PETRODORADO ENERGY LTD.

(formerly Cap-Link Ventures Ltd.)

CONSOLIDATED FINANCIAL STATEMENTS

as at December 31, 2009 and

for the period from incorporation on May 28, 2009

to December 31, 2009

MANAGMENT'S REPORT

The accompanying consolidated financial statements and related financial information are the responsibility of management, and have been prepared in accordance with Canadian generally accepted accounting principles. They include certain amounts that are based on estimates and judgments relating to matters not concluded by year-end. Financial information presented elsewhere in this document is consistent with that contained in the consolidated financial statements.

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

The Company has not retained independent reserve evaluator as the Company had no reserves as at December 31, 2009. The independent external auditors, KPMG LLP, have conducted an examination of the consolidated financial statements on behalf of shareholders. The auditors have unrestricted access to the Company and the Audit Committee.

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

"Signed"	*"Signed"*
Krishna Vathyam	Daniel Belot
President and CEO	VP Finance and CFO
April 23, 2010	April 23, 2010

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheet of Petrodorado Energy Ltd. as at December 31, 2009 and the consolidated statements of operations, comprehensive loss and deficit and cash flows for the period then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and the results of its operations and its cash flows for the period then ended in accordance with Canadian generally accepted accounting principles.

(Signed "KPMG LLP")

Chartered Accountants

Calgary, Canada
April 23, 2010

PETRODORADO ENERGY LTD.
(formerly Cap-Link Ventures Ltd.)

CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 2009

Assets	
Current Assets	
Cash and cash equivalents	**$ 956,192**
Short-term investments	**71,281,735**
Accounts receivable	**82,051**
Share subscriptions receivable	**130,754**
Prepaid expenses and deposits	**41,498**
	72,492,230
Restricted cash (Note 5)	**1,889,336**
Deposits on acquisition (Note 15)	**2,009,269**
Property, plant and equipment (Note 6)	**5,964,856**
	$ 82,355,691
Liabilities and Shareholders' Equity	
Current Liabilities	
Accounts payable and accrued liabilities	**$ 980,898**
Due to shareholders (Note 7)	**413,626**
	1,394,524
Shareholders' Equity	
Share capital (Note 8)	**$ 56,809,506**
Warrants (Note 8)	**24,378,405**
Deficit	**(226,744)**
	80,961,167
	$ 82,355,691

Commitments (Note 12)
Subsequent events (Note 15)
See accompanying notes to the consolidated financial statements

On behalf of the Board:

"Signed"
Robert Cross

"Signed"
Douglas Urch

PETRODORADO ENERGY LTD.
(formerly Cap-Link Ventures Ltd.)

CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT
FOR THE PERIOD FROM INCORPORATION ON MAY 28, 2009 TO DECEMBER 31, 2009

Revenue		
Interest	$	**9,988**
Expenses		
General and administrative		**268,552**
Foreign exchange gain		**(33,696)**
Amortization		**1,876**
		236,732
Net loss and comprehensive loss for the period		**(226,744)**
Retained earnings, beginning of the period		**-**
Deficit, end of the period	$	**(226,744)**
Weighted average number of common shares outstanding		**77,239,799**
Net loss per share - basic and diluted	$	**(0.00)**

See accompanying notes to the consolidated financial statements

PETRODORADO ENERGY LTD.
(formerly Cap-Link Ventures Ltd.)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD FROM INCORPORATION ON MAY 28, 2009 TO DECEMBER 31, 2009

Cash flows provided by (used in):	
Operating activities	
Net loss	**$ (226,744)**
Adjustments for:	
Unrealized foreign exchange losses	**259,811**
Amortization	**1,876**
	34,943
Change in non-cash working capital	
Accounts receivable	**(30,702)**
Prepaid expenses and deposits	**102,402**
Accounts payable and accrued liabilities	**287,657**
	394,300
Investing activities	
Acquisition of petroleum and natural gas properties	**(5,944,850)**
Acquisition of office equipment	**(21,882)**
Short-term investments	**(71,036,735)**
Cash acquired on acquisition	**1,945,198**
Change in restricted cash	**(2,070,691)**
Deposit on Holywell purchase	**(2,009,269)**
Change in non-cash working capital	**277,939**
	(78,860,290)
Financing activities	
Shares issued, net of issue costs	**54,299,567**
Warrants issued, net of issue costs	**24,378,405**
Due to shareholders	**413,626**
Change in non-cash working capital	**409,040**
	79,500,638
Cash flow from operating, investing and financing activites	**1,034,648**
Effect of exchange rate on cash	**(78,456)**
Change in cash	**956,192**
Cash, beginning of the period	**-**
Cash, end of the period	**$956,192**
Supplemental Disclosure:	
Interest paid	**-**
Income taxes paid	**-**

