PETRODORADO ENERGY LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 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 ended March 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 interim condensed consolidated financial statements as at and for the periods ended March 31, 2011 and 2010 prepared in accordance with IFRS and the audited consolidated financial statements and related notes and MD&A as at and for the year ended December 31, 2010 prepared in accordance with Canadian generally accepted accounting principles (GAAP). Additional information 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) issued by the International Accounting Standard Board (IASB).

This MD&A is prepared as of June 28, 2011.

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 three months ended March 31, 2011, including the required comparative information, have been prepared in accordance with IFRS 1 "First-Time Adoption of IFRS", and with International Accounting Standard (IAS) 34 "Interim Financial Reporting", as issued by the International Accounting Standards Board (IASB). Previously, the Company prepared its interim and annual consolidated financial statements in accordance with 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 periods ended March 31, 2011 and 2010 are as follows:

Funds from operations ($)	Q1 2011	Q1 2010
Cash provided by (used in) operating activities	(1,361,839)	(203,516)
Change in non-cash working capital	565,206	84,964
Funds from (used in) operations	(796,633)	(118,552)

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. As there is no standardized meaning, it is not certain that this measure will be comparable to other companies.

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 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 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 and are at various stages of reaching the drilling stages.

Colombia

Moriche Block

Petrodorado has 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. During 2010, Petrodorado and the operator, Pacific Rubiales ("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). As at the date hereof, the ME-1 well is producing approximately 260 bbl/d of oil

(128 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.

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 Company with its partners completed the acquisition of 650 square Km of 3D seismic and 240 line Km of 2D seismic. Seismic processing and interpretation has been completed in 2011 and 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 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 Pacific Rubiales Energy Corp. ("PRE") to acquire a 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 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 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 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. The Company will also consider a possible test in the Upper Guadalupe and Barzalosa Formations.

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

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 in second half of 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 March 31, 2011, $3,274,103 had been drawn from the escrow account, of which $1,574,500 was to be received back from the operator as it was unspent leaving a $225,897 restricted cash balance. The operator subsequently refunded the $1,574,500 to the escrow account, which is expected to fund Petrodorado's share of remaining wells in the project.

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 108,328 acres (net 102,912 acres) southwest of Bogota. 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%. Petrodorado's interest, via a wholly owned subsidiary, has been approved by the ANH.

The Company acquired 122km 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 late 2011. 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.

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.

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 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. 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 has been completed and processing and interpretation is under way. 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	Interest	2011	2012	2013	2014	2015
Talora, Colombia [1]	95%	-	-	-	6.0	-
Tacacho, Colombia [2]	49.5%	7.4	-	-	-	-
CPO-5, Colombia [3]	30.0%	-	4.8	-	-	-
Block 135, Peru [4]	45%	-	10.0	-	-	-
Total		7.4	14.8	-	6.0	-

1) Net commitment represents 2 wells required in 2014.
2) Petrodorado to pay 100% of costs to acquire and process 480 km of 2D seismic data (up to a maximum of U.S.$8 million).
3) Includes Petrodorado's 30% share of 2 exploration wells by June 2012.
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.

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

There were no oil and gas revenues for the three months ended March 31, 2011 and 2010. During the year ended December 31, 2010, the Company generated oil and gas revenues of $1,216,499. Oil and gas production obtained during the three months ended March 31, 2011 was added to inventory during the period. The 2010 oil and gas revenues were due to production from the Moriche ME-1 well, which began in June 2010.

In addition, interest revenue on cash balances and short-term investments was $24,204 and $50,209 for the three months ended March 31, 2011 and 2010, respectively, and $180,580 during the full year 2010. The decrease in interest revenue is primarily due to interest being earned during the three months ended March 31, 2010 on equity funds of CDN$74,999,750 (US$70,792,264) that were raised in 2009, and utilized for operations and capital expenditures on a gradual basis throughout 2010, compared to $20 million of funds held at the beginning of 2011, which were subsequently increased by the funds raised in March 2011 for $35 million (see Liquidity section).

