



PETROMINERALES LTD.

**Annual Information Form
for the year ended December 31, 2006**

March 30, 2007

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ABBREVIATIONS AND DEFINITIONS

“**ANH**” means Agencia Nacional de Hidrocarburos, or National Hydrocarbon Agency, an agency of the Colombian government;

“**API**” means American Petroleum Institute, but is generally referred to as a degree of gravity that provides a relative measure of crude oil density;

“**ATI**” means Archon Technologies International Inc., an indirect wholly-owned subsidiary of Petrobank;

“**Archon**” means Archon Technologies Ltd., a wholly-owned subsidiary of Petrobank;

“**Board of Directors**” means the board of directors of the Company, as constituted from time to time;

“**baseline production**” means, with respect to the IPCs for Orito and Neiva, an established decline curve corresponding to the field’s original production history;

“**Canadian GAAP**” means Canadian generally accepted accounting principles;

“**COGE Handbook**” means the Canadian Oil and Gas Evaluation Handbook prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy and Petroleum;

“**common shares**” means common shares in the share capital of the Company;

“**Company**” or “**Petrominerales**” means Petrominerales Ltd. and includes, except where the context otherwise requires, the Company’s wholly-owned subsidiary, PCL;

“**D&M**” means DeGolyer and MacNaughton, independent oil and gas reservoir engineers, of Dallas, Texas, USA;

“**D&M Report**” means the independent engineering appraisal of the Company’s reserves prepared by D&M, dated February 20, 2007, with an effective date of December 31, 2006;

“**Ecopetrol**” means Empresa Colombiana de Petróleos, the Colombian state-owned oil company;

“**ESP**” means electrical submersible pump;

“**Exploration Contract**” means an exploration and production contract in Colombia established by the ANH;

“**gross**” means: (a) in relation to the Company’s interest in production and reserves, its “Company gross reserves”, which represent the Company’s working interest (operating and non-operating) share of gross reserves before deduction of royalties and without including any royalty interest of the Company; (b) in relation to wells, the total number of wells in which the Company has an interest; and (c) in relation to properties, the total area of properties in which the Company has an interest;

“**IPC**” means an incremental production contract in Colombia;

“**Joint Operating Agreement**” means the joint operating agreement to be entered upon Archon exercising the option granted under the Option Agreement, which joint operating agreement will govern the operations of certain heavy oil projects in Colombia in which ATI has acquired a working interest pursuant to the Option Agreement;

“**Neiva**” means the 2,395 acre Neiva field in the Upper Magdalena Valley Basin in Colombia;

“**net**” means: (a) in relation to the Company’s interest in production and reserves, its “Company net reserves”, which represent the Company’s working interest (operating and non-operating) share of gross reserves after deduction of royalties obligations; (b) in relation to wells, the number of wells obtained by aggregating the Company’s current working interest in each of its gross wells; and (c) in relation to the Company’s interest in a property, the total area in which the Company has an interest multiplied by the working interest owned by the Company;

“**NI 51-101**” means National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities of the Canadian Securities Administrators*;

“**Option Agreement**” means the option agreement dated May 18, 2006 between Petrominerales and ATI pursuant to which ATI has been granted an option to acquire a working interest in, and to act as operator of, certain heavy oil projects in Colombia using THAI™;

“**Orito**” means the 42,492 acre Orito field in the Putumayo Basin of south western Colombia;

“**PCL**” means Petrominerales Colombia Ltd., a wholly-owned subsidiary of the Company;

“**Petrobank**” means Petrobank Energy and Resources Ltd., the indirect majority shareholder of Petrominerales;

“**Petro International**” means Petro International Ltd. a wholly-owned subsidiary of Petrobank Energy and Resources Ltd.;

“**R Factor**” means the ratio of cumulative revenues to cumulative costs;

“**Reorganization Transactions**” means the share exchange transactions contemplated by the Share Exchange Agreement completed on June 9, 2006, pursuant to which the Company acquired all of the outstanding shares of PCL;

“**Share Exchange Agreement**” means the share exchange agreement dated June 9, 2006 between Petro International and Petrominerales;

“**TEA**” means a Technical Evaluation Agreement in the country of Colombia;

“**Technical Services Agreement**” means the technical services agreement dated July 1, 2003, between Petrobank and PCL;

“**Technology License Agreement**” means the technology license agreement dated May 18, 2006 between ATI and Petrominerales respecting the use of the THAI™ technology in heavy oil projects in Colombia;

“**THAI™**” means Archon’s patented Toe-to-Heel-Air-Injection in-situ heavy oil recovery technique, which combines a vertical air injection well with a horizontal production well;

“**TSX**” means the Toronto Stock Exchange; and

“**WTI**” means West Texas Intermediate.

In this Annual Information Form, the abbreviations set forth below have the following meanings:

bb/d	Barrels of oil per day	mdbl	1,000 barrels
bbl(s)	Barrel(s) of oil	mmbbl	1,000,000 barrels
Cdn\$	Canadian dollars	M\$	Thousands of United States dollars
km	Kilometres	\$	United States dollars
km²	Square kilometres		

The following table sets forth certain standard conversions between Standard Imperial Units and the International System of Units (or metric units).

<u>To Convert From</u>	<u>To</u>	<u>Multiply By</u>
<i>bbls</i>	<i>cubic metres</i>	<i>0.159</i>
<i>cubic metres</i>	<i>bbls</i>	<i>6.293</i>
<i>feet</i>	<i>metres</i>	<i>0.305</i>
<i>metres</i>	<i>feet</i>	<i>3.281</i>
<i>miles</i>	<i>kilometres</i>	<i>1.609</i>
<i>kilometres</i>	<i>miles</i>	<i>0.621</i>
<i>acres</i>	<i>hectares</i>	<i>0.405</i>
<i>hectares</i>	<i>acres</i>	<i>2.471</i>
<i>tonnes</i>	<i>long tons</i>	<i>0.984</i>

Certain other technical terms used in this Annual Information Form but not otherwise defined herein are defined in NI 51-101 and, unless the context otherwise requires, shall have the same meanings herein as in NI 51-101. See the disclosure found under the heading “*Statement of Reserves Data and Other Oil and Gas Information*” of this Annual Information Form.

Unless otherwise noted, the Company’s average daily production volumes disclosed herein are based on the Company’s working interest production before deduction of royalties paid.

The estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.

CURRENCY OF INFORMATION

The information in this Annual Information Form is stated as at December 31, 2006, unless otherwise indicated. For an explanation of the capitalized terms and expressions and certain defined terms, please refer to the '*Glossary of Terms*' at the beginning of this Annual Information Form. Except as otherwise indicated, all dollar amounts in this Annual Information Form are expressed in United States dollars and references to \$ are to United States dollars.

FORWARD-LOOKING STATEMENTS

This Annual Information Form, the documents incorporated by reference in this Annual Information Form, and other reports and filings made with securities regulatory authorities include forward-looking statements. All forward-looking statements are based on the Company's beliefs and assumptions based on information available at the time the forward-looking statement was made. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "will likely result," "are expected to," "will continue," "is anticipated," "believes," "estimated," "intends," "plans," "projection" and "outlook") are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward looking statements. Accordingly, any such statements are qualified in their entirety by reference to, and are accompanied by, the factors discussed throughout this Annual Information Form. Among the key factors that have a direct bearing on the Company's results of operations are the nature of the Company's involvement in the business of exploration for, and development and production of, oil and natural gas reserves, fluctuations in prices received for oil and natural gas, fluctuations in interest rates and the fluctuation of the exchange rate between the United States dollar and the Colombian peso. These and other factors are discussed in this Annual Information Form under the heading "Risk Factors" and under the heading "Risks and Uncertainties" in the Company's Management's Discussion and Analysis ("MD&A") for the year-ended December 31, 2006. The MD&A can be found on SEDAR at www.sedar.com and is incorporated by reference in into this Annual Information Form.

Actual results achieved during the forecast period may vary from the information provided herein as a result of numerous known and unknown risks and uncertainties and other factors. Such factors include, but are not limited to: general economic, market and business conditions; fluctuations in oil prices; the results of exploration and development drilling, recompletions and related activities; timing and rig availability; outcome of exploration contract negotiations; fluctuations in foreign currency exchange rates; the uncertainty of reserve estimates; changes in environmental and other regulations; risks associated with oil and gas operations; and other factors, many of which are beyond the control of the Company. Further, any forward-looking statement is made only as of a certain date, and the Company undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events, except as may be required by applicable securities laws. New factors emerge from time to time, and it is not possible for management of the Company to predict all of these factors and to assess in advance the impact of each such factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement.

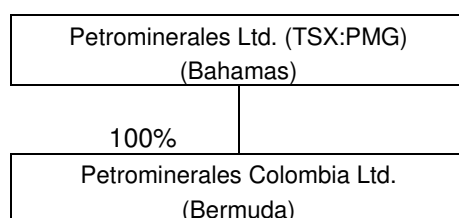
PETROMINERALES LTD.

Corporate Structure

The Company was incorporated under the *International Business Companies Act, 2000* (Bahamas) on April 20, 2006. The Company's registered office is located at Mareva House, 4 George Street, Nassau, Bahamas. The Company's head office is located at Calle 114 No. 9-45 Torre B Oficina 1506, Bogotá, Colombia. The Company's main operating subsidiary, PCL, has been operating in Colombia since 1996.

On May 11, 2006, the Company amended its Memorandum of Association and Articles of Association to increase the authorized share capital to 200 million common shares and to remove the restrictions on the Company's ability to offer common shares to the public.

The following chart illustrates Company's material subsidiaries, as at December 31, 2006.



GENERAL DEVELOPMENT OF THE BUSINESS

Petrominerales Colombia Ltd. ("PCL"), through its predecessor companies, was originally incorporated in September 1996 to engage in oil exploration and development activities in Colombia. From 1996 to 2000, PCL undertook the assessment and evaluation of a number of exploration blocks and other opportunities. In April 2001, PCL signed the IPCs in respect of the Orito and Neiva fields. In May 2002, Petrobank Energy and Resources Ltd. ("Petrobank"), through its subsidiary Petro International Ltd. ("Petro International"), acquired all the issued and outstanding shares of PCL. PCL initiated drilling operations in the latter part of 2002, with first production commencing in January 2003.

