PETRODORADO ENERGY LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE MONTHS & YEAR ENDED DECEMBER 31, 2011

The following is management's discussion and analysis ("MD&A") of the operating and financial results of Petrodorado Energy Ltd. ("Petrodorado" or the "Company") for the three months and year ended December 31, 2011, as compared to 2010, as well as information and expectations concerning the Company's outlook based on currently available information.

The MD&A should be read in conjunction with the consolidated financial statements as at and for the year ended December 31, 2011 and 2010 prepared in accordance with IFRS (as defined below), together with the accompanying notes. Additional information including the Company's annual information form for the year ended December 31, 2011 relating to Petrodorado is on SEDAR at www.sedar.com or on the Company's website at www.petrodorado.com.

All dollar values are expressed in US dollars, unless otherwise indicated, and are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB").

This MD&A is prepared as of April 19, 2012.

CHANGE IN ACCOUNTING POLICIES

On January 1, 2011, the Company adopted IFRS for financial reporting purposes, using a transition date of January 1, 2010. The financial statements for the year ended December 31, 2011, including the required comparative information, have been prepared in accordance with IFRS 1 "First-Time Adoption of IFRS as issued by the IASB. Previously, the Company prepared its interim and annual consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP").

Further information on the IFRS impacts is provided in the Critical Accounting Policies section of this MD&A, including reconciliations between previous GAAP and IFRS financial position and comprehensive income.

NON-IFRS 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 3 months and year ended December 31, 2011 and 2010 are as follows:

Funds from operations	**Q4 2011**	**Q4 2010**	**Year 2011**	**Year 2010**
Cash used in operating activities	(205,553)	(843,578)	(1,302,543)	(3,369,182)
Change in non-cash working capital	(215,911)	(435,688)	(430,239)	578,343
Funds used in operations	(421,464)	(1,279,266)	(1,732,782)	(2,790,839)

The non-IFRS measure referred to above does not have any standardized meaning prescribed by IFRS or previous GAAP and therefore may not be comparable to similar measures used by other companies. Management uses this non-IFRS measurement for its own performance measures and to provide its shareholders and investors with a measurement of the Company's efficiency and of its ability to fund a portion of its future growth expenditures.

BUSINESS PROFILE AND STRATEGY

The Company 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 Company'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 experienced management team have acquired a significant portfolio of assets with four lower-risk blocks (blocks that have an oil discovery) and five more highly prospective blocks. The Company 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. Multiple drilling prospects and leads have been identified in these blocks.

Colombia

Moriche Block

Petrodorado has an undivided 49.5% working interest in the Mauritia Este 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. During 2010, Petrodorado and the operator, Pacific Rubiales Energy Corp. ("PRE") successfully completed a discovery well, ME-1, as a Mirador producer on 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). Production from ME-1 was shut down on December 4, 2011 due to a failure in the downhole pump. A remedial program was performed in March 2012 resulting in a return to production at a gross rate of approximately 131 bbl/d on April 17, 2012, and increasing. The well is expected to reach stabilised rates in approximately 12 weeks. Given this asset has a Letter of Intent ("LOI") signed for its sale, the costs of this remedial program were borne jointly by the seller group (PRE and Petrodorado) and the buyer group.

The Company authorized the operator (PRE) to represent the Company during the sale process initiated by the operator; this process began during the 4th quarter of 2011. An LOI has been signed by the operator for the sale of Moriche subsequent to year end. The operator is also selling additional acreage to the same seller as part of a consolidated sale and these terms are being finalized.

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.

During 2010, the Company with its partners completed the acquisition of 650 square km of 3D seismic and 240 lineal km of 2D seismic. Seismic processing and interpretation has been completed. The operator is expecting to receive environmental approval shortly from the authorities to initiate the exploration drilling of 5 wells.

The block at present is awaiting environmental license approval to start the drilling of the 5 wells. The Environmental ministry requested additional data from the operator which was submitted on March 1, 2012. As per the ministry guidelines, they should take a maximium of 25 business days to issue the license. However in Colombia if the ministry does not issue the license, the operator has very limited recourse.

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 three separate transactions. The Buganviles Block consists of approximately 73,794 acres (net 43,907 acres).

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 was 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.

Prior thereto, in November 2009, Petrodorado entered in to a farm-in agreement with PRE to acquire a 29.5% working interest in the Visure prospect and 25% working interest 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 were satisfied with Petrodorado having paid 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%

The first of these exploration wells, the Visure-1X well, located in the Visure prospect to the south-eastern 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 was suspended, with different production techniques being evaluated, based on the production test analysis, in order to economically produce the oil encountered in the Lower Guadalupe Formation. A cyclic steam injection pilot is being planned for this well.

The second exploration well, the Tuqueque-1X 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 a 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 at a later date via a new drill up dip from the Tuqueque-1X location.

The operator has applied for a two year extension of the contract (at present, the expiry date is June 30, 2012) with a suggested work program. This work program has been accepted by Ecopetrol S.A. and they are at present applying to the ANH to get this extension. Management considers the likelihood of this extension to be probable given Ecopetrol's success rate of acquiring contract extensions from the ANH as well as the favorable indications provided by PRE, the operator of the Buganviles Block, regarding their expectations for this extension. In the event the license is not extended, $12,235,287 of exploration and evaluation costs incurred would be considered impaired.

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 Company 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 as soon as the waters from the flooding recede. The Company has identified La Maye as non-core and is pursuing a sale process subsequent to year end.