Note 1 Nature of Business

Petrodorado Energy Ltd. (formerly Cap-Link Ventures Ltd.) (the "Corporation") was incorporated under the Canadian Business Corporations Act on May 25, 2005. On December 21, 2009, the Corporation acquired all of the issued and outstanding shares of Petrodorado Ltd. ("Petrodorado") (see note 4), which has been accounted for as a reverse take-over. As a result, these consolidated financial statements reflect the financial position, operating results and cash flows of the legal subsidiary, Petrodorado, for the period from its incorporation on May 28, 2009 to December 31, 2009.

The Corporation is primarily engaged in petroleum and natural gas exploration and development activities in Colombia, Peru and Paraguay. The Corporation's head office is located in Calgary, Alberta, Canada and the Corporation's shares are traded on the TSX Venture Exchange under the trading symbol PDQ.

Note 2 *Future Operations*

These consolidated financial statements have been prepared on the going concern basis in accordance with Canadian generally accepted accounting principles, which assumes that the Corporation will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Corporation's oil and gas interests are in the pre-production stage and the Corporation has not yet determined whether its petroleum and natural gas properties contain reserves that are economically recoverable. Accordingly, the recoverability of amounts recorded as petroleum and natural gas properties is dependent upon the existence and discovery of economically recoverable oil and gas reserves, confirmation of the Corporation's interests in the properties, the political stability of Colombia, Peru and Paraguay and the ability of the Corporation to secure adequate sources of financing to fund the development of its assets and put them into production and then achieving future profitable production.

The outcome of these matters cannot be predicted with certainty at this time which could raise doubt about the going concern assumption. If the going concern assumption were not appropriate for these consolidated financial statements, adjustments to the amounts and classification of assets and liabilities would be necessary.

Note 3 Significant Accounting Policies

These consolidated financial statements include the accounts of the Corporation in accordance with Canadian generally accepted accounting principles ("GAAP"). All dollar amounts, unless otherwise indicated, are expressed in Canadian dollars. The significant accounting policies used in these consolidated financial statements are as follows:

a) Principles of Consolidation

These consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiary Petrodorado (see note 4). All intercompany transactions and balances have been eliminated.

b) Use of Estimates

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

c) Property, plant, and equipment

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

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

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

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

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

d) Asset retirement obligations

The Corporation recognizes the fair value of an asset retirement obligation in the period in which it occurs by recording the future costs associated with the removal, site restoration and asset retirement costs. The fair value of the liability for the Corporation's asset retirement obligation is recorded in the period in which it is incurred, discounted to its present value using the Corporation's credit-adjusted risk free rate and the corresponding amount is recognized by increasing the carrying amount of petroleum and natural gas properties. The liability is increased in each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. Revisions to the estimated timing of cash flows or to the original estimated undiscounted cost could also result in an increase or decrease to the obligation. Actual costs incurred upon settlement of the retirement obligation are charged against the obligation to the extent of the liability recorded. At December 31, 2009, the Corporation did not have an asset retirement obligation.

e) Revenue recognition

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

f) Joint operations

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

g) Cash and cash equivalents

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

h) Financial instruments

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

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

i) Currency translation

Currencies are translated using the temporal method, whereby monetary assets and liabilities are translated at the period-end exchange rates and revenues and expenses are translated using average period exchange rates. All of the other assets and liabilities are recorded at historical rates. Translation gains and losses are included in income or expense in the period that they occur.

j) Income taxes

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

k) Per share amounts

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

l) Stock-Based Compensation

The Corporation follows the fair-value method for valuing stock options and other dilutive instruments granted to employees, directors and consultants. Under this method, the compensation cost is measured at the grant date using the Black-Scholes option pricing model and expensed over the vesting period of the instrument granted as stock-based compensation expense with a corresponding increase to contributed surplus. The contributed surplus balance is reduced as stock options and other dilutive instruments are exercised with the amount previously recognized plus any consideration received credited to share capital. The Corporation has not incorporated an estimated forfeiture rate, rather, the Corporation accounts for actual forfeitures as they occur.

