PETRODORADO ENERGY LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2012

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 and nine months ended September 30, 2012, as compared to the three and nine months ended September 30, 2011, 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 unaudited interim condensed consolidated financial statements as at and for the three and nine months ended September 30, 2012 and 2011 prepared in accordance with IFRS (as defined below), together with the accompanying notes and the audited consolidated financial statements and related notes and MD&A as at and for the year ended December 31, 2011. Additional information, including the Company's annual information form for the year ended December 31, 2011, 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 November 22, 2012.

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 from (used in) operating activities to funds from (used in) operations for the periods ended September 30, 2012 and 2011 are as follows:

Funds from operations ($)	Q3 2012	Q3 2011	YTD 2012	YTD 2011
Cash from (used in) operating activities	(632,485)	348,602	(2,818,001)	(1,096,990)
Change in non-cash working capital	(261)	(108,578)	246,320	(214,328)
Funds from (used in) operations	(632,746)	240,024	(2,571,681)	(1,311,318)

The Company has total funds available for operations of $61.8 million as of September 30, 2012, by way of cash and cash equivalents, short-term investments, and restricted cash. The significant increase in available funds during the three months ended September 30, 2012, is primarily due to the addition of $15.3 million of cash that was obtained through the divestiture of the Company's interest in Peru Blocks 135 and 138. These additional funds further contribute to Petrodorado's strong cash balance to be utilized in future exploration activities and general operations.

The non-IFRS measures referred to above do not have any standardized meanings prescribed by IFRS 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 multiple blocks. The Company evaluated approximately 55 blocks before selecting the final blocks.

PETROLEUM AND NATURAL GAS PROPERTIES AND OUTLOOK

At present, Petrodorado has beneficial participation in seven 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. Production was reduced as of May 2, 2012, due to issues with the surface equipment. Given that 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 fourth quarter of 2011. An LOI was

signed by the operator for the sale of Moriche during the first quarter of 2012. The Company expects to finalize the sale process in the final quarter of 2012.

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 the assignment on October 1, 2010. Petrodorado has a commitment to drill two exploration wells in 2012 as well as a second phase of the exploration program by 2015.

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 block received its environmental license on August 1, 2012 which approves 15 sites, 3 wells per site, for a total of 45 wells. The first of the two exploration wells to be drilled in 2012, Kamal-1X, well was spudded on October 29. The total depth of the well is expected to be 10,500 feet.

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 and 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 with a suggested work program. This work program has been accepted by Ecopetrol S.A., has been presented to the ANH, and is currently awaiting formal approval in the form of an official response from the ANH for the requested 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. The current exploration license expired on June 30, 2012, and an official response from the Colombian government regarding the requested license extension has yet to be received. The Colombian government has also not requested that the license be relinquished, as is required should an extension not be granted, indicating the license extension is still being reviewed. In the event the license is not extended, $12,170,628 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.

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 September 30, 2012, $1,699,607 had been drawn from the escrow account leaving an unspent restricted cash balance of $1,800,393.

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 the first well's costs up to a maximum of $3.9 million, with costs after the maximum to be paid at 30% (this being the Dorados-1X well that is currently testing), 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% (this well is yet to be defined). 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.

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 September 2013.

The exploration well "Dorados-1X" started drilling on July 31, 2012, the well is now being tested. Multiple test intervals have been identified and will be tested sequentially from the deepest to shallowest.

The target testing zones are:

Lower Dorados Sand	conventional reservoir
Upper Dorados Sand	conventional reservoir with indications of fractures
Unconventional Shale	unconventional with indications of fractures

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 area 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. ANH issued a six month extension to the 24 month period. Initial environmental assessments are underway for the seismic program. Seismic acquisition is planned for the first quarter of 2013. The operator has informed Petrodorado that they have decided to reschedule the planned stratigraphic well, until evaluation of the new seismic to be acquired.

Peru

In February 2010, Petrodorado signed a definitive agreement with PRE to farm-in on two exploration blocks in Peru.