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, 2011, $1,699,582 had been drawn from the escrow account leaving an unspent restricted cash balance of $1,800,418.

Talora Block

Petrodorado initially earned a 55% interest in the Talora block located in the Upper Magdalena basin of Colombia. The Talora block consists of 58,905 acres (net 38,289 acres) southwest of Bogota, after the first relinquishment. In the fourth quarter of 2010, Petrodorado acquired an additional 20% interest from a third party and acquired PetroSouth Energy Ltd, which also owned a 20% interest, to increase its aggregate working interest to 95%. On October 16, 2011 Petrodorado executed a farmout agreement allocating a 30% working interest to Sintana Energy decreasing Petrodorado's overall working interest to 65%. The terms of the farmout included: 1) a bonus payment of $5.2 million; 2) the farmee paying 60% of first well costs up to a maximum of $3.9 million, with costs after the maximum to be paid at 30%; and 3) the farmee paying 45% of the second well costs up to a maximum of $2.925 million, with costs after the maximum to be paid at 30%. Petrodorado's interest, via a wholly owned subsidiary, has been approved by the ANH.

The Company acquired 122 km of 2D seismic data during the first quarter of 2010. 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 Company is evaluating advanced engineering solutions to increase this production rate.

An exploration well targeting the Caballos is planned for the second quarter of 2012. ANH approved the extension of the Talora license in two areas. The first area called the "additional exploration" area has a commitment of one exploration well to be drilled by the end of January 2013; the second area called the "exploitation" area has a commitment of one appraisal well to be drilled by the end of January 2013. The exploration well "Dorados-1X" is planned to spud shortly.

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 monthlong exploration program includes the acquisition, processing interpretation of 521 kilometres of 2D seismic data to be completed during the first half of 2012. Initial environmental assessments are underway for the seismic program. Seismic acquisition is planned for the second half of 2012. In addition a stratigraphic well is planned for this block for the second half of 2012 to improve the evaluation of the geology and seismic interpretation.

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 received the environmental clearances and is presently planning seismic acquisition for 2012.

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.

The 2D seismic program of 558 km has been completed including processing and interpretation and 6 preliminary prospects have been identified, 3 each in Cretaceous and Palaeozoic, respectively. 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 of dollars) are as follows:

Block/Country	Interest	2012	2013	2014	2015	Total
Talora, Colombia (1)	65%	-	3.9	-	-	3.9
Tacacho, Colombia (2)	49.5%	7.4	-	-	-	7.4
CPO-5, Colombia (3)	30.0%	4.8	-	-	3.6	8.4
Block 135, Peru (4)	45%	10	-	-	-	10
Buganviles(5)	55%	-	-	3.0	-	3.0
Total		**22.2**	**3.9**	**3.0**	**3.6**	**32.7**

1) Net commitment represents 2 wells required by 2013.
2) Petrodorado to pay 100% of costs to acquire and process 480 km^2 of 2D seismic data (up to a maximum of US $8 million).
3) Includes Petrodorado's 30% share of 2 exploration wells by June 2012 and 30% share of the second phase of the exploration program by 2015.
4) 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.
5) The operator has submitted a license extension of 2 years to Ecopetrol S.A. with a corresponding work commitment. The present license expires in June 2012 and once the extension is approved there will be a corresponding work commitment for 35 km^2 of 3D seismic data (up to a maximum of US$3 million).

The expenditures provided in the above table represent the Company'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

Revenue

During the three months and year ended December 31, 2011 the Company generated oil and gas revenues of $453,395 and $3,740,806, respectively, net of royalties. At an agreed upon sales price of $112 per barrel of oil, this equates to 4,478 and 35,187 barrels of oil sold for the three months and year ended December 31, 2011, respectively. The Company's oil revenue is all received from its joint venture partner. For the year ended December 31, 2011 the joint venture partner had entered into certain forward sales arrangements resulting in the Company receiving the fixed price of $112 per barrel. While the Company has benefited from the joint venture partners arrangements, as the $112 per barrel is in excess of spot prices for 2011, there is no certainty as to duration of the joint venture partner's contracts, which once expired will once again result in the Company receiving spot prices. During the year ended December 31, 2010, the Company generated oil and gas revenues of $1,216,499. Oil production was sold in its entirety during the December 31, 2011 period, resulting in no oil inventory recorded at period end.

In addition, interest revenue on cash balances and short-term investments was $178,262 and $26,076 for the three months ended December 31, 2011 and 2010, respectively, and $423,735 and $180,580 for the year ended December 31, 2011 and 2010, respectively. The increase in interest revenue is primarily due to interest being earned during the year ended December 31, 2011 on equity funds of $34 million which were raised in March 2011, and are being utilized for operations and capital expenditures. The increase in interest revenue for the three months ended December 31, 2011 compared to December 31, 2010 is primarily due to an increase in the cash balance during the three months ended December 31, 2011 period.

Revenue ($)	**Q4 2011**	**Q4 2010**	**Year 2011**	**Year 2010**
Oil and gas sales, net of royalties	453,395	1,142,111	3,740,806	1,216,499
Interest and other	178,262	26,076	423,735	180,580
Total Revenue	631,657	1,168,187	4,164,541	1,397,079

Total production from the ME-1 well, net to Petrodorado, for the three months and year ended December 31, 2011 was 4,478 bbls and 30,370 bbls (25,215 bbls for the year ended December 31, 2010), respectively. 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. As of December 4, 2011, production on the ME-1 well was suspended due to required workover maintenance necessary in order to sustain production that would be economically feasible. As of April 17, 2012, the necessary maintenance had been completed and gross production of 131 bbl/d at the present date.