During 2002 through 2004, the Company executed a program of well re-completions, facility upgrading, and new well drilling which resulted in eight new wells at Neiva and six new wells at Orito. During 2003, the Company encountered a series of operational difficulties at Orito associated with equipment failures, service deficiencies, and unexpected challenges associated with drilling and completion operations. The Company also accumulated technical data regarding reservoir pressures, composition of reservoir fluids, depth intersection with the aquifer and the existence or non-existence of a gas cap in the field, which were initially considered anomalous, but when considered as a whole, required the Company to fully reassess its reservoir model and exploitation strategy. This reassessment necessitated a complete shutdown and re-engineering of the Company's drilling and completion program as well as a complete, bottom-up redevelopment of its reservoir models and associated geological and geophysical architecture. The new model incorporates the concepts of a tilted oil/water contact, a high carbon dioxide concentration and a composition gradient in the oil column ranging from 30° API at the base to 45° API at the highest elevations. The Company's new interpretation of the reservoir was first tested in 2005 with the drilling of the Orito 116 well, the results of which confirmed the southwest extension of the field outside of the previously interpreted zero edge of the field. This well was followed by the Orito 117 and 118 wells which further confirmed the new reservoir model and provided additional support for the Company's long-term development plan and its revised reserve engineering analysis.

On June 9, 2006, the Company, Petro International and PCL completed the Reorganization Transactions, being the share exchange transactions contemplated by the Share Exchange Agreement. Pursuant to the Reorganization Transactions, Petro International exchanged 12,000 common shares of PCL, being all of the issued and outstanding shares of PCL, held by Petro International, for 78,999,900 newly issued common shares of the Company. The Reorganization Transactions did not involve the payment of any cash consideration by any of Petro International, Petrominerales or PCL.

On June 29, 2006, the Company announced the closing of its initial public offering of common shares. The initial public offering was priced at Cdn\$3.75 per common share and 16,000,000 common shares were subscribed for, resulting in total gross proceeds of \$53.8 million (Cdn\$60 million). Petrominerales commenced trading on the Toronto Stock Exchange on June 29, 2006 under the symbol 'PMG'.

As a result of recompletions at Orito and Neiva and the completion of the Orito 117 and 118 wells, aggregate production at Orito and Neiva as at December 31, 2006, averaged 2,194 bbl/d in 2006 and 2,372 bbl/d in the fourth quarter of 2006, working interest to the Company, before deduction of an eight percent royalty.

Recent Developments

On March 9, 2007, it was announced that the Company's Ojo de Tigre-2 well on the Joropo block in the Llanos Basin was initially drilled to a total depth of 8,309 feet and logged and evaluated. Based on our evaluation, and the geological and hydrocarbon indications in this initial well, a decision was made to side-track to a more favorable bottom-hole location. This sidetrack well, Ojo de Tigre-2 Side-Track, was drilled to a total depth of 8,419 feet and has been cased as a potential oil well. The well was cored through certain prospective intervals with indications of high quality oil bearing sands, which was confirmed by subsequent logs indicating a primary target with net oil pay in excess of 25 feet. The well is being tested with production results expected over the next several weeks. This portion of the Llanos Basin is subject to wet surface conditions during the summer months, but Petrominerales is evaluating alternatives to allow long-term, year-round production of this well. The ultimate size of the prospect will be determined through long-term production and potential follow-up drilling. Successful development of this discovery will most likely include upgraded surface access, which would allow for year-round production.

Also on March 9, 2007, it was announced that Petrominerales has executed, or is in the final stages of negotiating, the last six of 13 exploration blocks which will bring Petrominerales' exploration holdings to 1.5 million acres of operated, 100% working interest lands in Colombia's Llanos and Putumayo Basins.

DESCRIPTION OF THE BUSINESS

The Company, through its wholly-owned subsidiary, PCL, is engaged in the exploration for, and the acquisition, development and production of, oil resources in Latin America, specifically, Colombia. The Company's strategy is to realize near term cash flow from exploitation opportunities by applying modern North American technical and business models to mature, but under-exploited Colombian properties formerly operated by Ecopetrol, the Colombian state-owned oil company. In addition, the Company plans to further its growth through opportunity driven exploration on the Company's undeveloped properties in immature areas of Colombia.

Petrominerales has IPCs in two fields in southwestern Colombia. The Company's current production is derived from its two IPCs, at Orito in southern Colombia's Putumayo Basin, and at Neiva in the Upper Magdalena Valley Basin, in each case in partnership with Ecopetrol. Each IPC provides that Petrominerales will share in a portion (initially 79 percent in the case of the Orito Block and 69 percent in the case of the Neiva Block) of the incremental production, above an established baseline production curve, generated by its development activities. Each IPC's established baseline of production corresponds to the decline curve forecast based on the field's original production history. Working interest production is subject to an initial eight percent royalty paid to the government.

The Company is also pursuing potential heavy oil opportunities that would allow it to apply Archon's THAI™ technology. In addition, Petrominerales has finalized or is in the process of finalizing a significant exploratory land base of approximately 1.5 million acres under Exploration Contracts, which provide companies with 100 percent of new production, subject to an initial eight percent royalty and normal income taxes. See "Principal Properties - Exploration Blocks – Colombia".

Environmental Regulation

Annual development plans are submitted to Ecopetrol for approval for all exploration and development activities conducted on the Company's Colombian IPCs. In addition, the Company files an environmental management plan covering the contemplated activities with the Colombian Ministry of Environment. Environmental management plans are submitted to demonstrate compliance with applicable Colombian law, but advance approval is not required to commence activities within existing development areas at the Orito and Neiva fields. In the case of the Company's Exploration Contracts, the Company submits an environmental management plan for each activity (drilling, facilities and pipelines) planned over the license area which must be approved before activity commences.

Environmental, Community Relations and Social Responsibility

Environment

The Company completed its fourth year of field operations in Colombia with 100 percent environmental compliance in executing our exploration development programs. Our social responsibility strategies include environmental compliance and promoting fundamental relationships with local communities and the provincial and national authorities. The Ministry of Environment in Colombia requires environmental licenses for all new exploration activity in accordance with strict and complex national regulations. Our comprehensive environmental impact assessments and management plans ensured that we obtained the necessary environmental licenses for all our exploration wells in the Casimena, Corcel and Casanare Este Blocks on a timely basis. We also submitted and received approval for our environmental management plans covering several development wells in Orito and Neiva, as well as 3-D seismic projects on the Mapache and Castor exploration blocks.

Community Relations

Petrominerales has established a community relations approach that is based on three principles:

- Local employment is promoted by identifying, providing and supporting job opportunities within our operating areas. This has been well received by local communities and has contributed to maintaining a positive relationship in and around our operations. Local employment opportunities are also provided by hiring local contractors for several services.
- Education and training programs are focused on strengthening the relationships between communities and the local authorities, and on helping communities identify new markets for their goods and services to reduce their dependence on the oil business. Our approach also encourages local community engagement in the government development process, and reinforces the link between oil revenues and municipal budgets.
- Community engagement creates a partnership in the preparation of environmental base line studies for local environmental management, which strengthens our relationship with communities by combining our expertise and environmental approach with local knowledge of the environment and land management. We are continuing to build a relationship of trust by encouraging communities to become involved in all aspects of our environmental management processes.

Social Responsibility

The Fundación Vichituni completed its first year of work, assisting Petrominerales in developing and enhancing basic social and environmental values in the regions directly influenced by the Company's operations. Vichituni,

from the traditional Embera language, translates as “you are worthy”. Fundación Vichituni’s mission is to promote community growth and an enhanced quality of life. This Foundation involves entire communities, governments and third party partners contributing to the creation and completion of educational projects with a focus on developmental issues.

After a comprehensive funding and partnership development undertaking, the Foundation has been able to establish working relationships with several national and international NGOs on two main lines of work where we focus our programs:

- Working with the communities of the Orito municipality in Putumayo, in the establishment of a government community relations training program based on the national regulations on community control over government performance.
- Increasing the knowledge of the cultural and traditional diversity of the Embera traditional people in Putumayo.

The Foundation continues seeking international funding and partnerships with the goal of self-sustainability within the first few years of operation.

Taxes

The Company’s pre-tax income from Colombian sources, as defined under Colombian law, is subject to Colombian income taxes at a statutory rate of 35 percent plus an additional surcharge of 10 percent (resulting in an effective tax rate of 38.5 percent). The surcharge was eliminated at the end of 2006 and tax rates were reduced to 34 percent in 2007 and to 33 percent for subsequent periods. A “presumptive” minimum income tax of 35% of three percent of the prior year’s net tax equity, may apply in years of little or no net income. The excess can be carried forward as a credit for five years and recovered against future cash taxes otherwise payable. Tax losses may be carried forward without limitations to offset taxable income.

Insurance

The Company maintains insurance in an amount that it considers adequate and consistent with industry practice and its operations. See the additional disclosure contained under the heading “Security”.

Employees

As at the date of this Annual Information Form, Petrominerales and PCL collectively, have 74 employees.

Specialized Skill and Knowledge

The Company believes its success is largely dependant on the performance of its management and key employees, many of whom have specialized knowledge and skills relating to oil and gas operations. The Company believes that they have adequate personnel with the specialized skills required to successfully carry out its operations.

Marketing

The majority of the Company's production is sold to two parties, the Colombian state oil company, Ecopetrol and a large international oil company. Crude oil sales to individual counterparties for the years ended December 31, 2005 and 2006 are broken down as follows:

	Sales as a Percentage of Revenues	
	2006	2005
Ecopetrol	86%	70%
Large international oil company	14%	30%

INDUSTRY CONDITIONS

Colombian Market

Oil currently constitutes an estimated one-third of the country's foreign revenue. Historically, all oil production was undertaken by the state owned Ecopetrol in contracts of association with foreign companies. Ecopetrol is the state company responsible for exploration, extraction, production, transportation, and marketing oil for export. The country is considered to be at risk of becoming a net oil importer and as a result, the regulatory regime in Colombia underwent a significant change effective January 1, 2004 with the formation of the ANH, which has taken over the role of regulating the Colombian oil industry and forcing Ecopetrol to compete directly with foreign companies. This change along with increased commodity prices has resulted in a significant increase in Colombian exploration activity.