The Company held beneficial working interest of Peru Blocks 135 and 138. However, during the third quarter of 2012, the Company divested the beneficial working interest of these blocks. On account of this divestiture, a gain of $4,752,650 was derived from proceeds of $15,253,288 received as part of the divestiture agreement, exploration and evaluation assets for Peru of $11,092,844 and the extinguishment of related liabilities of $592,206.

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.

Due to recent political upheaval with Paraguay and other complications the Company has withdrawn from the Pirity Block.

COMMITMENT SUMMARY

The expenditures provided in the table below represent the Company's estimated cost to satisfy contractual commitments. Actual expenditures to satisfy these commitments, initiate production or create reserves may differ from these estimates.

Block/Country	Interest	2012	2013	2014	2015	Total
Talora, Colombia [(1)]	65%	-	2.0	-	-	2.0
Tacacho, Colombia [(2)]	49.5%	-	7.4	-	-	7.4
CPO-5, Colombia [(3)]	30.0%	4.8	-	-	3.6	8.4
Buganviles[(4)]	55%	-	-	3.0	-	3.0
Total		**4.8**	**9.4**	**3.0**	**3.6**	**20.8**

1) Net commitment represents 1 well 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 in 2012 and 30% share of the second phase of the exploration program by 2015.
4) The operator has submitted a license extension of 2 years to Ecopetrol S.A. with a corresponding work commitment. The present license expired in June 2012 and, assuming 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).

DISCUSSION OF OPERATING RESULTS

Revenue

During the three months ended September 30, 2012 and 2011 the Company generated nil and $1,017,249 in oil and gas revenues, respectively, and for the nine months ended September 30, 2012 and 2011, $111,429 and $3,287,411, respectively. To date, all oil and gas revenue realized by the Company has been on account of oil and gas production from the ME-1 well of the Moriche Block. Oil and gas production was suspended during the three months ended March 31, 2012, due to required workover maintenance, with production resuming in the second quarter of 2012. However, this well was shut-in during the third quarter of 2012. Overall YTD 2012 revenue was the result of the sale of 1,020 barrels of oil at an average sales price of $112 per barrel of oil. Q3 2011 and YTD 2011 oil and gas revenue was the result of the sale of 10,440 and 30,709 barrels of oil, respectively (which included inventory existing at December 31, 2010) at an average sale price $112 per barrel of oil.

In addition, interest revenue on cash balances and short-term investments was $140,006 and $97,979 for the three months ended September 30, 2012 and 2011, respectively, and $454,141 and $245,473 for the nine months ended September 30, 2012 and 2011, respectively. The increase in interest revenue is primarily due to interest being earned during the period ended September 30, 2012 on equity funds of $34 million which were raised in March 2011, and are being utilized for operations and capital expenditures.

Revenue ($)	Q3 2012	Q3 2011	YTD 2012	YTD 2011
Oil and gas sales, net of royalties	-	1,017,249	111,429	3,287,411
Interest and other	140,006	97,979	454,141	245,473
Total Revenue	140,006	1,115,228	565,570	3,532,884

Total production from the ME-1 well, net to Petrodorado, for the three and nine months ended September 30, 2012, was 0 bbls and 1,020 bbls (6,955 and 25,892 bbls for the comparative periods to September 30, 2011), respectively. No inventory was recorded as of the period ended September 30, 2012. 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.

Operating Costs

During the three months ended September 30, 2012 and 2011, the Company incurred operating costs, including transportation, of ($190,105) and ($708,019), respectively, and $431,112 and $755,875, respectively, for the nine months ended September 30, 2012 and 2011. The 2012 and 2011 operating expenses are due to production-related expenses incurred regarding the ME-1 well, as well as costs incurred in 2012 related to the workover maintenance performed on the ME-1 well. The overall reduction of operating costs for the three months ended September 30, 2012 and 2011, are due to credit adjustments by the operator of the ME-1 well in 2012, and achieved agreements regarding specified terms on operating costs with the operator of the ME-1 well in 2011.