Operating Costs

During the three months ended and year ended December 31, 2011, the Company incurred $574,804 and $1,330,679, respectively ($983,139 and $1,611,703 for the three months and year ended December 31, 2010, respectively) in operating costs, including transportation. These are due to expenses incurred regarding the ME-1 well. This represents realized operating and transportation costs per barrel of production of $38 per bbl, net of operating cost reductions, for the year ended December 31, 2011. Effective in the third quarter of 2011, the Company entered into a new agreement with the operator of ME-1 which has set out specified terms on oil and gas revenue and operating costs. These terms have resulted in a reimbursement of operating costs of approximately $1.2 million in the year ended December 31, 2011 (on account of retroactive adjustments by the operator of prior period operating costs incurred) and a lower amount of operating costs in the year ended December 31, 2011.

Impairment Loss

During the year ended December 31, 2011, the Company recognized a $4.4 million impairment relating to its Moriche cash-generating units (“CGUs”). The impairment is the result of decreases in the future cash flows estimated on one of the Company's properties due to extensions in the production profile of the reserves and increased future expenses for anticipated ongoing maintenance. The impairment is the difference between the period-end net book value of that CGU and the assessed recoverable amount. The recoverable amount was determined based on fair value less costs to sell. Fair value was derived based on market information for the CGU. Following completion of the write-down, the CGU has a carrying value of approximately $3.9 million.

Pre-Licensing Costs

During the year ended December 31, 2010, the Company incurred $120,295 in pre-licensing costs related to exploration activities associated with the Pirity block located in Paraguay for which the rights to perform exploratory and evaluation activities have not yet been finalized. No such expenses were incurred for the year ended December 31, 2011.

Business Development Expenses

During the year ended December 31, 2011 and 2010, the Company incurred $188,864 and $715,441, respectively, in business development expenses. The decrease in business development expenses is related to the 2010 activity on the Loon acquisition initiative and developing the Company's interest in the CPO-5 Block.

General and Administrative Expenses

General and administrative expenses ("G&A") for the three months and year ended December 31, 2011 were $796,360 and $3,509,952, respectively ($626,438 and $2,504,592 for the three months and year ended December 31, 2010, respectively). This increase for the year ended December 31, 2011 compared to December 31, 2010 is mainly caused by the addition of administrative support and office space that was required in Bogota, Colombia, where 12 people are now employed. The increase in G&A for the 3 months ended December 31, 2011 compared to December 31, 2010 is due to a reduction in investor relations activity in the fourth quarter of 2011. Petrodorado budgeted $5 million for G&A expenses for the full year 2011, G&A was $3.5 million for the year ended December 31, 2011, an improvement over budget of $1.5 million.

General and Administrative Expenses ($)	**Q4 2011**	**Q4 2010**	**Year 2011**	**Year 2010**
Professional Fees	79,763	24,710	903,482	682,703
Wages & Salaries	351,395	271,072	1,299,365	893,301
Fees, Rent, Investor Relations and Other	365,202	330,656	1,307,105	928,588
Total	796,360	626,438	3,509,952	2,504,592

Finance Costs

During the three months and year ended December 31, 2011, the Company incurred $46,905 and $205,233, respectively ($7,642 and $21,489 for the three months and year ended December 31, 2010, respectively), in finance costs due to the recording of accretion expense on provisions related to decommissioning obligations and equity tax payable.

Finance Costs ($)	Q4 2011	Q4 2010	Year 2011	Year 2010
Accretion of decommissioning obligations	4,572	7,642	21,172	21,489
Accretion of equity tax payable	42,333	-	184,061	-
Total	46,905	7,642	205,233	21,489

Foreign Exchange Gain/Loss

The Company generated a foreign exchange loss of $1,132,714 and a foreign exchange gain of $2,488,377 for the three months and year ended December 31, 2011, and foreign exchange losses of $2,819,108 and $2,422,358 for the comparative periods to December 31, 2010, respectively. The gain over the twelve month period is essentially due to an increase in the value of the US dollar compared to the Canadian dollar and Colombian peso. The losses that occurred in the three months ended December 31, 2011 and the comparative periods are due to an increase of the Canadian dollar and Colombian peso compared to the US dollar.

Equity Tax Expense

The Colombian Congress passed a law, effective January 1, 2011, which imposed a one-time 6% equity tax levied on Colombian operations. The Company has recognized an equity tax expense of $2,580,852 for the year ended December 31, 2011 ($Nil for 2010) which is based on the Company’s net worth in Colombia at January 1, 2011 and is payable in eight equal instalments between 2011 and 2014. The tax amount recognized is calculated by discounting the future instalment payments by the credit-adjusted risk-free rate. The accretion is expensed to finance costs as the discount unwinds as the liability approaches payment. The Company has made two payments for a total of $777,921 during the year ended December 31, 2011.

Stock-Based Compensation

For the three months and year ended December 31, 2011, the Company recorded a stock-based compensation of $1,024,403 and $2,520,162, respectively ($626,369 and $5,178,731 for the comparative periods to December 31, 2010), of which $121,452 and $467,140, respectively, were capitalized in exploration and evaluation assets and property, plant and equipment ($123,596 and $819,401 for same periods to December 31, 2010).