There are seven commercial oil production basins in Colombia - the Upper, Middle, and Lower Magdalena Valley; Llanos; Putumayo; Catatumbo; and the Guajira basins. Oil extracted from fields in these basins is transported through Colombia's five major oil pipelines, four of which connect production fields to the Caribbean port town of Coveñas through the Caño Limon - Coveñas pipeline. These are the central Ocesa pipeline, which transports oil from the Cusiana-Cupiagua fields, the 490-mile Caño Limon pipeline, and the Alto Magdalena and Colombia Oil pipelines. The fifth pipeline, the Transandino or Trans-Andean, transports crude from the Orito field in the Putumayo Basin to Colombia's Pacific port of Tumaco.

Most of Colombia's oil exports are to the United States. Colombia is among the ten largest suppliers of foreign crude oil to the United States. Colombia could become a more important oil supplier to the United States in the years ahead given that Colombia's known oil reserves amount to an estimated 1.6 billion barrels in the current seven basins. Also, Venezuela, Colombia, and parts of Ecuador share the "La Luna" oil-source rock, which is one of the most prolific in the world, and holds the Venezuela-Orinoco belt, one of the world's largest accumulations of hydrocarbons.

ANH

The regulatory regime in Colombia underwent a significant change effective January 1, 2004 with the formation of the ANH, which has taken over the role of regulating the Colombian oil industry and significantly increasing the amount of new exploration and production in the country. The state oil company, Ecopetrol, will maintain its exploration and production activities across the country, but will become a more direct competitor in future projects.

In conjunction with this change, the ANH developed a new exploration risk contract that took effect near the end of the first quarter of 2005. This contract has significantly changed the way the industry views Colombia.

In place of the earlier association contracts in which the government (Ecopetrol) had an immediate back-in to production, the new agreement will provide full risk/reward benefits for the contractor. Under the terms of the

contract the successful operator will retain the rights to all reserves, production and income from any new exploration block, subject to existing royalty and income tax regulations with a windfall profits tax provision for larger fields.

The ANH typically deals with exploration acreage proposals on a first come first served basis, although this process can also be conducted as competitive bidding rounds or whereby the ANH invites a selected group of companies to submit proposals. Once the ANH is satisfied that the oil company has the proper technical and financial resources to fulfill its obligations under the proposed contract, a definitive work program is negotiated. This work program typically includes technical studies, reprocessing or shooting new seismic, and/or drilling wells. The ANH contract term consists of three phases: (i) the initial exploration phase which lasts six years and can be extended for up to an additional four years; (ii) upon a declared discovery, and at the contractor's request, the evaluation phase commences and lasts one to two years with up to a two year extension possible, during which the contractor must declare commerciality or relinquish the block; and (iii) the production phase with a basic 24 year term, extendable under certain circumstances. The duration of the exploration period is six years; however, the contractor may request an extension for up to four additional years provided that it presents an additional exploration program and relinquishes 50 percent of the area. Depending on the period requested, this period is also divided into phases as the contractor proposes. All discoveries must be reported to the ANH, while the Ministry of Mines and Energy defines the extent of the discovery.

If a discovery is made the contractor has the option to request an appraisal period, for up to two years, depending on the size and scope of the evaluation plan proposed. If, in the opinion of the ANH, there is sufficient reason, this period may also be extended. If the evaluation plan relates to a gas or heavy oil field, two additional years may be granted because of the complex planning and marketing required. At the end of this phase, the contractor must declare commerciality or return the block.

Once the evaluation phase is complete and the operator declares commerciality, the exploitation phase begins. The duration of the exploitation period of each declared field is 24 years. The contractor may obtain an extension of the exploitation period beyond the 24 years, if the contractor complies with three basic requirements: continuous production; an active enhanced oil recovery plan or infill project; and a payment of 5 percent for gas to 10 percent for oil of the remaining reserves value.

Relinquishment of part or all the license area depends on the phase in which operations are. Under normal circumstances the contractor must relinquish 50 percent of the area at the end of the six-year exploration period if the contractor continues to explore, and there is an evaluation program or a discovery. If not, the operator must relinquish 100 percent. Another 25 percent must be relinquished after the two-year evaluation phase expires. The operator and the ANH may also agree on the relinquishment of certain parts of a license area during the initial six-year exploration period as part of the contract and on a block by block basis, depending on the scope of the exploration work program and the size of the area. The contractor also has the option to relinquish all or part of the area after each exploration phase.

Royalties are calculated on a field-by-field basis using a sliding scale that ranges from eight percent (for incremental production up to 5,000 bbl/d) up to a maximum of 25 percent (for incremental production above 600,000 bbl/d) as illustrated as follows:

<u>Field Production (bbl/d)</u>	<u>Royalty Rate*</u>
0 – 5,000	8%
5,001 – 125,000	8% - 20%
125,001 – 400,000	20%
400,001 – 600,000 plus	20% - 25%

* For new discoveries of heavy oil, classified as those with an API equal to or less than 15°, the royalties will be 75% of the royalty rates for light and medium oils presented above.

Once a field has cumulatively produced more than five million barrels of oil, a windfall profits payment is paid at 30 percent of the price received in excess of certain threshold prices, based on the oil quality produced, as follows:

<u>Quality</u>	<u>Threshold Price</u>
Less than 10° API	Nil
10° to 15° API	\$43.46/bbl
15° to 22° API	\$30.43/bbl
22° to 29° API	\$29.34/bbl
Greater than 29° API	\$28.25/bbl

For crude oil production with a quality above 29° API and a realized oil price of US\$50/bbl results in windfall profits payment which is equivalent to an incremental 14% royalty bringing the total government take to 22% on field production less than 5,000 bpd.

Incremental Production Contracts

Petrominerales is the owner of interests in, and is engaged in the exploration for and development and production of oil from, two IPCs (Orito and Neiva) granted by Ecopetrol. Each block is governed by a separate contract with Ecopetrol. Each IPC covers a specific period, expiring in June 2023, and required certain expenditures in the early years of the contract in order to advance to subsequent development phases. Petrominerales' early activities focused on initial work commitments on these IPC's, which gives Petrominerales the right to carry out development activities on the blocks and share in incremental production generated above a pre-defined declining baseline. The Company's participation levels at Orito and Neiva are 79 percent and 69 percent, respectively. These participation levels decline on a contract by contract basis once the ratio of cumulative total revenues to total costs "R factor" exceeds 1.5 times. At R factors above 2.5 times the participation levels at Orito and Neiva are fixed at 39.5 percent and 34.5 percent as indicated in the following table:

<u>R factor</u>	<u>Orito</u>	<u>Neiva</u>
1.5 to 2.5	79%/(R-0.5)	69%/(R-0.5)
2.5 or more	39.5%	34.5%

The Company's Orito oil production is currently being sold at the wellhead pursuant to a sales contract with Ecopetrol. In December 2006, the Company negotiated modifications to this contract resulting in an increase in realized prices relative to WTI. Under the terms of this contract the price received for each barrel of oil sold is calculated based on the average WTI price in the month of production less the average South Blend (port of Tumaco) differential relative to WTI over the past six months, adjusted for quality differences, less approximately \$3.43/bbl for transportation and marketing fees to the Orito transfer point. Either party may cancel this sales contract on one month's notice after which, Petrominerales may elect to export its oil production directly.

The Company's Neiva oil production, is sold through a sales contract with a third party whereby the price received is based on an average differential in the Vasconia Blend at Coveñas published by Platts Latin American Wire, based on the average price ten days before and ten days after the bill of lading date, adjusted for quality differences, plus a \$1.01/bbl premium, less approximately \$2.82/bbl for transportation and marketing fees to the Neiva transfer point.

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

The statement of reserves data and other oil and gas information set forth in herein is dated March 30, 2007. The date of the D&M Report is February 20, 2007, with an effective date of December 31, 2006.

Disclosure of Reserves Data

The Company engaged D&M to evaluate the Company's reserves as at December 31, 2006. The reserves data set forth in this Annual Information Form is based upon the evaluation by D&M dated February 20, 2007, with an effective date of December 31, 2006.

The D&M Report presents an appraisal, as of December 31, 2006, of the extent and value of the proved, probable, and possible crude oil reserves, of the Orito and Neiva fields located in the Putumayo and Upper Magdalena Valley Basins, respectively, of Colombia. None of the oil present on these properties is considered to be heavy oil. The D&M Report was prepared using reserves definitions consistent with those of NI 51-101. Interests in these properties are held by Petrominerales. The operator of the properties is Ecopetrol, the national oil company of Colombia. This evaluation was prepared under two price scenarios: constant prices and costs case and a forecast prices and costs case.

Reserves estimated in the D&M Report are expressed as gross, company gross, and company net reserves. Gross reserves are defined as the total estimated petroleum to be produced after December 31, 2006 from the properties evaluated in the D&M Report. Company gross reserves are defined as Petrominerales' working-interest share of the gross reserves before deduction of royalties. Company net reserves are defined as company gross reserves after deduction of royalty obligations. Estimated company gross and company net reserves in these properties are limited to the Company's share of the incremental volumes produced above predefined baseline production curves agreed to under terms of incremental production sharing contracts signed with Ecopetrol.

The D&M Report presents values that were estimated for proved, proved-plus-probable and proved-plus-probable-plus-possible reserves using costs provided by Petrominerales in United States dollars (\$). Prices utilized, were based on information from Petrominerales and other sources. All monetary values in the D&M Report are expressed in United States dollars.

Values for proved, proved-plus-probable, and proved-plus-probable-plus-possible reserves in the D&M Report are expressed in terms of estimated future gross revenue, future net revenue, and present worth. Future gross revenue is defined as that revenue to be realized from the sale of the company net reserves. Future net revenue is defined as the future gross revenue less direct operating expenses and capital costs, both before and after host country taxes. Operating expenses include field operating expenses, transportation expenses, petroleum processing costs, compression costs, and an allocation of overhead that directly relates to production activities. Capital costs include such items as surface production facilities, pipelines, and the drilling of wells. As the Company's registered office is located in the Bahamas, no future Canadian income taxes have been accounted for in the D&M Report. Present worth is defined as future net revenue discounted at a specified arbitrary discount rate compounded monthly over the expected period of realization.

Information used in the preparation of the D&M Report was obtained from Petrominerales. In the preparation of the D&M Report, D&M relied, without independent verification, upon information furnished by Petrominerales with respect to property interests, production from such properties, costs of operation and development, current prices for production, agreements relating to future operations and sale of production, and various other information and data that were accepted as represented. A field examination of the properties was not considered necessary for the purposes of the D&M Report, since all pertinent data were available for review and there are no special circumstances regarding the location of the fields evaluated that would require a field examination.

