceeds the undiscounted cash flows from proved reserves for the country cost centre. If an impairment loss is to be recognized, it is then measured at the amount the carrying value exceeds the sum of the fair value of the proved and probable reserves and the costs of unproved properties.

Under IFRS, Petrodorado is required to recognize and measure an impairment loss if the carrying value exceeds the recoverable amount for a cash-generating unit. Under IFRS, the recoverable amount is the higher of fair value less cost to sell and value in use. Impairment losses, other than goodwill, are reversed under IFRS when there is an increase in the recoverable amount. Petrodorado will group its assets into cash-generating units based on the independence of cash inflows from other assets or other groups of assets.

Income Taxes

In transitioning to IFRS, the Corporation’s future taxes will be impacted by the tax effects resulting from the IFRS changes discussed above. Petrodorado continues to assess the impact that the IFRS income tax principles may have on the Corporation.

PRINCIPAL BUSINESS RISKS

The Corporation’s business and results of operations are subject to a number of risks and uncertainties, including but not limited to the following:

Crude Oil and Natural Gas Development

Exploration, development, production of oil and natural gas involves a wide variety of risks which include but are not limited to the uncertainty of finding oil and gas in commercial quantities, securing markets, commodity price fluctuations, exchange and interest rate exposure and changes to government regulations, including regulations relating to prices, taxes, royalties and environmental protection. The oil and gas industry is intensely competitive and the Corporation competes with a large number of companies with greater resources.

The Corporation's ability to obtain reserves in the future will depend not only on its ability to develop its current properties but also on its ability to acquire new prospects and producing properties. The acquisition, exploration and development of new properties also require that sufficient capital from outside sources will be available to the Corporation in a timely manner. The availability of equity or debt financing is affected by many factors many of which are beyond the control of the Corporation.

Foreign Operations

There are a number of risks associated with conducting foreign operations over which the Corporation has no control, including political instability, potential and actual civil disturbances, ability to repatriate funds, changes in laws affecting foreign ownership and existing contracts, environmental regulations, oil and gas prices, production regulations, royalty rates, income tax law changes, potential expropriation of property without fair compensation and restriction on exports.

Addition of Reserves and Resources

The Corporation's future crude oil and natural gas reserves, production, and cash flows to be derived there from are highly dependent on the Corporation successfully discovering and developing or acquiring new reserves and resources. The addition of new reserves and resources will depend not only on the Corporation's ability to explore and develop properties but also, in the case of reserves, on its ability to select and acquire suitable producing properties or prospects. There can be no assurance that the Corporation's exploration, development or acquisition efforts will result in the discovery and development of commercial accumulations of oil and natural gas.

Reserve Estimates

There are numerous uncertainties inherent in estimating quantities of reserves, including many factors beyond the control of the Corporation. Estimates of reserves depend in large part upon the reliability of available geological and engineering data and require certain assumptions to be made in order to assign reserve volumes. Geological and engineering data is used to determine the probability that a reservoir of oil and/or natural gas exists at a particular location, and whether, and to what extent, such hydrocarbons are recoverable from the reservoir. Accordingly, the ultimate reserves discovered by the Corporation may be significantly less than the total estimates.

Exploration Risks

The exploration of the Corporation’s properties may from time to time involve a high degree of risk that no production will be obtained or that the production obtained will be insufficient to recover drilling and completion costs. The costs of seismic operations and drilling, completing and operating wells are uncertain to a degree. Cost overruns can adversely affect the economics of the Corporation’s exploration programs and projects. In addition, the Corporation’s seismic operations and drilling plans may be curtailed, delayed or cancelled as a result of numerous factors, including, among others, equipment failures, weather or adverse climate conditions, shortages or delays in obtaining qualified personnel, shortages or delays in the delivery of or access to equipment, necessary governmental, regulatory or other third party approvals and compliance with regulatory requirements.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

This MD&A offers our assessment of the Corporation’s future plans and operations as of April 20, 2011 and may contain forward-looking information. All statements other than statements of historical fact are forward-looking statements. Such information is generally identified by the use of words such as "anticipate", "continue", "estimate", "expect", "may", "plan", "will", "project", “should", "believe" and similar expressions. Statements relating to "reserves" or "resources" are also forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and that the resources and reserves described can be profitably produced in the future. All such statements involve known and unknown risks, uncertainties and assumptions.

Management believes that the expectations reflected in the forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct. Such forward-looking information included in this MD&A should not be unduly relied upon as the plans, assumptions, intentions or expectations upon which it is based may not occur. Actual results or events may vary from the forward-looking information.