Revenue ($)	Q1 2011	Q1 2010	Year ended December 31, 2010
Oil and gas sales, net of royalties	-	-	1,216,499
Interest and other	24,204	50,209	180,580
Total Revenue	24,204	50,209	1,397,079

Total production from the ME-1 well, net to Petrodorado, for the three months ended March 31, 2011 was 11,552 bbls (25,215 bbls for the year 2010). 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 128 bbl/d.

Operating Costs

During the three months ended March 31, 2011 and 2010, the Company incurred $41,905 and $Nil, respectively, ($1,611,703 for the full year 2010) in operating costs (including transportation). These are due to expenses incurred regarding the ME-1 well, net of capitalized costs in the first quarter 2011 of $484,717 ($468,421 for year 2010) for inventory of production not sold. This represents total operating and transportation costs per barrel of production of $60.76 per bbl ($84.15 per bbl for year 2010). The total for 2010 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. The 2010 amount was significantly higher than planned and the Company believes the operator's billings were overstated by approximately $650,000 (of which $496,000 had been expensed). Discussions are underway with the operator to resolve this issue in accordance with the existing Joint Operating Agreement.

Pre-licensing costs

During the three months ended March 31, 2011 and 2010, the Company incurred $Nil and $120,295, respectively, in pre-licensing costs ($120,295 for year 2010) 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.

General and Administrative Expenses

General and administrative expenses ("G&A") for the three months ended March 31, 2011 and 2010 were $891,051 and $502,049 respectively, ($2,504,592 for year 2010). This increase is mainly caused by the addition of administrative support and office space that was required in Bogota, Colombia, where ten people are now employed. Petrodorado has budgeted $5 million for G&A expenses for the full year 2011.

General and Administrative Expenses ($)	Q1 2011	Q1 2010	Year ended December 31, 2010
Professional Fees	173,423	202,689	682,703
Wages & Salaries	341,327	130,729	893,301
Investor Relations and Travel	39,346	11,966	115,764
Office Rent	76,900	25,554	246,859
Regulatory Fees, Insurance and Other	260,055	131,111	565,965
Total	891,051	502,049	2,504,592

Finance costs

During the three months ended March 31, 2011 and 2010, the Company incurred $93,448 and $3,001 respectively, ($21,489 for year 2010) in finance costs due to the recording of accretion expense on provisions related to decommissioning obligations and equity tax payable.

Finance Costs ($)	Q1 2011	Q1 2010	Year ended December 31, 2010
Unwinding of decommissioning obligation	4,993	3,001	21,489
Unwinding of equity tax payable discount	88,455	-	-
Total	93,448	3,001	21,489

Foreign Exchange Gain Loss

The Company generated a foreign exchange loss of $1,442,367 and $1,596,609 for the three months ended March 31, 2011 and 2010, respectively, ($2,422,358 for the year 2010). These losses are essentially due to an increase in the value of the Canadian dollar against the US dollar, offset partially by the increase in the value of the Colombian Peso against 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 $2,580,852 for the three months ended March 31, 2011 ($Nil for year 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.

Stock-Based Compensation

For the three months ended March 31, 2011 and 2010, the Company recorded a stock-based compensation of $553,717 and $2,780,234 respectively, of which $106,789 and $448,611 respectively, were capitalized in exploration and evaluation assets and property, plant and equipment. The stock-based compensation for the full year 2010 amounted to $5,178,731 of which $819,401 had been capitalized and $4,359,330 was expensed. The stock-based compensation arose due to a total of 1,000,000 and 28,000,000 options being granted during the three months ended March 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).

Stock-based compensation for the three months ended March 31, 2011 and 2010 was calculated using the Black-Scholes pricing model using a risk free rate of 2.23% and 2.48%, volatility of 85% and 60%, respectively, an expected life of five years, a forfeiture rate of 10% and a zero dividend yield. The resulting fair values of options granted were CDN$0.476 and CDN$0.259 respectively.