Changes in Accounting Policies

Goodwill and Intangible Assets

In February 2008, the AcSB issued Handbook Section 3064, Goodwill and Intangible Assets and amended Section 1000, Financial Statement Concepts clarifying the criteria for the recognition of assets, intangible assets and internally developed intangible assets. Items that no longer meet the definition of an asset are no longer recognized with assets. The standard is effective for the Corporation beginning on January 1, 2009. The adoption of these changes did not have an impact on the Corporation's financial statements.

Financial Instruments Disclosures

In June 2009, the CICA amended 3862, Financial Instruments –Disclosures. These amendments include a hierarchy of methods used to determine the fair value of financial instruments at the balance sheet date. Level 1 inputs are based on quoted market prices in active markets that the Corporation has the ability to access at the measurement date. Level 2 inputs are based on quoted prices in the markets that are not active or based on prices that are observable for the asset of liability. Level 3 inputs are based on unobservable inputs for the asset of liability. These additional disclosures, effective December 31, 2009, are included in note 11 and did not have a significant impact on the Corporation's financial statements.

Future Accounting Policies

Business Combinations

In January 2009, the AcSB issued Handbook Section 1582 - Business Combinations. This standard outlines new guidance which states that the purchase price is to be based on trading data at the closing date of the acquisition, and that most acquisition costs are to be expensed as incurred. The new standard becomes effective on January 1, 2011 and any early adoption is permitted.

Consolidated Financial Statements

In January 2009, the AcSB issued Handbook Section 1601 and 1602 - Consolidated Financial Statements and Non-Controlling Interest. These sections outline standards for preparing consolidated financial statements and the treatment of non-controlling interests in a business combination. These new standard becomes effective on January 1, 2011 and any early adoption is permitted.

Note 4 Acquisition of Petrodorado

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

The transaction was recorded as a reverse take-over transaction that does not constitute a business combination, and accordingly has been accounted for as though Petrodorado acquired the Corporation using the purchase method of accounting. As a result, these consolidated financial statements reflect the financial position, operating results and cash flows of the legal subsidiary Petrodorado, for the period from its incorporation on May 28, 2009 to December 31, 2009. The results of the Corporation have been included commencing December 21, 2009. The number of common shares outstanding are those of the Corporation, the legal parent.

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

Net assets acquired at fair value		
Cash and cash equivalents	$	1,945,198
Short-term investments		245,000
Accounts receivable		51,349
Prepaid expenses and deposits		143,900
Accounts payable and accrued liabilites		(6,262)
	$	2,379,185
Consideration		
Share capital		2,379,185
	$	2,379,185

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

Note 5 Restricted Cash

On June 12, 2009, the Corporation entered into a joint farm-in participation agreement with an unrelated company to earn a 20% working interest in four wells in the "La Maye Block" in the country of Colombia. This agreement required Petrodorado to advance US$3,500,000 into an escrow account. Petrodorado authorizes draws on this escrow account as certain development milestones are met. As at December 31, 2009 US$1,700,000 had been drawn from this account, leaving US$1,800,000 (CDN $1,889,336) in this escrow account.

Note 6 Property, Plant and Equipment

	Cost	Accumulated Depletion and Amortization	Net Carrying Amount
Petroleum and natrual gas properties			
including production equipment	$ 5,944,850	$ -	$ 5,944,850
Office equipment	21,882	1,876	20,006
	$ 5,966,732	$ 1,876	$ 5,964,856

The Corporation is in the pre-production stage and all costs totalling $5,944,850 are considered to be related to undeveloped properties. As such no provision has been made for depletion expense.

The Corporation did not capitalize any general and administrative costs during the period ended December 31, 2009.

Note 7 Due to Shareholders

The amounts due to shareholders of the Corporation are unsecured, interest free and due on demand. These amounts were repaid to the shareholders subsequent to the year end.