The stock-based compensation arose due to a total of 10,980,000 and 30,000,000 options being granted during the year ended December 31, 2011 and 2010, respectively. The decrease in stock-based compensation expense is caused by the portion of the options granted in January 2010 that vested immediately (one third of 28,000,000) and again in the first quarter of 2011.

Stock-based compensation for the three months and year ended December 31, 2011 was calculated using the Black-Scholes pricing model using a risk free rate of 1.46% to 2.34%, volatility of 79% to 85%, an expected life of five years, a forfeiture rate of 10% and a zero dividend yield. The resulting fair values of options granted were in a range from CDN$0.099 to CDN$0.476.

Stock-Based Compensation ($)	Q4 2011	Q4 2010	Year 2011	Year 2010
Expensed	902,951	502,773	2,053,022	4,359,330
Capitalized	121,452	123,596	467,140	819,401
Total (to Contributed Surplus)	1,024,403	626,369	2,520,162	5,178,731

Depletion and Depreciation

For the three months and year ended December 31, 2011, the Company recorded depletion and depreciation expense of $161,835 and $1,130,824, respectively ($846,744 and $851,983 for the comparative periods to December 31, 2010). The increase in the year ended December 31, 2011 depletion over the year ended December 31, 2010 depletion was primarily due to the overall increase in oil production (30,370 bbls in 2011, 25,215 bbls in 2010) with no inventory on hand in 2011 (6,062 bbls in 2010), resulting in higher overall depletion year over year. Depletion is recorded as a component of inventory, when a sale occurs depletion is recorded as an expense. Depletion is calculated on developed properties of the Moriche Block in Colombia for 2011 and 2010.

Net Loss and Comprehensive Loss

For the three months and year ended December 31, 2011, the Company generated net losses of $3,455,890 and $8,746,508, respectively (net losses of $4,907,204 and $11,210,112 for comparative periods to December 31, 2010), and comprehensive losses of $995,528 and $11,982,250, respectively ($2,427,166 and $7,558,345 for the same periods to December 31, 2010).

The decrease in the loss in the three months ended December 31, 2011 compared to the prior period arises primarily due to the US dollar strengthening in the quarter compared to the Canadian dollar and the Colombian peso. The decrease in loss is also the result of a decrease in depletion and depreciation expense as well as G&A expense. This is offset by increased stock based compensation expense and a reduction in revenue.

The decrease in loss in the year ended December 31, 2011 compared to the prior period is primarily due to the US dollar strengthening in the year compared to the prior period. This is offset by increased operations in Bogota, with the related increase in G&A, depletion and depreciation expense and equity tax expenses as well as an impairment of property, plant and equipment.

Funds from Operations

For the three months and year ended December 31, 2011, the Company used funds in operations of $421,464 and $1,732,782, respectively (funds used in operations of $1,279,266 and $2,790,839 for the comparative periods to December 31, 2010). The decrease in funds used in operations relates primarily to the increase of revenue and the recovery of prior period operating costs. The recovery of prior period operating costs was the result of a new agreement with the operator that was reached in the third quarter of 2011.

CAPITAL EXPENDITURES

For the year ended December 31, 2011 and 2010, the Company spent $21.1 million and $37.6 million, respectively, in exploration and evaluation capital expenditures.

For the expenditures in the year ended December 31, 2011, the Company acquired 650 square km of 3D seismic and 261 lineal km of 2D seismic on the CPO-5 Block ($4.1 million), completed the drilling of 1 well (net 0.5 well) in the Buganviles Block ($3.4 million), performed testing on 2 wells, and continued pre-drilling technical work in Talora ($3.2 million) and 558 km of 2D seismic in Block 138 in Peru ($10.1 million). The Company conducted exploration activities in Tacacho ($0.3 million).

The Company also capitalized G&A of $552,128 ($834,282 – December 31, 2010) and related stock-based compensation of $467,140 ($819,401 – December 31, 2010) in the year ended December 31, 2011.

For capital expenditures in property, plant and equipment, the Company spent $0.6 million and nil for the years ended December 31, 2011 and 2010, respectively. These expenditures constituted $0.2 million in costs for the ME-1 well in the Moriche Block and $0.4 million in expenditures on other general fixed assets.

The Company obtained an independent engineering evaluation on its reserves as at December 31, 2011. The evaluation was conducted by Petrotech Engineering Ltd. for the 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 and After Tax (M$) [(1)]
Proved Non-Prod.	75	69	3,719
Proved Undeveloped	149	137	5,470
Total Proved	**224**	**206**	**9,189**
Total Probable	307	282	8,618
Proved + Probable	**531**	**488**	**17,807**

1) The Company has a total tax pool of approx. $39 million available in oil and gas assets to reduce potential income tax of the Buganviles Block, resulting in no expected income tax payable at this time.

LIQUIDITY AND CAPITAL RESOURCES

The Company'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, 2011 the Company had working capital of $36.0 million (up from $20.8 million at December 31, 2010) comprised primarily of short term investments. The increase in working capital arises primarily due to the equity financing of Cdn $35 million that was completed on March 1, 2011. As at December 31, 2011 the Company also has $13.4 million of restricted cash and other receivables. This working capital and restricted cash will be used to fund exploration and development activities on Petrodorado's oil and gas properties and for general corporate purposes.