General and Administrative Expenses

General and administrative expenses ("G&A") for the three months ended Sepetember 30, 2012 and 2011, were $615,827 and $891,787, respectively, and for the nine months ended September 30, 2012 and 2011, were $1,737,267 and $2,713,592, respectively. The decrease in G&A for the three and nine months ended September 30, 2012, when compared to the same periods to September 30, 2011, is primarily due to a reduction in investor relations activity and professional fees incurred in 2012 as well as administrative cost recoveries realized as operator of the exploratory activities of the Dorado-1X well in the Talora block. Petrodorado budgets $4.0 million for G&A expenses for the full year 2012 ($5 million for 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 ($)	Q3 2012	Q3 2011	YTD 2012	YTD 2011
Professional Fees	228,943	363,568	428,444	823,719
Wages & Salaries	203,637	269,938	790,982	947,970
Fees, Rent, Investor Relations and Other	183,247	258,281	517,841	941,903
Total	615,827	891,787	1,737,267	2,713,592

Finance Costs

During the three months ended September 30, 2012 and 2011, the Company incurred $39,443 and $58,382 in finance costs, respectively. For the nine months ended September 30, 2012 and 2011, the Company incurred $127,951 and $175,214 in finance costs, respectively. This is due to the recording of accretion expense on provisions related to decommissioning obligations and equity tax payable.

Finance Costs ($)	Q3 2012	Q3 2011	YTD 2012	YTD 2011
Accretion of decommissioning obligations	5,135	11,162	14,185	33,486
Accretion of equity tax payable	34,308	47,220	113,766	141,728
Total	39,443	58,382	127,951	175,214

Foreign Exchange Loss (Gain)

The Company generated a foreign exchange loss of $3,019,471 and a foreign exchange gain of $6,630,845 for the three months ended September 30, 2012 and 2011, respectively. For the nine months ended September 30, 2012 and 2011, the Company generated a foreign exchange loss of $3,009,574 and a foreign exchange gain of $3,621,091, respectively. The loss for the nine months ended September 30, 2012 was due to an increase in value of the Canadian dollar and the Colombian Peso when compared to the US dollar. Conversely, the gain in 2011 (year to date) was due to a decrease in the strength of the Canadian dollar and Colombian Peso relative 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 three months ended March 31, 2011, 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 payments for a total of $1,566,000 to date as of September 30, 2012. Payments of $396,092 and $788,079 were made in the three months ended September 30, 2012 and nine months ended September 30, 2012.

Stock-Based Compensation

For the three and nine months ended September 30, 2012, the Company recorded stock-based compensation of $586,494 and $1,283,284, respectively ($401,960 and $1,495,759 for the comparative periods to September 30, 2011). Included were amounts of $228,273 and $350,285, respectively, of capitalized exploration and evaluation assets ($109,254 and $345,688 for the comparative periods to September 30, 2011).

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, and 1,935,000 being granted during the nine months ended September 30, 2012. The decrease in YTD stock-based compensation expense is primarily due to the forfeiture of options during the three months ended March 31, 2012 that were previously granted to an exiting officer as well as the final vesting of 28,000,000 options in January 2012 granted in 2010. The increase in 3-month stock-based compensation expense is due to the incremental expense included in Q3 2012 on account of the option re-pricing of 13,980,000 existing options, partially offset by the lack of stock-based

compensation expense recognized in the prior year for the 30,000,000 options now fully vested as of the beginning of the 2012 fiscal year.

The overall weighted average incremental fair value granted on account of the re-pricing of the 13,980,000 options was measured using the Black-Scholes option pricing model to estimate the incremental increase in fair value of these options due to the modification of exercise price. Overall, the weighted average fair value calculated for these re-priced options as of the measurement date of August 28, 2012, was CDN $0.089. This fair value was calculated based on the weighted average assumptions of a share price of CDN $0.19, an exercise price of CDN $0.25, expected stock price volatility of 87% (based on volatility of the historical share price to date), risk-free interest rate of 1.18%, expected dividend yield of 0%, and an expected option life of 2.75 years. The incremental fair value granted was computed based on the difference in the modified exercise price (from a weighted average of $0.49 per option to $0.25 per option) while using the same weighted average assumptions that existed as previously mentioned. The resulting weighted average incremental fair value granted on account of this re-pricing was $0.0275 per option, which computed to $384,052 of additional stock-based compensation, $170,823 being expensed and $213,229 being capitalized.