Note 8 Share Capital

a) Authorized
Unlimited common shares

b) Issued
Common shares

	Number of Common Shares	Amount
Balance, beginning of period	-	$ -
Initial private placement for cash (i)	4,650,000	49,864
Stock split (ii)	27,900,000	-
Shares issued for preferred shares (ii)	3,750	4,021,236
Private placement for cash (iii)	12,918,000	1,937,700
Private placement for cash (iv)	8,171,428	2,860,000
Share issue costs	-	(6,328)
	53,643,178	8,862,472
Petrodorado Energy Ltd. shares outstanding	54,933,333	
Issued pursuant to acquisition (Note 4) (v)	124,999,978	2,379,185
Private placement for cash (vi)	214,285,000	48,852,621
Share issue costs	-	(3,284,772)
Balance, December 31, 2009	394,218,311	$ 56,809,506

Common Shares Issued:

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

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

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

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

(v) On December 21, 2009, the Corporation acquired all of the issued and outstanding shares of Petrodorado. (see note 4).

(vi) On December 3, 2009, the Corporation issued 214,285,000 subscription receipts at an issue price of $0.35 per subscription receipt for gross proceeds of $75 million. Each subscription receipt entitled the holder to receive one unit of the Corporation without payment of any additional consideration, on satisfaction of certain conditions. Each unit was comprised of one common share of the Corporation and one common share purchase warrant. Each whole warrant entitled the holder to purchase one common share of the Corporation at a price equal to $0.35 per share, until December 21, 2012. The Corporation has the right to accelerate the expiry date of the warrants to 30 days from the date of notice when and if the 20 day volume weighted average price of the Corporation's common shares has become equal to, or greater than, $0.90 per share.

Upon closing of the Petrodorado acquisition on December 21, 2009, the subscription receipts were converted to units. The Corporation has allocated the total proceeds of $74,999,750 to share capital of $48,852,621 and warrants of $26,147,129. The warrant fair value was determined based on a Black-Scholes option pricing model. (see note 8 (c)). The issue costs on the private placement totaling $5,053,496 were also allocated to share capital of $3,284,772 and warrants of $1,768,724.

c) Warrants

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

	Number of Warrants		Amount
Balance, beginning of period	-	$	-
Private Placement (i)	214,285,000		26,147,129
Warrant issue costs	-		(1,768,724)
Balance, December 31, 2009	214,285,000	$	24,378,405

(i) Pursuant to the private placement of units discussed in note 8 (b), the Corporation issued 214,285,000 common share purchase warrants. The warrants are exercisable immediately at a price of $0.35 per share until December 3, 2012.

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

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

d) Stock Options

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

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

	Number of Options		Weighted Average Exercise Price
Balance, beginning of period	-	$	-
Outstanding at the date of acquistion (i)	910,000	$	0.10
Balance, December 31, 2009	910,000	$	0.10

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

Note 9 Income Taxes

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

Non-capital losses carried forward	$ 493,930
Share issue costs	1,042,030
Property, plant and equipment	68,460
Valuation allowance	(1,604,420)
Balance, end of period	$ -

The provision for income taxes differs from the result which would be obtained by applying the combined Canadian and provincial statutory income tax rate of 29.0% to the loss before income taxes. The differences result from the following:

Loss before income taxes	$ (226,744)
Tax rate	29.0%
Computed expected recovery	$ 65,760
Change in valuation allowance	(65,760)
	$ -

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

Cumulative Foreign exploration expenditures	$ 6,216,806
Share issue costs	4,168,138
Non-capital losses carried forward	1,975,715
Undepreciated capital cost allowance	21,882
	$ 12,382,541

As at December 31, 2009, the Corporation has $1,975,715 in non-capital losses available to claim against future taxable income. The non-capital losses expire between 2025 and 2029.

Note 10 Financial Instruments

Overview

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

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

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

Credit risk

Credit risk reflects the risk of loss if counterparties do not fulfill their contractual obligations. A substantial portion of the Corporation's revenues will be derived from customers and joint venture partners in the oil and gas industry and will be subject to normal industry credit risks in the countries in which the Corporation will operate. For oil and natural gas sales, the Corporation follows a risk procedure whereby counterparties are reviewed on a regular basis and the Corporation attempts to transact with only counterparties management has had previous experience with. As at December 31, 2009 the Corporation has $1,889,336 in restricted cash towards development activity in the La Maye block in Columbia. The Corporation has mitigated this risk by being the only authority who can authorize draw downs on this account by third parties. To date, the Corporation has not experienced any credit loss in the collection of accounts receivable. The Corporation does not have an allowance for doubtful accounts and does not consider any of its receivables past due.