Notes to Reserve Data Tables

In the tables set forth in this annual information form, the following definitions and other notes are applicable. Crude oil reserves estimates presented in the D&M Report are based on the definitions and guidelines contained in the COGE Handbook. A summary of those definitions is set forth below.

Reserve Categories

Reserves are estimated remaining quantities of crude oil anticipated to be recoverable from known accumulations, from a given date forward, based on:

- analysis of drilling, geological, geophysical and engineering data;
- the use of established technology; and
- specified economic conditions.

Reserves are classified according to the degree of certainty associated with the estimates.

Proved Reserves - Proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

Probable Reserves - Probable reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved + probable reserves.

Possible Reserves - Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved plus probable plus possible reserves.

Development and Production Status - Each of the reserves categories (proved, probable, and possible) may be divided into developed and undeveloped categories.

Developed Reserves - Developed reserves are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (e.g., when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.

Developed Producing Reserves - Developed producing reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.

Developed Non-producing Reserves - Developed non-producing reserves are those reserves that either have not been on production, or have previously been on production, but are shut in, and the date of resumption of production is unknown.

Undeveloped Reserves - Undeveloped reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (e.g., when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable, possible) to which they are assigned.

In multi-well pools, it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to subdivide the developed reserves for the pool between developed producing and developed non-producing. This allocation should be based on the estimator's assessment as to the reserves that will be recovered from specific wells, facilities, and completion intervals in the pool and their respective development and production status.

Levels of Certainty for Reported Reserves

The qualitative certainty levels referred to in the definitions above are applicable to individual reserve entities (which refers to the lowest level at which reserves calculations are performed) and to reported reserves (which refers to the highest level sum of individual entity estimates for which reserve estimates are presented). Reported reserves should target the following levels of certainty under a specific set of economic conditions:

The qualitative certainty levels contained in the definitions above are applicable to individual reserves entities, which refer to the lowest level at which reserves calculations are performed, and to reported reserves, which refers to the highest level sum of individual entity estimates for which reserves estimates are presented. Reported reserves should target the following levels of certainty under a specific set of economic conditions:

- at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated proved reserves;
- at least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves;
- at least a 10 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable plus possible reserves.

A quantitative measure of the certainty levels pertaining to estimates prepared for the various reserves categories is desirable to provide a clearer understanding of the associated risks and uncertainties. However, the majority of reserves estimates will be prepared using deterministic methods that do not provide a mathematically derived quantitative measure of probability. In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods.

Forecast prices and costs

Future prices and costs that are:

- (a) generally acceptable as being a reasonable outlook of the future; and
- (b) if and only to the extent that, there are fixed or presently determinable future prices or costs to which the Company is legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices and costs referred to in paragraph (a).

Constant prices and costs

Prices and costs used in an estimate that are:

- (a) the Company's prices and costs as at the effective date of the estimation, held constant throughout the estimated lives of the properties to which the estimate applies; and
- (b) if, and only to the extent that, there are fixed or presently determinable future prices or costs to which the Company is legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices and costs referred to in paragraph (a).

For the purposes of paragraph (a), the Company's prices are the posted prices for oil after historical adjustments for quality transportation, gravity and other factors.

Unless otherwise noted, the Company's average daily production volumes disclosed herein are based on the Company's working interest production before deduction of royalties paid to others. The estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation. Note that in certain cases, columns may not add due to rounding.

Future Net Revenue

Estimates values of future net revenue, whether calculated without discount or using a discount rate, do not represent fair market value.

Significant Factors or Uncertainties Affecting Reserves Data

There are numerous uncertainties inherent in estimating quantities of proved reserves, including many factors beyond the control of the Company. The reserve data included in this annual information form represents estimates only. In general, estimates of economically recoverable crude oil reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary considerably from actual results. The actual production, revenues, taxes and development and operating expenditures of the Company with respect to these reserves will vary from such estimates, and such variances could be material, provided that there is inherent degree of certainty associated with the particular reserves category disclosed.

Estimates with respect to proved reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history will result in variations, which may be substantial, in the estimated reserves.

The Company has used forecast prices and costs in calculating reserve quantities included in this annual information form. Actual future net cash flows also will be affected by other factors such as actual production levels, supply and demand for oil, curtailments or increases in consumption by oil purchasers, changes in governmental regulation or taxation, currency exchange rates and the impact of inflation on costs.

The Company's reserves at the Orito and Neiva fields are also subject to an "R Factor" calculation under which the Company's interest in reserves decreases as the ratio of cumulative revenues to cumulative costs increases. Accordingly, at higher prices the Company's reserve values increase but reserve volumes decline, thereby increasing reserve uncertainty.

SUMMARY OF OIL AND GAS RESERVES

As of December 31, 2006

CONSTANT PRICES AND COSTS

RESERVES CATEGORY	LIGHT AND MEDIUM OIL RESERVES	
	Company Gross (mdbl)	Company Net (mdbl)
Proved		
Developed Producing	3,941	3,626
Undeveloped	9,604	8,814
Total Proved	13,545	12,440
Probable	10,798	9,841
Total Proved Plus Probable	24,343	22,281
Possible	9,164	8,314
Proved Plus Probable Plus Possible	33,507	30,595

NET PRESENT VALUES OF FUTURE NET REVENUE

As of December 31, 2006

CONSTANT PRICES AND COSTS

RESERVES CATEGORY	BEFORE INCOME TAXES DISCOUNTED AT				AFTER HOST COUNTRY INCOME TAXES			
	(%/year)				DISCOUNTED AT (%/year)			
	0	5	10	15	0	5	10	15
	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)
Proved								
Developed Producing	175,798	149,278	129,596	114,411	175,451	149,020	129,391	114,248
Undeveloped	325,261	242,955	185,181	143,391	222,687	168,016	128,837	99,983
Total Proved	501,059	392,233	314,777	257,802	398,138	317,036	258,228	214,231
Probable	369,817	276,224	211,090	164,290	246,012	181,874	137,254	105,246
Total Proved Plus Probable	870,876	668,457	525,867	422,092	644,150	498,910	395,482	319,477
Possible	318,831	225,508	163,534	121,015	212,451	148,813	106,590	77,693
Proved Plus Probable Plus Possible	1,189,707	893,965	689,401	543,107	856,601	647,723	502,072	397,170

TOTAL FUTURE NET REVENUE (undiscounted)**As of December 31, 2006****CONSTANT PRICES AND COSTS**

RESERVES CATEGORY	REVENUE	ROYALTIES	OPERATING COSTS	DEVELOPMENT COSTS	WELL ABANDONMENT COSTS	FUTURE NET REVENUE BEFORE INCOME TAXES	INCOME TAXES	FUTURE NET REVENUE AFTER INCOME TAXES
	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)
Total Proved	720,245	58,788	55,902	104,496	-	501,059	102,921	398,138
Total Proved Plus Probable	1,293,980	109,717	100,237	213,150	-	870,876	226,726	644,150
Proved Plus Probable Plus Possible	1,782,831	155,136	138,738	299,250	-	1,189,707	333,106	856,601

FUTURE NET REVENUE BY PRODUCTION GROUP (discounted at 10% /year)**As of December 31, 2006****CONSTANT PRICES AND COSTS**

RESERVES CATEGORY	PRODUCTION GROUP	FUTURE NET REVENUE BEFORE INCOME TAXES
		(M\$)
Total Proved	Light and Medium Crude Oil	314,777
Total Proved Plus Probable	Light and Medium Crude Oil	525,867
Proved Plus Probable Plus Possible	Light and Medium Crude Oil	689,401

SUMMARY OF OIL AND GAS RESERVES**As of December 31, 2006****FORECAST PRICES AND COSTS**

RESERVES CATEGORY	LIGHT AND MEDIUM OIL RESERVES	
	Company Gross (mdbl)	Company Net (mdbl)
Proved		
Developed Producing	3,947	3,632
Undeveloped	9,616	8,825
Total Proved	13,563	12,457
Probable	10,968	9,998
Total Proved Plus Probable	24,531	22,455
Possible	9,375	8,505
Proved Plus Probable Plus Possible	33,906	30,960

NET PRESENT VALUES OF FUTURE NET REVENUE

As of December 31, 2006

FORECAST PRICES AND COSTS

RESERVES CATEGORY	BEFORE INCOME TAXES DISCOUNTED AT				AFTER HOST COUNTRY INCOME TAXES			
	(%/year)				DISCOUNTED AT (%/year)			
	0	5	10	15	0	5	10	15
	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)
Proved								
Developed Producing	179,170	153,083	133,727	118,768	178,824	152,823	133,526	118,604
Undeveloped	318,563	238,489	182,648	142,412	217,123	163,846	125,894	98,053
Total Proved	497,733	391,572	316,375	261,180	395,947	316,669	259,420	216,657
Probable	360,981	268,953	205,466	160,166	240,180	177,039	133,487	102,466
Total Proved Plus Probable	858,714	660,525	521,841	421,346	636,127	493,708	392,907	319,123
Possible	308,187	216,251	155,813	114,729	205,353	142,590	101,358	73,397
Proved Plus Probable Plus Possible	1,166,901	876,776	677,654	536,075	841,480	636,298	494,265	392,520

TOTAL FUTURE NET REVENUE (undiscounted)

As of December 31, 2006

FORECAST PRICES AND COSTS

RESERVES CATEGORY	REVENUE	ROYALTIES	OPERATING COSTS	DEVELOPMENT COSTS	WELL ABANDONMENT COSTS	FUTURE NET	FUTURE NET	
						REVENUE BEFORE INCOME TAXES	REVENUE AFTER INCOME TAXES	INCOME TAXES
	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)
Total Proved	723,405	59,063	60,562	106,047	-	497,733	101,786	395,947
Total Proved Plus Probable	1,296,563	109,831	110,131	217,887	-	858,714	222,587	636,127
Proved Plus Probable Plus Possible	1,782,317	154,857	152,998	307,561	-	1,166,901	325,421	841,480

FUTURE NET REVENUE BY PRODUCTION GROUP (discounted at 10% /year)