Stock-based compensation on options granted during the nine months ended September 30, 2012 was calculated using the Black-Scholes pricing model using a risk free rate of 1.25% to 1.32%, volatility of 85% to 88%, 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$0.112 to CDN$0.162.

Stock-Based Compensation ($)	Q3 2012	Q3 2011	YTD 2012	YTD 2011
Expensed	358,221	292,706	932,999	1,150,071
Capitalized	228,273	109,254	350,285	345,688
Total (to Contributed Surplus)	586,494	401,960	1,283,284	1,495,759

Depletion and Depreciation

For the three and nine months ended September 30, 2012, the Company recorded depletion and depreciation expense of $8,916 and $163,825, respectively ($291,162 and $968,989 for the comparative periods to September 30, 2011). Expenses recorded in each of these time periods consist of depreciation of general fixed assets held by the Company and depletion of oil and gas properties. Depletion of oil and gas properties of $17,035 was recorded based on oil production, net to Petrodorado, of 1,020 barrels of oil in the second quarter of 2012. No depletion was recorded for the first or third quarter of 2012 given oil and gas production was not realized during these time periods. Depletion is calculated on developed properties of the Moriche Block in Colombia based on oil and gas production from estimated oil and gas reserves. The Company had an impairment loss of $4.1 million during the three and nine months ended September 30, 2011. The impairments were based on the difference between the period end net book value of the cash generating assets and the recoverable amount. The Company did not record impairment loss for the three and nine months ended September 30, 2012.

Net Income (Loss) and Comprehensive Income (Loss)

For the three and nine months ended September 30, 2012, the Company generated net income of $1,040,883 and a net loss of $1,084,508, respectively (net income of $2,820,055 and net loss of $5,290,618 for the comparative periods to September 30, 2011), and comprehensive income of $5,177,759 and $2,801,978, respectively (comprehensive loss of $5,981,662 and $10,986,722 for the same periods to September 30, 2011).

The net income result for the three months ended September 30, 2012, when compared to the net loss of the comparative period in 2011, arose primarily due to a $4.8 million dollar gain on divestiture of Peru assets as well as significantly lower general and administrative and depletion and depreciation expenses, while foreign exchange results in these comparative quarters contrasted significantly (foreign exchange loss in Q3 2012, foreign exchange gain in Q3 2011). Contrasting amounts in other comprehensive income were realized in the three months ended September 30, 2012 and 2011, due to contrasting movements in currency strength with regards to the Canadian dollar in each respective quarter when compared to the US dollar.

The decreased net loss for the nine months ended September 30, 2012 compared to the same period in 2011 is the result of the recognized gain on divestiture of Peru assets in Q3 2012, notable reductions in general and administrative and depletion and depreciation expenses. Moreover, the realization of the equity tax expense of $2.6 million in the first quarter of 2011, as imposed by the Colombian government, as well as an impairment of property, plant and equipment of $4.1 million, are not incurred during 2012. Other comprehensive income and loss amounts in the nine months ended September 30, 2012 and 2011, respectively, were noticeably varied given the Canadian dollar strengthened in the 2012 period while it significantly weakened for the comparative 2011 period.

Funds from Operations

For the three and nine months ended September 30, 2012, the Company used funds in operations of $632,746 and $2,571,681, respectively (funds from operations of $240,024 and funds used in operations of $1,311,318 for the comparative periods to September 30, 2011). The increase in funds used in operations relates primarily to the lack of profits from operations (oil and gas revenue less associated operating expenses) in 2012 when compared to the same three and nine month periods of 2011, somewhat offset by the reduction of general and administrative costs incurred in 2012 when compared to 2011.

CAPITAL EXPENDITURES

For the nine months ended September 30, 2012 and 2011, the Company spent $10.7 million and $18.1 million, respectively, in exploration and evaluation capital expenditures.