Stock-Based Compensation Expense ($)	Q1 2011	Q1 2010	Year ended December 31, 2010
Expensed	446,928	2,331,623	4,359,330
Capitalized	106,789	448,611	819,401
Total (to Contributed Surplus)	553,717	2,780,234	5,178,731

Depletion and Depreciation

For the three months ended March 31, 2011 and 2010, the Company recorded depletion and depreciation expense of $2,271 and $1,557 respectively. In addition for the first quarter of 2011, depletion of oil and gas properties $408,070 was recorded as a component of inventory cost. For the year ended December 31, 2010, the Company recorded DD&A expense of $851,983 and did not include any depletion amount in inventory value at December 31, 2010.

Depletion reflects primarily the depletion of developed properties on the Moriche and Buganviles Blocks in Colombia for 2010. At March 31, 2011 and 2010, property, plant and equipment includes $6,728,358 and $Nil, respectively, which were excluded from the depletion calculation.

Net Loss and Comprehensive Loss

For the three months ended March 31, 2011 and 2010, the Company generated a net loss of $5,474,618 and $4,504,925 respectively, and a comprehensive loss of $3,318,978 and $1,565,722 respectively. For the year ended December 31, 2010, the net loss was $11,210,112 and the comprehensive loss was $7,558,345 for the same period. The increase in the loss arises primarily due to the increased operations in Bogota, with the related increase in G&A, Stock-Based Compensation and equity tax expenses as a result.

Funds from Operations

The Company incurred negative funds from operations of $796,633 and $118,552 for the three month ended March 31, 2011 and 2010, respectively. The increase in funds from operations outflow relates primarily to the G&A and operating expenses incurred in expanding operations in Colombia.

CAPITAL EXPENDITURES

For the three months ended March 31, 2011 and 2010, the Company spent $11.7 million and $15.8 million, respectively, in capital expenditures.

In the first quarter of 2011, the Company acquired 650 square km of 3D seismic and 261 lineal Km of 2D seismic on the CPO-5 block ($2.8 million), completed the drilling of 1 wells (net 0.5 wells) in the Buganviles Block, performed testing on 2 wells ($2.5 million), and continued pre-drilling technical work in Talora ($2.3 million) and Peru ($4 million).

The Company also capitalized G&A of $133,916 in the first quarter of 2011 ($289,325 in the first quarter of 2010) and related Stock-Based Compensation of $106,789 ($448,611 in first quarter of 2010).

The Company 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 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 March 31, 2011 the Company had working capital, of $47.0 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. 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 Company is pursuing its strategy of focusing on its high impact exploration blocks in 2011, by drilling 4 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 $30 million for the balance of 2011 and 2012. Included within this plan are amounts required to meet contract commitments as outlined in the 'Commitment Summary' above.

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 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 Company'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.

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 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 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. 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.

SHARE CAPITAL

Common Shares

Balance, January 1, 2010	394,218,311
Options exercised	910,000
Warrants exercised for cash (3)	20,460,706
Transfer of assigned fair value from warrants	-
Balance, December 31, 2010	415,589,017
Warrants exercised for cash	12,621,453
Transfer of assigned fair value from warrants	-
Shares issued for cash (4)	53,900,000
Share issue costs	-
Balance, March 31, 2011	482,110,470

Balance, January 1, 2010	910,000
Options exercised	(910,000)
Options issued	30,000,000
Forfeitures	(1,333,333)
Balance, December 31, 2010	28,666,667
Options issued	1,000,000
Forfeitures	(666,667)
Balance, March 31, 2011	29,000,000

Warrants (2)

Balance, January 1, 2010	214,285,000
Warrants exercised	(20,460,706)
Balance, December 31, 2010	193,824,294
Warrants exercised	(12,621,453)
Balance, March 31, 2011	181,202,841

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 Company granted stock options to acquire 28 million common shares of the Company 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 Company'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 Company 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, except for the first third of options vesting after three months, and these options expire on January 6, 2016.
2) 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.
3) 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).