The Company is pursuing its strategy of focusing on its high impact exploration blocks in 2012, by executing an exploration drilling program of 12 exploration wells and acquiring over 1,000 km of 2D seismic through a fully funded budget of approximately US$38 million for the 2012 year. Included within this plan are amounts required to meet contract commitments as outlined in the "Commitment Summary" section.

On June 11, 2010, the Company 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 consideration for the company's share of 2 exploration wells as part of 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 Company's capital expenditure obligations with its partner, PRE, in the Tacacho Block. This letter of credit is secured by a $405,000 term deposit made at the Colombian bank.

The Company's oil and gas interests are in the early production stage and the Company 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 Company's interests in the properties in Peru and Paraguay, the political stability of Colombia, Peru and Paraguay and the ability of the Company to secure adequate sources of financing to fund the development of its assets and put them into production and then achieve 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 Company repaid advances from the President of the Company and two companies who are minority shareholders of the Company, in amounts of $95,220 and $150,000 and $150,000, respectively.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The carrying values of the Company'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. The equity tax payable has only recently been incurred and therefore fair value is also anticipated to equal carrying value. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

SHAREHOLDERS' EQUITY

Share Capital

	Number of Common Shares		Amount
Balance, January 1, 2010	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
Warrants exercised for cash	13,058,049		4,611,901
Transfer of assigned fair value from warrants	-		1,401,941
Shares issued for cash (iv)	53,900,000		35,935,400
Share issue costs	-		(2,006,160)
Balance, December 31, 2011	**482,547,066**	**$**	**102,918,335**

Stock Options

	Number of Options	Weighted Average Exercise Price (CDN$)
Balance, January 1, 2010	910,000	$ 0.10
Options exercised (i)	(910,000)	0.10
Options issued (i)	30,000,000	0.49
Forfeitures (i)	(1,333,333)	0.49
Balance, December 31, 2010	28,666,667	$ 0.49
Options issued (ii)	10,980,000	0.36
Expired options (ii)	(1,000,001)	0.49
Forfeitures (ii)	(666,666)	0.49
Balance, December 31, 2011	37,980,000	$ 0.45
Exercisable, December 31, 2011	**21,660,001**	**$ 0.47**

Warrants (iii)

	Number of Warrants
Balance, January 1, 2010	214,285,000
Warrants exercised	(20,460,706)
Balance, December 31, 2010	193,824,294
Warrants exercised	(13,058,049)
Balance, December 31, 2011	**180,766,245**

i) On the date of the reverse take-over acquisition of the Company by Petrodorado Ltd., there were 910,000 stock options outstanding that were a continuation of the Company's existing stock option plan. The options were all exercisable at a price of CDN $0.10 per common share and were exercised prior to their expiry on March 21, 2010. On January 31, 2010, the Company granted 28,000,000 stock options to its directors, officers and key employees at a price of CDN $0.49 per common share. On May 1, 2010, the Company 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 an 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.

ii) On January 6, 2011, the Company 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, one-third on the first anniversary date and one-third on the second anniversary date from the grant date. On May 2, 2011, the Company granted 1,500,000 options to acquire common shares to two employees, at a price of CDN $0.55 per common share. The options are for a five year term, expiring on May 2, 2016 and vest one-third on May 2, 2011, one-third on the first anniversary date and one-third on the second anniversary date from the date of grant. On September 12, 2011, the Company granted 750,000 stock options to a new employee at a price of CDN $0.49 per common share and 730,000 stocks options to existing employees at a price of CDN $0.35 per common share. On November 30, 2011, the Company granted 7,000,000 options to acquire common shares to the directors of the Company at a price of CDN $0.25 per common share. The options are for a five year term, expiring on November 30, 2016 and vest one-third on November 30, 2011, 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 exiting officers, 666,666 were forfeited on February 28, 2011, 333,334 expired on May 29, 2011, and 666,667 expired on August 31, 2011.

iii) The Company 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.

iv) On March 1, 2011, the Company 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$35,935,400).

As at April 19, 2012	
Common Shares	482,547,066
Warrants	180,766,245
Options	37,980,000

NEW ACCOUNTING STANDARDS AND POLICIES

Transition to International Financial Reporting Standards ("IFRS")

The consolidated financial statements as at and for the year ended December 31, 2011 and 2010 are prepared in accordance with IFRS using the accounting policies disclosed in the annual financial statements for the year ending December 31, 2011. The transition to IFRS resulted in changes to the Company's previous accounting policies as applied and disclosed in the consolidated financial statements for the year ended December 31, 2010, prepared in accordance with GAAP.

The Company's accounting policies under IFRS differ from those followed under GAAP as described in note 4 to the consolidated financial statements for the year ended December 31, 2011. These accounting policies have been applied for the year ended December 31, 2011, as well as to the opening statement of financial position on the transition date, January 1, 2010, and the comparative information as at and for the year ended December 31, 2010. The adjustments arising from the application of IFRS to amounts on the statement of financial position on the transition date and on transactions prior to that date, were recognized as an adjustment to the Company's opening deficit on the statement of financial position.

Accounting Policy Changes

The following discussion explains the significant difference between the Company's previous GAAP accounting policies and those applied by the Company under IFRS. IFRS policies have been retrospectively and consistently applied except where specific IFRS 1 optional and mandatory exemptions permitted an alternative treatment upon transition to IFRS for first-time adopters.