For the expenditures in the period ended September 30, 2012, the Company spent $1.4 million in CPO-5, with the acquisition of casing, wellheads and tubings. The Company performed

environmental and security work for $0.9 million in Tacacho. The Company also executed the drilling program in Dorados 1X for $7.5 million.

Prior to the divestiture of Peru 135 and 138, the Company had completed 2D seismic work for $673,000 in Peru 138 and $48,000 in Peru 135. These expenditures were recovered through the proceeds received as part of the divestiture agreement previously mentioned.

For the nine months ended September 30, 2012, the Company capitalized $200,067 of general and administrative expenses (September 30, 2011 - $407,115) and $350,285 of stock-based compensation (September 30, 2011 - $345,688) to exploration and evaluation assets. Furthermore, asset retirement obligation additions of $97,500 were recognized in conjunction with future reclamation obligations on the newly-drilled Dorados-1X well. The Company does not hold any tangible exploration assets.

For capital expenditures in property, plant and equipment, the Company spent $71,000 and $564,000 for the nine months ended September 30, 2012 and 2011, respectively.

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-Producing	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 September 30, 2012 the Company had working capital of $42.3 million (up from $35.8 million at December 31, 2011) comprised primarily of cash and cash equivalents and short-term investments. The increase in working capital is primarily due to funds of $15.3 million received as proceeds in the divestiture of the Company's beneficial interest in blocks Peru 135 and 138, partially offset by ongoing exploration and evaluation capital expenditures. As at September 30, 2012 the Company also has $10.6 million of non-current restricted cash. This working capital and non-current 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 has total capital resources of $52.9 million to fund exploration, development activities and operating expenses.

The Company is pursuing its strategy of focusing on its high impact exploration blocks in 2012, by executing an exploration drilling program of 4 exploration wells and acquiring over 1,000 km of 2D seismic through a fully funded budget of approximately $17 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 $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 $4.8 million. The operating loan is secured by a security agreement over cash, credit balances and deposit instruments in the amount of $5 million. On July 7, 2010, a letter of credit of $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 $3,060,329 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 $413,100 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 Paraguay, the political stability of Colombia 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. See "Principal Business Risks" for further particulars.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The carrying values of the Company's financial instruments, consisting of cash and cash equivalents, short-term investments, accounts receivable, restricted cash, 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, 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 (i)	53,900,000		35,935,400
Share issue costs	-		(2,006,160)
Balance, December 31, 2011 and September 30, 2012	482,547,066	$	102,918,335

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).

Warrants

	Number of Warrants		Amount
Balance, December 31, 2010	193,824,294	$	20,813,991
Warrants exercised	(13,058,049)		(1,401,941)
Balance, December 31, 2011 and September 30, 2012	180,766,245	$	19,412,050

The Company issued the warrants to purchase common stock in December 2009. The warrants are exercisable at a price of CDN$0.35 per share until December 3, 2012.

On May 16, 2012, 180,766,245 share purchase warrants, issued pursuant to the Company's equity financing of CDN$75,000,000 that closed on December 3, 2009 and expire on December 3, 2012, began trading on the TSX Venture Exchange under the symbol "PDQ.WT".

Stock Options

	Number of Options	Weighted Average Exercise Price (CDN$)	
Balance, December 31, 2010	28,666,667	$	0.49
Options issued	10,980,000		0.36
Expired options	(1,000,001)		0.49
Forfeitures	(666,666)		0.49
Balance, December 31, 2011	37,980,000		0.45
Options issued	1,935,000		0.25
Expired options	(666,667)		0.73
Forfeitures	(1,333,333)		0.55
Stock options amended (old price)	(13,980,000)		0.49
Stock options amended (new price)	13,980,000		0.25
Balance, September 30, 2012	37,915,000	$	0.34
Exercisable, September 30, 2012	**30,964,994**	**$**	**0.37**