NEW ACCOUNTING STANDARDS AND POLICIES

Transition to International Financial Reporting Standards ("IFRS")

The interim condensed consolidated financial statements as at and for the three months ended March 31, 2011 and 2010 are the Company's first interim condensed consolidated financial statements prepared in accordance with IFRS using the accounting policies the Company expects to adopt in its 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 the notes to the condensed interim consolidated financial statements. These accounting policies have been applied for the three months ended March 31, 2011, as well as to the opening statement of financial position on the transition date, January 1, 2010, the comparative information for the three months ended March 31, 2010 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) IFRS 6 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 amounts reclassified at January 1, 2010, March 31, 2010 and December 31, 2010 were $5,640,442, 21,457,699 and $36,068,588, 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 $39,862, with a corresponding change to deficit at January 1, 2010, and $120,295 was charged to pre-licensing costs for the three months ended March 31, 2010 and 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 three months ended March 31, 2010 and the year ended December 31, 2010, the currency translation adjustment was $2,939,203 and $3,651,767 respectively.

(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 to the stock-based compensation expense for the three month period ended March 31, 2010 and the year ended December 31, 2010 of $192,890 and $407,655, respectively.

(e) Depletion policy
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.

Reconciliations from GAAP to IFRS

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

			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

			March 31, 2010			
		Canadian GAAP		IFRS Adjustments		IFRS
ASSETS						
Current assets	$	56,181,448	$	-	$	56,181,448
Non-current assets		23,233,208		299,794		23,533,002
Total assets	$	79,414,656	$	299,794	$	79,714,450

	Canadian GAAP	IFRS Adjustments	IFRS
Current liabilities	$ 984,725	$ -	$ 984,725
Non-current liabilities:	141,497	11,566	153,063
Shareholders' equity	78,288,434	288,228	78,576,662
Total liabilities and shareholders' equity	$ 79,414,656	$ 299,794	$ 79,714,450

	December 31, 2010		
	Canadian GAAP	IFRS Adjustments	IFRS
ASSETS			
Current assets	$ 23,601,131	$ -	$ 23,601,131
Non-current assets	62,149,405	(317,304)	61,832,101
Total assets	$ 85,750,536	$ (317,304)	$ 85,433,232
Current liabilities	$ 2,791,663	$ -	$ 2,791,663
Non-current liabilities	506,391	31,846	538,237
Shareholders' equity	82,452,482	(349,150)	82,103,332
Total liabilities and shareholders' equity	$ 85,750,536	$ (317,304)	$ 85,433,232

The following tables summarize the statement of comprehensive income for the three months ended March 31, 2010 and the year ended December 31, 2010:

	For the three months ended March 31, 2010		
	Canadian GAAP	IFRS Adjustments	IFRS
Revenue	$ 50,209	$ -	$ 50,209
Expenses	1,688,300	2,866,834	4,555,135
Net loss for the period	(1,638,091)	(2,866,834)	(4,504,925)
Comprehensive loss for the period	$ (1,638,091)	$ 72,369	$ (1,565,722)

	For the three months 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
Loss for the period	(7,710,221)	(3,499,891)	(11,210,112)
Comprehensive loss for the year	$ (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 22 to the interim condensed 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 interim condensed consolidated financial statements.

PRINCIPAL BUSINESS RISKS

The Company'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 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 June 28, 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 Company's assets,
- the Company's growth strategy and opportunities,
- performance characteristics of the Company'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 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,
- 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.

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 and GAAP.

$	**Q1 2011**	**Q4 2010**	**Q3 2010**	**Q2 2010**	**Q1 2010**	**Q4 2009 (1)**	**Q3 2009 (1)**
Revenue	24,204	1,168,187	118,966	59,717	50,209	9,431	41
Net Loss	(5,474,618)	(11,210,111)	(6,975,315)	(1,332,947)	(4,504,925)	(186,612)	(28,206)
Comprehensive loss	(3,318,978)	(7,558,344)	(5,128,485)	(2,871,594)	(1,565,722)	(186,612)	(28,206)
Net Loss Per Share	0.01	0.03	0.02	0.00	0.01	0.00	0.00

(1) 2009 comparative figures are prepared in accordance with Canadian GAAP.