In particular, this MD&A may contain forward-looking information pertaining to the following:

- the resource potential of the Corporation’s assets,
- the Corporation’s growth strategy and opportunities,
- performance characteristics of the Corporation's oil properties and estimated capital commitments,
- crude oil production and recovery estimates and targets,
- the existence and size of the oil reserves and resources,
- the Corporation’s drilling plans,
- capital expenditure programs and estimates, including the timing of activity,
- the Corporation’s plans for, and results of, exploration and development activities,
- projections of market prices and costs,
- the supply and demand for oil,

- expectations regarding the ability to raise equity and debt capital on acceptable terms and to add continually to reserves through acquisitions and development, including the ability to negotiate and complete the agreements and bank lending facility contemplated in this MD&A,
- the timing for receipt of regulatory approvals, and
- treatment of the Corporation under governmental regulatory regimes and tax laws.

The purpose of providing any financial outlook in this MD&A is to illustrate how the business of the Corporation might develop without the benefit of specific historical financial information. Readers are cautioned that this information may not be appropriate for other purposes.

The forward looking information herein is based on certain assumptions and analysis by the management of the Corporation in light of its experience and perception of historical trends, current conditions and expected future developments and other factors that it believes are appropriate and reasonable under the circumstances. The forward looking information herein is based on a number of assumptions, including but not limited to:

- the availability on acceptable terms of funds for capital expenditures,
- the availability in a cost-efficient manner of equipment and qualified personnel when required,
- continuing favourable relations with Latin American governmental agencies,
- continuing strong demand for oil,
- the regulatory framework governing royalties, taxes and environmental matters in Colombia, Peru and Paraguay and any other jurisdictions in which the Corporation may conduct its business in the future,
- the Corporation's future ability to market production of oil successfully to customers,
- the Corporation's future production levels and oil prices,
- the applicability of technologies for recovery and production of the Corporation's oil reserves,
- the existence and recoverability of any oil reserves,
- geological and engineering estimates in respect of the Corporation's resources,
- the geography of the areas in which the Corporation is exploring, and
- the impact of increasing competition on the Corporation.

The actual results, performance and achievements of the Corporation could differ materially from those anticipated in these forward-looking statements as a result of the risks and uncertainties set forth elsewhere in the MD&A and the following risks and uncertainties:

- global financial conditions,
- general economic, market and business conditions,

- volatility in market prices for oil and natural gas, the stock market, foreign exchange rates and interest rates,
- risks inherent in oil and gas operations, exploration, development and production,
- risks inherent in the Corporation's international operations, including security, political, sovereignty and legal risks in Colombia, Peru and Paraguay,
- the failure by counterparties to make payments or perform their operational or other obligations to the Corporation in compliance with the terms of contractual arrangements between the Corporation and such counterparties,
- risks related to the timing of completion of the Corporation's projects and plans,
- uncertainties associated with estimating oil and natural gas reserves and resources,
- competition for, among other things, capital, acquisitions of resources, undeveloped lands and skilled personnel,
- the Corporation's ability to hold existing leases through drilling or lease extensions or otherwise,
- incorrect assessments of the value of acquisitions or title to properties,
- the failure of the Corporation or the holder of certain licenses or leases to meet specific requirements of such licenses or leases,
- claims made in respect of the Corporation's properties or assets,
- geological, technical, drilling and processing problems, including the availability of equipment and access to properties,
- environmental risks and hazards,
- failure to estimate accurately abandonment and reclamation costs,
- the inaccuracy of third parties' reviews, reports and projections,
- rising costs of labour and equipment,
- the failure to engage or retain key personnel,
- changes in income tax laws or changes in tax laws and incentive programs relating to the oil and gas industry, and
- the other factors discussed under "Principal Business Risks" in this MD&A.

Readers are cautioned that the foregoing lists of assumptions, risks and uncertainties are not exhaustive. The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement. The forward-looking information speaks only as of the date of this MD&A, and the Corporation does not undertake any obligation to publicly update or revise any forward-looking information except as required by applicable securities laws.

SELECTED ANNUAL INFORMATION

$	Year ended December, 31, 2010	Period ended December, 31, 2009
Total Assets	**85,750,536**	78,648,142
Total Long-term Liabilities	**506,391**	**-**
Revenue	**1,397,079**	9,472
Net Loss and Comprehensive Loss	**7,710,221**	214,818
Net Loss Per Share, basic and diluted	**0.02**	0.00

SELECTED QUARTERLY INFORMATION

The following table sets out selected unaudited quarterly financial information of Petrodorado and is derived from unaudited quarterly financial data prepared by management in accordance with Canadian GAAP.

$	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009
Revenue	1,168,187	118,966	59,717	50,209	9,431	41
Net Loss and Comprehensive Loss	2,197,464	1,283,856	2,590,810	1,638,091	186,612	28,206
Net Loss Per Share	0.01	0.00	0.01	0.00	0.00	0.00

The increase in revenues in the fourth quarter 2010 is due primarily to oil and gas revenue from production of the Moriche ME-1 well, which began in June 2010, but for which only test oil sales were realized prior to the fourth quarter.