As of December 31, 2006

FORECAST PRICES AND COSTS

RESERVES CATEGORY	PRODUCTION GROUP	FUTURE NET
		REVENUE BEFORE INCOME TAXES
		(M\$)
Total Proved	Light and Medium Crude Oil	316,375
Total Proved Plus Probable	Light and Medium Crude Oil	521,841
Proved Plus Probable Plus Possible	Light and Medium Crude Oil	677,654

**RECONCILIATION OF COMPANY NET RESERVES BY PRINCIPAL PRODUCT TYPE
FORECAST PRICES AND COSTS**

FACTORS	LIGHT AND MEDIUM OIL RESERVES		
	Net	Net	Net Proved
	Proved (mdbl)	Probable (mdbl)	Plus Probable (mdbl)
December 31, 2005	8,795	5,929	14,724
Technical Revisions	5,166	5,010	10,176
Economic Factors	(769)	(941)	(1,710)
Production	(735)	-	(735)
December 31, 2006	12,457	9,998	22,455

**RECONCILIATION OF CHANGES IN NET PRESENT VALUES OF FUTURE NET REVENUE
DISCOUNTED AT 10% PER YEAR
TOTAL PROVED RESERVES - CONSTANT PRICES AND COSTS**

PERIOD AND FACTOR	2006 (M\$)
Estimated Future Net Revenue at December 31, 2005 (without abandonment costs)	148,355
Oil and Gas Sales During the Period Net of Production Costs and Royalties ⁽¹⁾	(34,670)
Changes due to Prices, Royalties and Production Costs Related to Forecast Production ⁽²⁾	15,712
Development Costs During the Period	32,900
Changes In Forecast Development Costs	(64,639)
Accretion of Discount ⁽³⁾	18,559
Net Change in Income Taxes ⁽⁴⁾	(19,310)
Changes Resulting from Technical Reserves Revisions	159,641
Other ⁽⁵⁾	1,680
Estimated Future Net Revenue after host country tax at December 31, 2006 ⁽⁶⁾	258,228

Notes:

- (1) Company actual before income taxes, excluding general and administrative expenses.
- (2) The impact of changes in prices and other economic factors on future net revenue.
- (3) Estimated as 10% of the beginning of period net present value.
- (4) The difference between forecast income taxes at beginning of period and the actual taxes for the period plus forecast income taxes at the end of period.
- (5) Includes changes due to revised production profiles, development timing, actual price received in 2006 versus forecast, etc.
- (6) The estimates of future net revenue do not represent fair market value.

FUTURE DEVELOPMENT COSTS ⁽¹⁾⁽²⁾

YEAR	FORECAST PRICES AND COSTS		CONSTANT PRICES AND COSTS
	Total Proved Reserves	Total Proved Plus Probable Reserves	Total Proved Reserves
	(M\$)	(M\$)	(M\$)
2007	40,908	67,830	40,908
2008	50,894	70,258	49,896
2009	14,245	65,982	13,692
2010	-	13,817	-
2011	-	-	-
Thereafter	-	-	-
Total undiscounted	106,047	217,887	104,496
Total discounted at 10%	94,343	187,463	93,042

Notes:

- (1) The above table sets forth development costs deducted in the estimation of the Company's future net revenue attributable to attributable to the reserve categories noted above.
- (2) Future development costs are expected to be funded by internally generated cash flow, and from a combination of debt and potentially equity financing, the costs of which are not expected to have an effect on the reserves or future net revenue.

2007 PRODUCTION ESTIMATES

The following table sets out the volume of the Company's production estimated for the year ended December 31, 2007 which is reflected in the estimate of future net revenue disclosed in the tables contained in this AIF.

RESERVES CATEGORY	LIGHT AND MEDIUM OIL	
	Company Gross (bbl/d)	Company Net (bbl/d)
Proved Producing		
Orito	2,197	2,021
Neiva	318	293
Total Proved Producing	2,515	2,314
Total Proved		
Orito	3,274	3,012
Neiva	490	451
Total Proved	3,764	3,463
Total Proved Plus Probable		
Orito	3,896	3,584
Neiva	679	625
Total Proved Plus Probable	4,575	4,209
Proved Plus Probable Plus Possible		
Orito	4,039	3,716
Neiva	679	625
Proved Plus Probable Plus Possible	4,718	4,340

PRICING ASSUMPTIONS – Constant Prices and Costs

D&M employed a pricing assumption of \$61.05/bbl price of West Texas Intermediate Crude Oil at Cushing, as of December 31, 2006, in the D&M Report in estimating reserves data using constant prices and costs.

PRICING ASSUMPTIONS – Forecast Prices and Costs

In the D&M Report, D&M employed the following pricing assumptions, as of December 31, 2006, in estimating reserves data using forecast prices and costs.

Year	West Texas Intermediate Crude Oil at Cushing (\$/bbl)	Inflation Rate (%/year)
2006(actual)*	66.25	
2007	65.73	5
2008	68.82	4
2009	62.42	3
2010	58.37	2
2011	55.20	2
Thereafter	+2%/year	various

* Weighted average historical prices realized by the Company for the year ended December 31, 2006 were \$54.54/bbl of light and medium crude oil.

ADDITIONAL INFORMATION RELATING TO RESERVES DATA

Undeveloped Reserves

The following discussion generally describes the basis on which the Company attributes Proved and Probable Undeveloped Reserves and its anticipated plans for developing those Undeveloped Reserves. Additional information concerning the exploration and development plans of the Company for the ensuing year is provided under the heading “*Principal Properties*”.

The Company currently plans to pursue the development of the majority of its Undeveloped Reserves within the next two years through ordinary course capital expenditures. However, the Company may choose to delay development depending on a number of circumstances, including the existence of higher priority expenditures and prevailing commodity prices and cash flow.

Subject to the success of operations, within the next two years, the Company has the following plans regarding the development of proved and probable undeveloped reserves:

- The Company’s undeveloped medium to light oil reserves in the D&M Report are located in Colombia within the Orito Caballos reservoir and at Neiva. The Company’s proved undeveloped reserves are planned to be developed through the drilling of 14 locations at Orito and seven at Neiva along with workovers and fracture stimulations in both fields from 2007 through 2009.
- The D&M Report include an additional 15 probable and 13 possible locations at Orito and 14 probable plus five possible locations at Neiva, which are expected to be drilled starting in 2007 and continuing through 2010.

Undeveloped reserves, like all projects, are subject to competition for capital and consequently may be delayed or accelerated from time to time.

Oil Wells

The following table summarizes the Company's interests as at December 31, 2006, in oil wells, all of which are located onshore.

	Producing		Non-Producing	
	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>
Orito	53	41.9	2	1.6
Neiva	63	43.5	-	-
Total	116	85.4	2	1.6

Land Holdings

The land holdings of the Company in Colombia, including those that are undeveloped as at December 31, 2006, are set forth in the following table (in 000s unless otherwise noted):

Developed		Undeveloped		Total		Avg.
<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>	WI%
45	35	1,501	1,501	1,546	1,536	99%

In Colombia, undeveloped acreage includes rights granted pursuant to ANH exploration contracts (including those contracts which are subject to finalization), which require certain work commitments. If the Company elects not to proceed with additional work commitments, all or a portion of this acreage may revert to the ANH.

Properties with No Attributed Reserves

The undeveloped land holdings of the Company total 1,501,069 acres (gross and net). Undeveloped acreage includes rights granted pursuant to Exploration Contracts, which require certain work commitments. First term commitments for exploration licenses typically include evaluation of existing data and acquisition, processing and interpretation of additional seismic to be acquired by the Company. Subsequent terms typically involve drilling exploration wells.

If, at the end of the exploration term, the Company elects not to proceed with additional work commitments, all or a portion of this acreage may revert back to the ANH.

Forward Contracts and Future Commitments

See Notes 10, "Financial Instruments and Financial Risk Management", and Note 12, "Commitments and Contingencies", to the consolidated financial statements, which information is incorporated herein by reference and can be found on SEDAR at www.sedar.com.

The nature of the crude oil operations exposes the Company to risks associated with fluctuations in commodity prices and foreign currency exchange rates. To date, the Company has not utilized derivative instruments to manage these risks.

Abandonment and Reclamation Costs

The Company's abandonment and reclamation costs were estimated for all legal obligations associated with the retirement of long-lived tangible assets such as wells, facilities and plants based on market prices or on the best information available where no market price was available. The estimated costs are then inflated at 3.5 percent over time until the actual retirement is expected to occur. In Colombia, Ecopetrol maintains ownership of all wells once the IPCs expire. Until expiry, Petrominerales is potentially liable for abandonment and reclamation costs for all wells drilled or intervened by Petrominerales. As of December 31, 2006, 63 wells have either been drilled or intervened under the terms of the IPCs; however Petrominerales expects to incur costs on only 15 wells, due to the fact that most wells are expected to produce beyond the term of the IPCs. In addition to the IPCs Petrominerales has estimated costs to abandon one exploration well drilled in 2006 subject to an exploration contract with different terms than the IPCs.

The total abandonment and reclamation costs net of salvage values of the Company's operations are estimated to be \$3.1 million on an undiscounted basis and \$0.9 million discounted at 10 percent. In the next three financial years the Company anticipates that approximately \$0.3 million on an undiscounted basis and \$0.2 million discounted at 10 percent will be incurred on abandonment and reclamation costs.

The calculation of future net revenue in the constant and forecast prices and costs tables contained herein have excluded \$3.1 million on an undiscounted basis and \$0.9 million discounted at 10 percent from the Company's estimates recorded in the consolidated financial statements, as these calculations do not reflect any costs for abandonment and reclamation activities in Colombia.

Tax Horizon

In Colombia, the Company's tax pools shelter it from paying current cash income taxes. Petrominerales is subject to presumptive income tax and remittance tax in Colombia. The D&M Report does not anticipate an ordinary cash income tax liability in Colombia until 2008; however, Petrominerales expects the tax liability to be delayed until at least 2009 due to additional exploration expenditures beyond what is reflected in the D&M Report.

Capital Expenditures

The following table summarizes capital expenditures related to the Company's activities for the year ended December 31, 2006:

(000s)	
Drilling and completions	\$37,966
Workovers	16,743
Seismic	6,285
Facilities, civil work, health safety and environment	4,997
Other	2,836
Capital expenditures before change in reporting currency	\$68,827
Effect of change in reporting currency	4,538
Total	\$73,365

Exploration and Development

The following table summarizes the gross and net exploratory and development wells in which the Company participated during the year ended December 31, 2006.