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

Liquidity risk

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

The Corporation has exploration commitments in Columbia as described in Note 12. Petrodorado anticipates no restrictions in respect of funding these contracted and/or anticipated exploration programs. The Corporation's contractual obligations consist of accounts payable and accrued liabilities and shareholder loans which are considered current in nature and due within one year.

Market risk

Market risk is the risk or uncertainty that changes in price, such as commodity prices, foreign exchange rates, and interest rates will affect the Corporation's net earnings and the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns. From time to time, the Corporation may utilize financial derivate contracts to manage market risks in accordance with the risk management policy that has been approved by the Board of Directors.

Commodity price risk is the risk that the fair value of the future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum and natural gas are impacted by not only the relationship between the Canadian and United states dollar, but also by world economic events that dictate the levels of supply and demand. There were no financial contracts or embedded derivatives outstanding at December 31, 2009.

Foreign currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign currency exchange rates. Many of the Corporation's business transactions and commitments occur in currencies other than Canadian dollars. The Corporation's oil and natural gas activities in Colombia transact in Colombian Peso (COP$). Therefore, the Corporation is exposed to the risk of fluctuations in foreign exchange rates between Canadian dollars and COP$. In addition, the majority of the Corporation's sales purchase contracts for the oil produced will be based on a US dollar reference price, but paid in the local respective currency with the remainder paid in US dollars. As at December 31, 2009, the Corporation has not entered into any foreign currency derivatives to manage its exposure to currency fluctuations.

The impact to the net loss and comprehensive loss for the period had the US$ to CDN$ rate exchange changed by 1 cent would amount to $19,834.

Interest rate risk

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

Fair value of financial instruments

The Corporation's financial instruments as at December 31, 2009 include cash and cash equivalents, short-term investments, accounts receivable, share subscriptions receivable, restricted cash, accounts payable and accrued liabilities and due to shareholders. The fair value of cash and cash equivalents, short-term investments, accounts receivable, share subscriptions receivable, restricted cash, accounts payable and accrued liabilities and due to shareholders approximate their carrying values due to their short terms to maturity.

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

Level 1 inputs are based on quoted market prices in active markets that the Corporation has the ability to access at the measurement date. Level 2 inputs are based on quoted prices in the markets that are not active or based on prices that are observable for the asset of liability. Level 3 inputs are based on unobservable inputs for the asset of liability. As at December 31, 2009, the only financial instruments recorded at fair value according to the new three-level hierarchy were cash and cash equivalents, short-term investments and restricted cash and which were considered level 1.

Note 11 Capital Disclosures

The Corporation's objectives when managing capital are to ensure the Corporation will have sufficient financial capacity, liquidity, and flexibility to fund the Corporation's operations, growth, and ongoing exploration and development commitment activities of its oil and gas assets. The Corporation is dependent upon funding these activities through a combination of available cash, debt and equity financings. Due to operational shortfalls and long lead cycles of some of its exploration and development activities, the Corporation's capital requirements currently exceed its operational cash flow generated. As such,for requirements beyond cash resources, the Corporation is dependent upon financing in order to maintain its financial flexibility and liquidity.

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

The Corporation's objectives when managing capital are: (i) to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and (ii) to maintain investor, creditor and market confidence in order to sustain the future development of the business.

The Corporation's share capital is not subject to external restrictions. As at December 31, 2009 the Corporation had working capital of $71.1 million.