On February 1, 2012, the Company granted 750,000 options to acquire common shares to a new officer, at a price of CDN $0.25 per common share. The options are for a five year term, expiring on February 1, 2017, and vest one-third on February 1, 2012, one-third on the first anniversary date and one-third on the second anniversary date from the date of grant. On March 30, 2012, the Company granted 435,000 options to acquire common shares to two employees, at a price of CDN $0.25 per common share. The options are for a five year term, expiring on March 30, 2017 and vest one-third on March 30, 2012, one-third on the first anniversary date and one-third on the second anniversary date from the date of grant. On August 29, 2012, the Company granted 750,000 options to acquire common shares to six employees, at a price of CDN $0.25 per common share. The options are for a five year term, expiring on August 29, 2017 and vest one-third on August 29, 2012, one-third on the first anniversary date and one-third on the second anniversary date from the date of grant. Of the options previously granted to exiting officers and consultants, 333,333 were forfeited and another 666,667 expired on January 12, 2012 as well as another 1,000,000 were forfeited on August 12, 2012.

On August 28, 2012, at the Company's annual general meeting, the resolution to re-price 13,980,000 outstanding options to acquire common shares with a price exceeding CDN $0.25 per common share currently held by employees, non-director officers, and consultants, to a price of CDN $0.25 per common share was approved by disinterested shareholders. All other terms for these options (vesting periods, expiry, etc.) were not modified as part of this re-pricing. As such, the amended options had a weighted average expiry term of 2.75 years as of the date of the re-pricing.

On October 17, 2012, the Company granted 3,750,000 options to acquire common shares to certain directors, officers, employees and consultants, at a price of CDN $0.17 per common share. The options are for a five year term, expiring on October 17, 2017, and vest one-third on October 17, 2012, one-third on the first anniversary date and one-third on the second anniversary date from the date of grant.

	Common Shares	Warrants	Stock Options
As at November 22, 2012	482,547,066	180,766,245	41,665,000

NEW ACCOUNTING STANDARDS AND POLICIES

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.

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 therefrom 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 November 22, 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, including ANH 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 stability of 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.

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.

	Q3 2012	Q2 2012	Q1 2012	Q4 2011
Revenue	$ 140,006	$ 217,194	$ 208,370	$ 631,657
Net Income (Loss)	1,040,883	486,532	(2,611,923)	(3,455,890)
Comprehensive Income (Loss)	5,177,759	(1,832,773)	(543,008)	(995,528)
Net Income (Loss) Per Share (Basic & Diluted)	0.00	0.00	(0.01)	(0.01)

	Q3 2011	Q2 2011	Q1 2011	Q4 2010
Revenue	$ 1,115,228	$ 2,393,452	$ 24,204	$ 1,168,187
Net Income (Loss)	2,820,055	(2,636,055)	(5,474,618)	(4,907,204)
Comprehensive Loss	(5,981,662)	(1,686,082)	(3,318,978)	(2,427,166)
Net Income (Loss) Per Share (Basic & Diluted)	0.01	(0.01)	(0.01)	(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 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. Oil and gas sales were not realized in Q1 2012 given there was no oil and gas production in the quarter. In Q2 2012, the Company generated oil and gas revenues of $111,429 as a result of the sale of 1,020 barrels of oil at an average sales price of $112 per barrel. Oil and gas sales were not realized in Q3 2012 given there was no oil and gas production in the quarter. Overall, the decrease in 2012 quarterly oil and gas revenue is due to the significant reduction of oil production from the Company's only producing well (ME-1).

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. In Q1 2012, the continued weakening of the US dollar resulted in further foreign exchange loss of $1,493,155. In contrast, the US dollar strengthened significantly in Q2 2012, resulting in a noticeable foreign exchange gain of $1,503,052 for the quarter. In Q3 2012, a return to a weakening US dollar resulted in a foreign exchange loss of $3,019,471, only being offset by the recorded gain on divestiture of $4,752,650 due to the divestiture of Peru assets.

OUTLOOK

The Company's capital program in 2012 has been set at $17 million, to be fully funded from current working capital within the Company. The work program and budget is expected to include the following:

- Testing of the Dorados-1X exploration well in the Talora Block.
- Drilling of 2 exploration wells in the CPO-5 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.
- Continuing with the environmental stewardship and social initiatives in the Company's area of operations.