	Exploration		Development		Total	
	Gross	Net	Gross	Net	Gross	Net
Colombia						
Oil	-	-	6	4.7	6	4.7
Dry	1	1	-	-	1	1
Total	1	1	6	4.7	7	5.7
Success Rate	0%	0%	100%	100%	86%	82%

The Company's exploration and development plans are discussed under the heading "Description of the Business" and "Principal Properties".

Production

The following table shows the Company's average daily oil production before deduction of royalties payable to others, by major producing region, for each of the last four fiscal quarters and year ended December 31, 2006.

	Three Months Ended				Year Ended
	Mar 31, 2006	June 30, 2006	Sept 30, 2006	Dec 31, 2006	Dec 31, 2006
Orito	1,018	2,291	2,085	2,091	1,875
Neiva	338	321	335	281	319
Total	1,356	2,612	2,420	2,372	2,194

Average Daily Production

<u>Average daily Orito production</u>	<u>2005</u>	<u>2006</u>
Gross field	3,810	5,140
Baseline	<u>(2,944)</u>	<u>(2,767)</u>
Incremental	866	2,373
Petrominerales before royalty (79%)	685	1,875
Royalty (8%)	<u>(55)</u>	<u>(150)</u>
Petrominerales net of royalty	630	1,725

<u>Average daily Neiva production</u>	<u>2005</u>	<u>2006</u>
Gross field	2,993	2,806
Baseline	<u>(2,492)</u>	<u>(2,344)</u>
Incremental	501	462
Petrominerales before royalty (69%)	346	319
Royalty (8%)	<u>(28)</u>	<u>(26)</u>
Petrominerales net of royalty	318	293

Light and Medium Crude Oil Netback (\$ per bbl)

	Three Months Ended			
	Mar 31, 2006	June 30, 2006	Sept 30, 2006	Dec 31, 2006
Average price received	51.12	57.14	57.57	50.58
Royalties	4.09	4.61	4.60	4.05
Operating costs ⁽¹⁾	8.36	5.59	6.97	7.35
Netback	38.67	46.94	46.00	39.18

Notes:

- (1) Operating costs are expenses incurred in the operation of producing properties and include items such as Ecopetrol operating fees, field staff salaries, repairs and maintenance, overhead fees and other costs.

Principal Properties

Development Blocks (IPCs)

The Orito Field, the largest in southern Colombia's Putumayo Basin, has extensive field infrastructure, good seismic control and connection to an underutilized export pipeline with deep water loading facilities, enabling fiscalization of incremental oil production. Historically Colombia's state oil company, Ecopetrol, had managed the field without the capital resources needed for a comprehensive program of late-primary exploitation and secondary recovery. Pursuant to the IPC, Petrominerales gains access to all existing infrastructure and data, while Ecopetrol participates in any incremental upside Petrominerales generates over the life of the contract, which terminates in June 2023. The Orito IPC covers 42,492 gross acres. The Caballos formation is a reservoir containing four major sand packages and is interpreted to have a strongly tilted oil-water contact that varies from a depth of 5,200 feet sub-sea in the northern part of the field to 6,200 feet sub-sea in the south. This aquifer provides pressure support to the Caballos reservoir as evidenced by relatively unchanged pressures since 1980. In addition, the Caballos reservoir fluid is compositionally graded, ranging at original conditions from a conventional black 29° API oil at structurally low positions, increasing to ±45° API oil with decreasing depth, and culminating in a gas-condensate region at the very top of the reservoir. The complex fluid combined with the tilted contact and structural nature of the reservoir results in a system that has several drive processes occurring simultaneously. "Combination drive" reservoirs (water drive, solution gas drive, and gas cap expansion) tend to exhibit high recovery efficiencies that can reach over 40 percent of the original-oil-in-place. Cumulative total production from the Caballos zone of approximately 185 million barrels ("mmbbl") is considerably below average for a field of this type. To enhance current production, Petrominerales is employing a combination of late-stage primary recovery techniques, such as drilling in-fill wells, changing from gas lift to electrical submersible pumps, and re-completing wells to enhance oil inflow.

In 2006, gross field production at Orito averaged 5,140 bbl/d and baseline production averaged 2,767 bbl/d, resulting in average incremental production of 2,373 bbl/d (1,875 bbl/d working interest to the Company before deduction of an eight percent royalty).

As at the date of this Annual Information Form, the Orito field has produced just over 228 mmbbl, including approximately 188 mmbbl from the Caballos zone, the most significant of three reservoirs at Orito. The majority of The Company's expenditures to date have targeted the Caballos zone, as will be the case for the remainder of 2007 and 2008. Management of Petrominerales believes that the Orito field offers numerous opportunities to create value through in-fill drilling, field extension, facilities upgrades, secondary recovery and other enhancement techniques proven in Canada and elsewhere. The Company secured two drilling rigs under longterm contracts and commenced a continuous drilling program at Orito in June 2006 with one rig. The second rig is expected to commence drilling in Orito after completion of Llanos Basin exploration programs in 2007.

The Neiva Field in the Upper Magdalena Basin lies approximately 300 kilometres northeast of Orito. Neiva has shallow multi-zone reservoirs facilitating low-risk exploitation drilling. Neiva's reservoir consists of sand-shale sequences totalling up to 1,500 feet of gross pay in the Honda and Doima/Chicoral zones. Petrominerales holds 2,395 gross acres (1,653 net acres) of land at Neiva under an IPC that expires in June 2023. Petrominerales has drilled seven Honda zone wells, one Doima/Chicoral well and performed 16 workovers. In 2006, average daily production in the Neiva field was 2,806 bbl/d and baseline production averaged 2,344 bbl/d, resulting in average incremental production of 462 bbl/d (319 bbl/d working interest to the Company before deduction of an eight percent royalty).

In 2006, Petrominerales completed the initial phase of fracture stimulations involving five test wells in the Honda and Doima-Chicoral reservoirs. The DT-56 (Doima-Chicoral) stimulation was successful, doubling gross oil production rates to 170 from 86 bbl/d. The Honda formation fracture stimulations included installation of progressive cavity pumps that have initially resulted in significant increases in production.

Exploration Blocks – Colombia

Exploration is playing an increasingly important role in the Company's activities in Colombia. During the course of 2006, Petrominerales took advantage of the opportunities provided under the new exploration contracts being offered by the ANH. All operators were afforded access to any un-contracted lands by committing to a minimum exploration work plan with no initial land costs. Contractors obtain access to all available geological and geophysical data, and initial work commitments typically involve shooting new seismic within the first year.

Companies can then drop the block or extend the contract for an additional year by electing to drill an exploration well. The exploration period can normally be extended for up to six years by drilling additional wells. Once commerciality of a field is declared, the development phase lasts an additional 24 years, which can be extended in certain circumstances. These new terms provide a successful company the right to all reserves and production from newly discovered fields, subject to normal royalties (initially eight percent) and income taxes (2006 – 38.5 percent; 2007 – 34 percent; thereafter – 33 percent).

Beginning in January 2007, Petrominerales began a five-well drilling program to test the initial prospects on each of the Casanare Este, Casimena, Corcel and Las Aguilas blocks, as well as a second test on the Joropo block. In addition, Petrominerales signed agreements for two exploration blocks, Mapache and Castor, covering a significant portion of the original Chicago TEA and has now proposed an additional four blocks over the old Rio Ariari, Chiguiro and Guatiquia TEAs. Petrominerales has also applied for two additional blocks adjoining the Joropo block.

Petrominerales holds 72,257 acres in the Joropo area. Petrominerales drilled an initial test well on this block (Ojo de Tigre-1), in March 2006, which was abandoned due to a lack of commercial hydrocarbons. To extend the term of the license, Petrominerales commenced drilling on a second distinct seismic anomaly in January 2007. The Ojo de Tigre-2 well was initially drilled to a total depth of 8,309 feet and logged and evaluated. Based on the Company's evaluation, and the geological and hydrocarbon indications in this well, a decision was made to side-track to a more favourable bottom-hole location. This second well from the same surface location, Ojo de Tigre-2 Side-Track, was drilled to a total depth of 8,419 feet and has been cased as a potential oil well. The well was cored through certain prospective intervals with indications of high quality oil bearing sands, which was confirmed by subsequent logs indicating a primary target with net oil pay in excess of 25 feet. As of the date of this Annual Information Form, the well is currently being tested. This portion of the Llanos Basin is subject to wet surface conditions during the summer months, and Petrominerales is evaluating alternatives to allow long-term, year-round production of this well. Successful development of this discovery will most likely include upgraded surface access, which would allow for year-round production.

In total, as of the date of this Annual Information Form, Petrominerales has now finalized or is in the process of finalizing the last six of 13 exploration contracts which will bring Petrominerales' holdings to over 1.5 million acres.

The following table summarizes the Company's exploration properties in Colombia:

Exploration Blocks	Area (acres)	Current Commitments	Phase Option Date
CASANARE ESTE	78,815	One exploratory well	June 2, 2007
CORCEL ⁽¹⁾	79,815	One exploratory well	September 2, 2007
LAS AGUILAS	32,215	One exploratory well	October 21, 2007
CASIMENA	107,704	One exploratory well	November 3, 2007
JOROPO ⁽²⁾	72,257	Two exploratory wells + 30 km ² 3-D seismic	March 7, 2009
CASTOR	108,741	30 km ² 3-D seismic + 1 exploratory well	June 14, 2008
MAPACHE	107,861	40 km ² 3-D seismic + 2 exploratory wells	June 30, 2008
JAGUAR ⁽³⁾	64,939	33 km ² 3-D seismic	
JABALI ⁽³⁾	4,183	3 km ² 3-D seismic	
GUATIQUEIA ⁽³⁾	26,341	14 km ² 3-D seismic	
CHIGUIRO ⁽³⁾	178,272	90 km ² 3-D seismic	
CHIGUIRO OESTE ⁽³⁾	125,952	160 km 2-D seismic	
RIO ARIARI ⁽³⁾	513,974	416 km 2-D seismic	
Exploration acreage	<u>1,501,069</u>		

Notes:

- (1) Subject to a three percent overriding royalty before payout is granted to the Company's partner, which converts to an eight percent net profits interest after payout.
- (2) Subject to a 10 percent overriding royalty before payout granted to the original operator of the block, which converts to a 22 percent net profits interest after payout.
- (3) Proposed or pending finalization

RISK FACTORS

Nature of the Oil Business

An investment in Petrominerales should be considered speculative due to the nature of the Company's involvement in the exploration for, and the acquisition, development and production of, crude oil in Colombia. The volume of production from oil and natural gas properties generally declines as reserves are depleted, with the rate of decline depending on reservoir characteristics. The Company's proved reserves will decline as reserves are produced from its properties unless it is able to acquire or develop new reserves. The business of exploring for, developing or acquiring reserves is capital intensive. To the extent cash flow from operations is reduced and external sources of capital become limited or unavailable, the Company's ability to make the necessary capital investment to maintain or expand the Company's asset base of oil reserves will be impaired. In addition, there can be no assurance that even if the Company is able to raise capital to develop or acquire additional properties to replenish the Company's reserves,

the Company's future exploration, development and acquisition activities will result in additional proved reserves or that the Company will be able to drill productive wells at acceptable costs. The cost of drilling, completing and operating wells is often uncertain, and drilling operations may be curtailed, delayed or cancelled as a result of a variety of factors, including unexpected drilling conditions, pressure or irregularities in formations, equipment failures or accidents, adverse weather conditions, compliance with governmental requirements and shortages or delays in the availability of drilling rigs and the delivery of equipment. With the exception of the Company's interest in the Orito and Neiva fields, the properties in which the Company has an interest are prospects in which the presence of oil reserves in commercial quantities has not been established. There is no certain way to know in advance whether any of the Company's prospects will yield oil in commercial quantities.