(a) IFRS 1 First-Time Adoption of IFRS
On transition to IFRS on January 1, 2010, the Company used certain exemptions allowed under IFRS 1 "First Time Adoption of IFRS". The Company elected the exemption in IFRS 1 that allows an exemption on IAS 21"The Effects of Change in Foreign Exchange Rates". The cumulative translation differences for all foreign operations are deemed to be zero at the date of transition to IFRS. Any retrospective translation differences are recognized in opening retained earnings.

In addition, the Company has elected the IFRS 1 optional exemption that allows an entity to use the IFRS rules for business combinations on a prospective basis rather than re-stating all business combinations.

(b) Exploration and evaluation assets
IFRS requires exploration and evaluation assets (E&E assets) to be presented separately in the statement of financial position until the technical feasibility and commercial viability of the asset is demonstrable. The balances related to exploration and evaluation assets were reclassified from property, plant and equipment (PP&E). The amount reclassified at January 1 and December 31, 2010 was $5,640,442 and $42,739,226, respectively.
In addition, IFRS establishes that costs incurred before the entity has obtained the rights to perform exploration and evaluation activities are expensed. The Company has written off pre-licensing costs of $120,295 that was charged to pre-licensing costs for the year ended December 31, 2010.

(c) Foreign currency translation
IFRS requires that the functional currency of each entity in a consolidated group be determined separately based on the currency of the primary economic environment in which the entity operates. A list of primary and secondary indicators is used under IFRS in this determination and these differ in content and emphasis to a certain degree from those factors under GAAP. The parent company operated with the US dollar as its functional currency under GAAP. The Company re-assessed the determination of the functional currency for the parent company and determined the Canadian dollar as the functional currency for this entity under IFRS. The impact of the change in functional currency, combined with the IFRS 1 exemption previously mentioned, was an adjustment to retained earnings at the date of transition of $948,382. For the year ended December 31, 2010, the currency translation adjustment was $3,651,767.

(d) Stock-based compensation

Under GAAP, the Company recognized an expense related to their stock-based compensation on a graded method of expense and fair valued options granted to consultants at each reporting period. Under IFRS, the Company is required to recognize the expense over the individual vesting periods for the graded vesting of awards and fair valued options granted to consultants at the grant date. The Company also capitalized stock-based compensation directly attributable to exploration and evaluation assets. The net impact was a decrease of stock-based compensation expense for the year ended December 31, 2010 of $407,655.

(e) Depletion

Upon transition to IFRS, the Company adopted a policy of depleting its oil properties on a unit of production basis over proved plus probable reserves of producing assets at a component or field level. The depletion policy under GAAP was based on units of production over proved reserves of producing and non-producing properties. The impact was an increase to depletion and depreciation of $137,144 for the year ended December 31, 2010 with a corresponding change to property, plant and equipment.

(e) Decommissioning Obligation

Under Canadian GAAP, decommissioning liabilities were discounted at a credit adjusted risk-fee rate of 8%. Under IFRS, the estimated cash flow to abandon and remediate the wells and facilities has been risk-adjusted; therefore, the entire decommissioning liability is discounted at a risk-free rate of 3% percent for all periods presented. The impact was an increase to decommissioning obligation of $236,214, with a corresponding increase in recognized costs related to related exploration and evaluation assets and oil and gas properties. The corresponding change in the unwinding of the discount under IFRS, or accretion, was included in finance expense.

Reconciliations from Canadian GAAP to IFRS

The following tables provide a summary reconciliation of the Company's Statement of Financial Position at January 1, 2010, and December 31, 2010, from GAAP to IFRS:

	For the year ended January 1, 2010					
		Canadian GAAP		IFRS Adjustments		IFRS
ASSETS						
Current assets	$	69,266,326	$	-	$	69,266,326
Non-current assets		9,381,816		(39,862)		9,341,954
Total assets	$	78,648,142	$	(39,862)	$	78,608,280
Current liabilities	$	1,332,468	$	-	$	1,332,468
Shareholders' equity		77,315,674		(39,862)		77,275,812
Total liabilities and shareholders' equity	$	78,648,142	$	(39,862)	$	78,608,280

	For the year ended December 31, 2010		
	Canadian GAAP	IFRS Adjustments	IFRS
ASSETS			
Current assets	$ 23,601,131	$ -	$ 23,601,131
Non-current assets	62,149,405	(112,936)	62,036,469
Total assets	$ 85,750,536	$ (112,936)	$ 85,637,600
Current liabilities	$ 2,791,663	$ -	$ 2,791,663
Non-current liabilities:	506,391	236,214	742,605
Shareholders' equity	82,452,482	(349,150)	82,103,332
Total liabilities and shareholders' equity	$ 85,750,536	$ (112,936)	$ 85,637,600

The following table summarizes the statement of comprehensive income for the year ended December 31, 2010, from Canadian GAAP to IFRS:

	For the year ended December 31, 2010		
	Canadian GAAP	IFRS Adjustments	IFRS
Revenue	$ 1,397,079	$ -	$ 1,397,079
Expenses	9,107,300	3,499,891	12,607,191
Net loss for the period	(7,710,221)	(3,499,891)	(11,210,112)
Comprehensive loss for the period	$ (7,710,221)	$ 151,876	$ (7,558,345)

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in note 25 to the December 31, 2011 consolidated financial statements. This note includes reconciliations of equity and total comprehensive income for comparative periods and of equity at the date of transition reported under previous GAAP to those reported for those periods and at the date of transition under IFRS. The Company's IFRS accounting policies are provided in Note 4 to the December 31, 2011 interim consolidated financial statements.