Note 12 Commitments

Block/Country	% Interest	Net Commitment	Spent to 31-Dec-09	Remaining as at 31-Dec-09
La Maye, Colombia (1)	20%	3.7	1.9	1.8
Buganviles, Colombia (2)	49.5%	10.0	1.9	8.1
Moriche, Colombia (3)	49.5%	5.8	-	5.8
Talora, Colombia (4)	55%	6.3	3.5	2.8
Tacacho, Colombia (5)	49.5%	8.4	-	8.4
Block 135, Peru (6)	45%	17.0	-	17.0
Block 138, Peru (7)	45%	16.1	-	16.1
Total		67.3	7.3	60.0

1) Petrodorado has funded an escrow account for $3.7 million (US$3.5 million) to drill, test and complete four exploration wells.
2) Net commitment includes amounts to purchase Holywell and to drill one exploration well.
3) Petrodorado to drill, test and complete one exploration well.
4) Net commitment includes amounts to purchase a 55% interest in the Talora Block, achieve operatorship status for Petrodorado, acquire and process 120 km of 2D seismic data and drill one exploratory well.
5) Petrodorado to pay 100% of costs to acquire and process 480 km of 2D seismic data.
6) Petrodorado to pay 45% of the secondary exploration phase.
7) Petrodorado to pay 45% of the secondary exploration phase.

Office Lease

On October 15, 2009, the Corporation entered into a two year sublease agreement to rent office space commencing November 1, 2009. Minimum obligations under this agreement, including operating costs total $170,189 over the remaining 23 months. The Corporation has paid a deposit of $29,598 towards the last 4 months of the agreement.

Note 13 Related Party Transactions

For the period ended December 31, 2009, consulting fees paid to directors and to companies controlled by directors and officers of the Corporation were $6,523. The entire amount is included in the Corporation's accounts payable balance as at December 31, 2009. The related party transactions were incurred during the normal course of operations on similar terms and conditions to those entered into with unrelated parties. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to between the related parties.

On November 30, 2009, the President of the Corporation, and two companies who are minority shareholders of the Corporation advanced $94,468, US$150,000 (CDN$159,579) and US$150,000 (CDN $159,579) to the Corporation for the purposes of assisting Petrodorado with the purchase of Holywell Resources S.A. as disclosed in Note 15 below. These loans were due on demand, interest free and were all repaid subsequent to December 31, 2009.

Note 14 Segmented Information

The Corporation defines its reportable segments based on geographical locations and the information for this is reported.

	Canada	Columbia	Paraguay	Peru	Total
Interest Revenue	$ 9,988	$ -	$ -	$ -	$ 9,988
Expenses					
General and administrative	268,552	-	-	-	268,552
Foreign exchange gain	(33,696)	-	-	-	- 33,696
Amortization	1,876	-	-	-	1,876
	236,732	-	-	-	236,732
					-
Net loss for the period	$ (226,744)	$ -	$ -	$ -	$ (226,744)
Assets, December 31, 2009	$72,512,236	$9,823,255	$ 17,471	$ 2,729	$82,355,691
Additions to property, plant and equipment	$ 21,882	$5,924,650	$ 17,471	$ 2,729	$ 5,966,732

Note 15 Subsequent Events

In January 2010 Petrodorado announced that it had signed a definitive agreement with PRE for a 49.5% working interest in the Moriche Block, Mauritia East Prospect, located in the Llanos Basin of Colombia. In February 2010, the Corporation announced a new discovery well (ME-1) as a Mirador producer on the Moriche Block. The well tested at a peak oil rate of 693 bopd of 14 degree API oil. Petrodorado has a 49.5% beneficial interest in this prospect. Refer to note 12.

In January 2010 Petrodorado announced that it had signed a definitive agreement with PRE for a 49.5% working interest in the Tacacho block located in the Putumayo Basin of Colombia. Refer to note 12.

In January 2010, the Corporation's board of directors approved the grant of options to acquire 28 million common shares of the Company at a price of $0.49 per common share. The options are for a five year term, expiring on January 31, 2015 and vest one-third on the date of grant and one-third on the first and second anniversary of the grant date.

In February 2010, Petrodorado acquired all of the issued and outstanding shares of Holywell Resources S.A. ("Holywell") from a private vendor. The assets of Holywell included an undivided 20% working interest in the Buganviles block located in the upper Magdalena Valley in central Colombia. The aggregate purchase price was US $6,334,000, with deposits of US $1,750,000 (CDN $1,869,300) paid to December 31, 2009 towards this purchase and the balance of USD $4,584,000 was paid in full, upon closing. Refer to note 12.

In February 2010, Petrodorado announced that it had signed definitive agreements with Pacific Rubiales Energy Corp. ("PRE") for a 45% working interest in Block 135 located in the Maranon Basin of Peru and a 45% working interest in Block 138 located in the Ucayali Basin of Peru. Refer to note 12.