Commodity Price Fluctuations

Crude oil prices are unstable and are subject to fluctuation. Any material decline in prices could result in a reduction of the Company's net production revenue and overall value and could result in ceiling test writedowns. It may become uneconomic to produce from some wells as a result of lower prices, which could result in a reduction in the volumes and value of the Company's reserves. Petrominerales might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in the Company's net production revenue causing a reduction in its acquisition and development activities. A substantial material decline in prices from historical average prices could reduce the Company's ability to borrow funds.

Reliance on Third Party Operators and Key Personnel

To the extent that the Company is not the operator of its properties, as is the case in Colombia where Ecopetrol operates the Company's production at Orito and Neiva, the Company will be dependent upon other guarantors or third parties' operations for the timing of activities and will be largely unable to control the activities of such operators. In addition, the Company's success depends, to a significant extent, upon management and key employees. The loss of key employees could have a negative effect on the Company. Attracting and retaining additional key personnel will assist in the expansion of the Company's business. The Company faces significant competition for skilled personnel. There is no assurance that the Company will successfully attract and retain personnel required to continue to expand its business and to successfully execute its business strategy.

Competition

The oil industry is intensely competitive. Competition is particularly intense in the acquisition of prospective oil properties and oil and gas reserves. The Company's competitive position depends on its geological, geophysical and engineering expertise, its financial resources, its ability to develop its properties and its ability to select, acquire and develop proved reserves. Petrominerales competes with a substantial number of other companies having larger technical staffs and greater financial and operational resources. Many such companies not only engage in the acquisition, exploration, development and production of oil reserves, but also carry on refining operations and market refined products. Petrominerales also competes with major and independent oil companies and other industries supplying energy and fuel in the marketing and sale of oil to transporters, distributors and end users, including industrial, commercial and individual consumers. Petrominerales also competes with other oil companies in attempting to secure drilling rigs and other equipment necessary for drilling and completion of wells. Such equipment may be in short supply from time to time, and has been in particularly short supply recently due to the increase in the market price of oil. In addition, equipment and other materials necessary to construct production and transmission facilities may be in short supply from time to time. Finally, companies not previously investing in oil may choose to acquire reserves to establish a firm supply or simply as an investment. Such companies will also provide competition for Petrominerales.

Financial Resources

The Company's cash flow from operations may not be sufficient to fund its ongoing activities and implement its business plans. From time to time the Company may enter into transactions to acquire assets or the shares of other companies. These transactions along with the Company's ongoing operations may be financed partially or wholly with debt, which may increase the Company's debt levels above industry standards. Depending on future exploration and development plans, the Company may require additional financing, which may not be available or, if available, may not be available on favourable terms. Failure to obtain such financing on a timely basis could cause the Company to forfeit or forego various opportunities that would otherwise be beneficial to the Company and its shareholders.

The Company's Oil Production Could Vary Significantly From Reported Reserves

The Company's reserve evaluations have been prepared in accordance with NI 51-101. There are numerous uncertainties inherent in estimating quantities of reserves and cash flows to be derived therefrom, including many factors that are beyond the control of the Company. The reserves information set forth in this Annual Information Form represent estimates only. The reserves from the Company's properties have been independently evaluated by D&M in the D&M Report. The D&M Report include a number of assumptions relating to factors such as initial production rates, production decline rates, ultimate recovery of reserves, timing and amount of capital expenditures, marketability of production, future prices of oil, operating costs and royalties and other government levies that may be imposed over the producing life of the reserves. These assumptions were based on price forecasts in use at the date the relevant evaluations were prepared and many of these assumptions are subject to change and are beyond the control of the Company. Actual production and cash flows derived therefrom will vary from these evaluations, and such variations could be material. These evaluations are based, in part, on the assumed success of exploitation activities intended to be undertaken in future years. The reserves and estimated cash flows to be derived therefrom contained in such evaluations will be reduced to the extent that such exploitation activities do not achieve the level of success assumed in the evaluations. The Company is subject to risks related to its operations in Colombia, including those related to the development, production, marketing, transportation of crude oil, taxation and environmental and safety matters. The Company may be adversely affected by changes in governmental policies or social instability or other political or economic developments in Colombia that are outside the Company's control including among other things, expropriation, risks of war and terrorism, foreign exchange and repatriation restrictions, changing political conditions and monetary fluctuations and changing governmental policies including taxation policies. Canadian GAAP requires that management apply certain accounting policies and make certain estimates and assumptions, which affect reported amounts in the consolidated financial statements of the Company. The accounting policies may result in non-cash charges to net income and write-downs of net assets in the financial statements. Such non-cash charges and write-downs may be viewed unfavourably by the market and result in an inability to borrow funds and/or may result in a decline in the trading price of the common shares. Under Canadian GAAP, the net amounts at which petroleum costs on a property or project basis are carried are subject to a ceiling-test, which is based upon estimated future net cash flow from reserves. The carrying value is assessed to be recoverable when the sum of the undiscounted cash flows expected from the production of proved reserves, the lower of cost and market of unproved properties and the cost of significant development projects exceeds the carrying value. When the carrying value is not assessed to be recoverable, an impairment loss is recognized to the extent that the carrying value of assets exceeds the sum of the discounted cash flows expected from the production of proved and probable reserves, the lower of cost and market of unproved properties and the cost of significant development projects. A decline in the net value of oil properties could cause capitalized costs to exceed the cost ceiling, resulting in a charge against earnings.

Availability of Equipment and Access Restrictions

Oil exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to the Company and may delay exploration and development activities. There can be no assurance that sufficient drilling and completion equipment, services and supplies will be available when needed. Shortages could delay the Company's proposed exploration, development, and sales activities and could have a material adverse effect on the Company's financial condition. If the demand for, and wage rates of, qualified rig crews rise in the drilling industry then the oil industry may experience shortages of qualified personnel to operate drilling rigs. This could delay the Company's drilling operations and adversely affect the Company's financial condition and results of operations. To the extent Petrominerales is not the operator of its oil properties, Petrominerales will be dependent on such operators for the timing of activities related to such properties and will be largely unable to direct or control the activities of the operators.

Operating Hazards

Oil exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blowouts and oil spills, each of which could result in substantial damage to oil wells, production facilities, other property and the environment or in personal injury. In accordance with industry practice, the Company is not fully insured against all of these risks, nor are all such risks insurable. Although Petrominerales maintains liability insurance in an amount that it considers adequate and consistent with industry practice, the nature of these risks is such that liabilities could exceed policy limits, in which event Petrominerales could incur significant costs that could have a material adverse effect upon its financial condition. Oil production operations are also subject to all the risks typically associated with such operations, including premature decline of reservoirs and the invasion of water into producing formations.

Environmental

All phases of the oil business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and state and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to foreign governments and third parties and may require the Company to incur significant costs to remedy such discharge. No assurance can be given that changes in environmental laws or their application to the Company's operations will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect the Company's financial condition, results of operations or prospects.

International Operations

International operations are subject to political, economic and other uncertainties, including but not limited to, risk of terrorist activities, revolution, border disputes, expropriation, renegotiations or modification of existing contracts, import, export and transportation regulations and tariffs, taxation policies, including royalty and tax increases and retroactive tax claims, exchange controls, limits on allowable levels of production, currency fluctuations, labour disputes and other uncertainties arising out of foreign government sovereignty over the Company's international operations. The Company's operations may also be adversely affected by applicable laws and policies of Colombia, the effect of which could have a negative impact on the Company.

Security

Colombia has a publicized history of security problems associated with kidnapping and activities of certain political and narcotics terrorist groups. The Company and its personnel are subject to these risks. It is difficult to obtain insurance coverage to protect against incidents involving such groups and, as a result, the Company's insurance program excludes this coverage. Consequently, incidents involving such groups in the future, whether directed at the Company or at the industry in Colombia generally, could negatively affect investors' confidence in the Company and its prospects, resulting in a reduction in the Company's trading price and ability to raise new financing. In addition to the potential effect of direct terrorist activities against the Company's facilities, increased kidnapping and terrorist activity in Colombia generally may disrupt supply chains and discourage qualified individuals from being involved with the Company's operations.

Foreign Currency and Fiscal Matters

The Company's operations and expenditures are to some extent paid in foreign currencies. As a result, the Company is exposed to market risks resulting from fluctuations in foreign currency exchange rates. A material drop in the value of any such foreign currency could result in a material adverse effect on the Company's cash flow and revenues. Currently, there are no significant restrictions on the repatriation of capital and distribution of earnings from Colombia to foreign entities. There can be no assurance, however, that restrictions on repatriation of capital or distributions of earnings from Colombia will not be imposed in the future. Amendments to current taxation laws and regulations which alter tax rates and/or capital allowances could have a material adverse impact on Petrominerales. Petrominerales also has a subsidiary that is incorporated in a different tax jurisdiction. To the extent revenues and expenditures denominated in or strongly linked to the United States dollar are not equivalent, the Company is exposed to exchange rate risk. The Company is exposed to the extent United States dollar revenues do not equal United States dollar expenditures. In addition, a portion of expenditures in Colombia are denominated in pesos, which are difficult to hedge. The Company is not currently using exchange rate derivatives to manage exchange rate risks.