Future Accounting Changes

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

Income taxes
In December 2010, the IASB amended IAS 12 for the recovery of underlying assets and the impact on deferred taxes. The amendments provide a solution to the problem of assessing whether recovery would be through use or through sale when the asset is measured at fair value under IAS 40 Investment Property, by adding the presumption that the recovery would normally

be through sale. The amendment also incorporates the remaining guidance in SIC-21 Income Taxes – recovery of Revalued Non-depreciable Assets, as SIC-21 has been withdrawn. The effective date of amendment is January 1, 2012. The Company is currently evaluating the impact of these amendments on its consolidated financial statements.

Financial Instruments

IFRS 9 Financial instruments ("IFRS 9") was issued by the IASB on November 12, 2009 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Company is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

Consolidated Financial Statements

IFRS 10 Consolidated Financial Statements was issued by the IASB on May 12, 2011 and establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This IFRS requires an entity that is a parent to present consolidated financial statements, defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. IFRS supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation—Special Purpose Entities and is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 10 on its consolidated financial statements.

Joint Arrangements

IFRS 11 Joint Arrangements was issued by the IASB on May 12, 2011 and establishes principles for financial reporting by parties to a joint arrangement. This IFRS requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and classifies joint arrangements into two types: joint operations and joint ventures. This IFRS also requires a joint operator to recognize and measure the assets and liabilities (and recognize the related revenues and expenses) in relation to its interest in the arrangement whereas GAAP requires a joint venturer to recognize an investment and to account for that investment using the equity method. IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities—Non-Monetary Contributions by Venturers and is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 11 on its consolidated financial statements.

Disclosure of Interest in Other Entities

IFRS 12 Disclosure of Interests in Other Entities was issued by the IASB on May 12, 2011 and applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. This IFRS requires an entity to disclose information that enables users of financial statements to evaluate: (a) the nature of, and risks associated with, its interests in other entities; and (b) the effects of those interests on its financial position, financial performance and cash flows. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 12 on its consolidated financial statements.

Fair Value Measurement
IFRS 13 Fair Value Measurement was issued by the IASB on May 12, 2011 and defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. This IFRS applies to IFRSs that require or permit fair value measurements, or disclosures about fair value measurements, and it does not require fair value measurements in addition to those already required or permitted by other IFRSs. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 13 on its consolidated financial statements.

Separate Financial Statements
As a result of the issue of the new consolidation suite of standards, IAS 27 Separate Financial Statements has been reissued as the consolidation guidance will now be included in IFRS 10. IAS 27 will now only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. These amendments are effective for annual periods beginning on or after January 1, 2013 and early adoption is permitted. The Company is currently evaluating the impact of IAS 27 on its consolidated financial statements.

Investments in Associates and Joint Ventures
As a consequence of the issue of IFRS 10, IFRS 11 and IFRS 12, IAS 28 has been amended and will provide the accounting guidance for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The amended IAS 28 will be applied by all entities that are investors with joint control of, or significant influence over, an investee. These amendments are effective for annual periods beginning on or after January 1, 2013 and early adoption is permitted. The Company is currently evaluating the impact of these amendments on its consolidated financial statements.

USE OF ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Reserve estimates including production profiles, future development costs, and discount rates are a critical part of many of the estimated amounts and calculations contained in the financial statements. These estimates are verified by third party professional engineers, who work with information provided by the Company to establish reserve determinations. These determinations are updated at least on an annual basis, and more frequently as significant business combinations take place.

Significant areas of estimation, uncertainty and critical judgments in applying accounting policies that impact the amounts recognized in the consolidated financial statements include:

- Impairment testing – estimates of reserves, future commodity prices, future costs, production profiles, discount rates, market value of land.
- Depletion and depreciation – oil and natural gas reserves, including future prices, costs and reserve base to use on calculation of depletion.
- Decommissioning obligations – estimates relating to amounts, likelihood, timing, inflation and discount rates.
- Share-based compensation – forfeiture rates and volatility.
- Deferred tax – estimates of reversal of temporary differences, tax rates substantively enacted, and likelihood of assets being realized.

PRINCIPAL BUSINESS RISKS

The Company's business and results of operations are subject to a number of risks and uncertainties which are outlined under the heading "Risk Factors" in the Annual Information Form for the year ended December 31, 2011 and also 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 Company competes with a large number of companies with greater resources.

The Company'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 Company 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 Company.

Foreign Operations

There are a number of risks associated with conducting foreign operations over which the Company 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 Company's future crude oil and natural gas reserves, production, and cash flows to be derived there from are highly dependent on the Company successfully discovering and developing or acquiring new reserves and resources. The addition of new reserves and resources will depend not only on the Company'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 Company'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 Company. 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 Company may be significantly less than the total estimates.

Exploration Risks

The exploration of the Company'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 Company's exploration programs and projects. In addition, the Company'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 Company's future plans and operations as of April 19, 2012 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 Company's assets,
- the Company's growth strategy and opportunities,
- performance characteristics of the Company's oil properties and estimated capital commitments and probability of success,
- crude oil production and recovery estimates and targets,
- the existence and size of the oil reserves and resources,
- the Company's drilling plans,
- capital expenditure programs and estimates, including the timing of activity,
- the Company'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 Company 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 Company 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 Company 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 Company may conduct its business in the future,
- the Company's future ability to market production of oil successfully to customers,
- the Company's future production levels and oil prices,
- the applicability of technologies for recovery and production of the Company's oil reserves,
- the existence and recoverability of any oil reserves,
- geological and engineering estimates in respect of the Company's resources and reserves,
- the geography of the areas in which the Company is exploring, and
- the impact of increasing competition on the Company.

The actual results, performance and achievements of the Company 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 Company'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 Company in compliance with the terms of contractual arrangements between the Company and such counterparties,
- risks related to the timing of completion of the Company'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 Company'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 Company or the holder of certain licenses or leases to meet specific requirements of such licenses or leases,
- claims made in respect of the Company'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 Company does not undertake any obligation to publicly update or revise any forward-looking information except as required by applicable securities laws.

KEY FINANCIAL RESULTS

The following table summarizes Petrodorado's key financial results over the past three years:

	For the years ended		
	Dec. 31, 2011	**Dec. 31, 2010**	**Dec. 31, 2009[1]**
Oil and gas revenue	$ 3,740,806	$ 1,216,499	$ -
Total Loss	(8,746,508)	(11,210,112)	(214,818)
Loss per share - basic and diluted	(0.02)	(0.03)	-
Working capital	35,835,451	20,809,468	67,933,858
Total assets	117,484,383	85,637,600	78,648,142
Total non-current liabilities	1,870,515	742,605	-

1) Figures for the year ended December 31, 2009 are those reported under GAAP and are reflective of the period from incorporation on May 28, 2009 to December 31, 2009

Petrodorado's oil and gas revenue, cash provided by (used in) operations, funds used in operations and net income are all impacted by oil production levels. As the Company is still primarily in the exploratory phase for the majority of its oil and gas prospects, oil and gas production was only realized in 2010 and continued throughout 2011. Primary operating and general and administrative expenses within the company have remained relatively consistent over the 2010 and 2011 year, as further discussed below.

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 IFRS.

	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Revenue	$ 631,657	$ 1,115,228	$ 2,393,452	$ 24,204
Net Income (Loss)	(3,455,890)	2,820,055	(2,636,055)	(5,474,618)
Comprehensive Loss	(995,528)	(5,981,662)	(1,686,082)	(3,318,978)
Net Income (Loss) Per Share (Basic & Diluted)	(0.01)	0.01	(0.01)	(0.01)

	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Revenue	$ 1,168,187	$ 118,966	$ 59,717	$ 50,209
Net Income (Loss)	(4,907,204)	(3,009,635)	1,211,652	4,504,925
Comprehensive Loss	(2,427,166)	(926,637)	(2,638,820)	1,565,722
Net Income (Loss) Per Share (Basic & Diluted)	(0.01)	(0.01)	0.00	(0.01)

Revenue recorded is primarily based on the timing of oil and gas sales. During Q4 2010, the Company generated oil and gas revenues of $1,142,111. This was due to the sale of 15,922 bbls in the quarter. In Q1 2011, the Company did not have any oil and gas revenues as the production was stored until it could be taken to market. In Q2 2011, the Company generated oil and gas revenues of $2,270,162 as a result of the sale of 20,269 barrels of oil (total production on hand to date) at an agreed upon sales price of $112 per barrel. In Q3 2011, the Company generated oil and gas revenues of $1,017,249 as a result of the sale of 9,432 barrels of oil (total production on hand) at a settled price of $112 per barrel. In Q4 2011, the Company generated oil and gas revenues of $453,395 (net of royalties) as a result of the sale of 4,478 barrels of oil (total production on hand) at a settled price of $112 dollars per barrel. The decrease in quarterly revenue of $563,854 from Q3 2011 to Q4 2011 was due to a decrease in production of 4,954 barrels of oil when comparing the two periods.

Fluctuations in quarter-to-quarter net income (loss) are primarily on account of varying foreign exchange rates (with resulting foreign exchange gains/losses recorded) as well as the timing of oil and gas sales throughout the fiscal year (see previous paragraph). Q1 2011 and Q2 2011 incurred similar foreign exchange losses at $1,442,367 and $1,567,387, as foreign exchange rate movements were consistent quarter over quarter due to a continually weakening US dollar. Q3 2011 experienced large fluctuations in foreign exchanges rates as the US dollar strengthened considerably resulting in a foreign exchange gain of $6,630,846 for the three-month period. In Q4 2011, the Company recorded a foreign exchange loss of $1,258,213; this was due to the strengthening of the Canadian dollar and Colombian peso compared to the US dollar in the quarter.

OUTLOOK

The Company's capital program in 2012 will be $17 million, fully funded from current working capital within the Company. The work program and budget will include the following:

- Drilling of the Dorados-1X exploration well in the Talora Block.
- Drilling of 4 exploration wells in the CPO-5 Block.
- Drilling of 1 exploration well in the Tacacho Block.
- Pending the recession of flood waters in the Lower Magdalena Valley, testing of Noelia-1 exploration well and drilling of 1 additional exploration well in the La Maye Block.
- Actively pursuing possible business opportunities for current prospects held in Peru including the farm-out of a percentage of our working interest in those prospects as well as the drilling of 1 exploration well in the Peru 138 Block.
- Continuing with the environmental stewardship and social initiatives in our area of operations.