Political and Regulatory

The oil industry in general is subject to extensive government policies and regulations, which result in additional cost and risk for industry participants. Environmental concerns relating to the oil industry's operating practices are expected to increasingly influence government regulation and consumption patterns which favour cleaner burning fuels such as natural gas. The Company is uncertain as to the amount of operating and capital expenses that will be required to comply with enhanced environmental regulation in the future. The Company is also subject to changing and extensive tax laws, the effects of which cannot be predicted. Among other things, the Company and PCL are subject to regulatory filings with respect to the repatriation of funds to its shareholders which must be complied with to avoid sanctions. Legal requirements are frequently changed and subject to interpretation, and the Company is unable to predict the ultimate cost of compliance with these requirements or their effect on its operations. Existing laws or regulations, as currently interpreted or reinterpreted in the future, or future laws or regulations may change in the future and materially adversely affect the Company's results of operations and financial condition. Petrominerales is conducting exploration and development activities in Colombia, and is dependent on receipt of government approvals or permits to develop its properties. Based on past performance, Petrominerales believes that the government of Colombia supports the exploration and development of its oil properties by foreign companies. Nevertheless, there is no assurance that future political conditions in Colombia will not result in the government adopting different policies respecting foreign development and ownership of oil, environmental protection and labour relations. This may affect the Company's ability to undertake exploration and development activities in respect of present and future properties, as well as its ability to raise funds to further such activities. Any delays in receiving government approvals or permits or no objection certificates may delay the Company's operations or may affect the status of the Company's contractual arrangements or its ability to meet its contractual obligations.

Legal Systems

The Company is incorporated in the Bahamas. PCL, which represents substantially all of the Company's assets, is incorporated in Bermuda and carries on all of its material operations in Colombia. Accordingly, the Company is subject to the legal systems and regulatory requirements of a number of jurisdictions with a variety of requirements and implications for shareholders of the Company. International exploration and development activities may require protracted negotiations with host governments, national oil companies and third parties. Foreign government regulations may favour or require the awarding of drilling contracts to local contracts or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. If a dispute arises with foreign operations, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons, especially foreign oil ministries and national oil companies, to the jurisdiction of the Bahamas.

Colombia may have a less developed legal system than jurisdictions with more established economies, which may result in risks such as: (i) effective legal redress in the courts of such jurisdictions, whether in respect of a breach of law or regulation or in an ownership dispute, being more difficult to obtain; (ii) a higher degree of discretion on the part of governmental authorities; (iii) the lack of judicial or administrative guidance on interpreting applicable rules and regulations; (iv) inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; or (v) relative inexperience of the judiciary and courts in such matters. In certain jurisdictions the commitment of local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to licenses and agreements for business. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. There can be no assurance that joint ventures, licenses, license applications or other legal arrangements will not be adversely affected by the actions of government authorities or others and the effectiveness of and enforcement of such arrangements in these jurisdictions cannot be assured.

Cost of New Technologies

The oil industry is characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. Other oil companies may have greater financial, technical and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before the Company does. There can be no assurance that the Company will be able to respond to such competitive pressures and implement such technologies on a timely basis or at an acceptable cost. One or more of the technologies currently utilized by the Company or implemented in the future may become obsolete. In such case, the Company's business, financial condition and results of operations could be materially adversely affected. If the Company is unable to utilize the most advanced commercially available technology, the Company's business, financial condition and results of operations could be materially adversely affected.

Marketability of Production

The marketability and ultimate commerciality of oil acquired or discovered is affected by numerous factors beyond the control of Petrominerales. These factors include reservoir characteristics, market fluctuations, the proximity and capacity of oil pipelines and processing equipment and government regulation. Oil operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government, which may be amended from time to time. See "*Industry Conditions*". Restrictions on the ability to market the Company's production could have a material adverse effect on the Company's revenues and financial position.

Hedging Activities

From time to time the Company may enter into agreements to receive fixed prices on its oil production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, the Company will not benefit from such increases.

Conflicts of Interest

Petrobank will hold, through its ownership of Petro International, 80.7% percent of the outstanding common shares. Accordingly, Petrobank will have the ability to control the composition of a majority of the Board of Directors and approve significant corporate events requiring shareholder approval, subject to requirements of applicable corporate law and stock exchange rules requiring approval of minority shareholders. Three of the seven directors of the Company are also directors of Petrobank; the Company and Petrobank have a common chief executive officer and the Company's chief financial officer is also a member of Petrobank's senior management. The interests of Petrobank may not always be aligned with the interest of public shareholders of the Company. In addition, certain of the directors of the Company may have associations with other oil companies or with other industry participants with whom the Company conducts business. The directors of the Company are required by applicable corporate law to act honestly and in good faith with a view to the Company's best interests and to disclose any interest which they may have in any project or opportunity to the Company. However, their interests in the other companies may affect their judgment and cause such directors to act in a manner that is not necessarily in the best interests of the Company.

Relationship with Petrobank

Through the Management Services Agreement, the Technical Services Agreement, the Joint Operating Agreement, the Option Agreement and the Technology License Agreement, the Company has a close relationship with Petrobank and its affiliates, particularly with respect to senior management and heavy oil technology issues. To the extent that the applicable counterparties to these agreements are not able to fulfill their obligations under these agreements, this could have an adverse effect on the Company's operations and results. The Share Exchange Agreement pursuant to which the Company acquired the shares of PCL (and indirectly, all of the Company's business) provides, in effect, that the shares of PCL are being acquired from Petro International on an "as is" basis, with very limited representations and warranties. The Share Exchange Agreement does not require Petro International to indemnify the Company with respect to matters relating to the Reorganization Transactions, including any liabilities that may arise with respect to environmental, tax or other matters. Although the Company is not aware of any material liabilities relating to PCL or its assets, there may be liabilities and contingencies that the Company does not discover until some time in the future, and for which Petrobank and Petro International will not indemnify the Company. The discovery of any material liabilities or contingencies could have a material adverse effect on the Company's business, financial condition and results of operations.

DIVIDEND POLICY

The Company has not declared or paid any dividends on its common shares to date. The payment of dividends in respect of the common shares in the future will be dependent on the Company's earnings, financial condition and such other factors as the Company's Board of Directors considers appropriate.

CAPITAL STRUCTURE

The Company is authorized to issue 200,000,000 common shares. The holders of common shares are entitled to vote at all meetings of the Company's shareholders, receive any dividend declared by the Board of Directors on the common shares from time to time and receive the Company's remaining property and assets upon its dissolution.

MARKET FOR SECURITIES

The Company's common shares are listed on the Toronto Stock Exchange (the "TSX") under the symbol "PMG". The following table shows the range of high and low prices per share as at the close of market and total monthly volume of common shares traded on the TSX since listing on the TSX on June 29, 2006.

Month	Price per Common Share (Cdn\$)		Total Volume
	High	Low	
February 2007	3.40	2.95	1,195,025
January 2007	4.00	3.05	564,357
December 2006	4.28	3.50	793,566
November 2006	4.25	3.80	271,269
October 2006	4.50	3.95	789,341
September 2006	4.45	3.70	718,957
August 2006	4.90	3.90	2,962,125
July 2006	4.00	3.65	758,426
June 2006	4.24	3.77	198,484

Note:

- (1) As the common shares of the Company commenced trading on the TSX on June 29, 2006, information in the table above is provided for the period from June 29, 2006 to February 28, 2007.

EXECUTIVE OFFICERS, KEY EMPLOYEES AND DIRECTORS

Executive Officers and Key Employees

The following table provides the names and municipalities of residence of the Company's executive officers and key employees as well as their positions with the Company and principal occupations for the previous five years.

Name and Municipality of Residence	Position Held	Principal Occupation in the Past Five Years
John D. Wright Calgary, Alberta, Canada	President, Chief Executive Officer and Director	President, Chief Executive Officer and Director of the Company since May 2006; President and Director of PCL and predecessor companies since May 22, 2002; President, Chief Executive Officer and Director of Petrobank since March 2000.
Steven J. Benedetti Bogotá, Colombia	Senior Vice President and Colombian Country Manager	Senior Vice President and Colombian Country Manager of the Company since May 2006; Vice President and Director of PCL and predecessor companies since November 22, 2004; Vice President for Latin America of Petrobank since January 1, 2004; prior thereto President of Southern Cone Energy Consultants in Houston and Santiago, Chile from June 2002 to December 2003; prior thereto Vice President of Latin America for Samson Investment Company from April 2000 to June 2002; prior thereto geologist, geological manager and country manager for Unocal (Union Oil Co. of California) in several locations in the United States, The Netherlands, Venezuela and Argentina.

Mark R. Holliday Bogotá, Colombia	Vice President, Operations	Vice President, Operations of the Company since May 2006; Operations Manager of PCL since September 2003; Consulting Engineer for Seacrest Engineering Inc. from January 2002 to September 2003; Drilling Planning and Design Manager for Pluspetrol E&P from August 2000 to January 2002; Drilling Manager for Alberta Energy Company, Ecuador / Argentina from June 1998 to August 2000.
A. Paul Kroshko Calgary, Alberta, Canada	Vice President, Exploration	Vice President Exploration of the Company since May 2006; Latin American Exploration Manager of Petrobank since March 2005; President of TechEx Corp. from June 2004 to March 2005; Senior Staff Geophysicist of Nexen Colombia from December 2001 to June 2004; President TechEx Corp. from January 1995 to December 2001.
Alastair MacDonald Pembroke, Bermuda	Corporate Secretary and Director	Corporate Secretary and Director of the Company since April 2006; Corporate Secretary of PCL and predecessor companies since September 1996; Chief Executive Officer of Triathlon Ltd., a financial advisory company from November 1996 to present.
Tannya E. Morales Bogotá, Colombia	Corporate Controller	Corporate Controller of the Company since May 2006; Colombian Finance Director of Petrobank since March 2004; various positions with EnCana Corporation including Finance Manager Ecuador, International Accounting Manager, and Corporate Financial Advisor from July 1998 to December 2003.
Corey C. Ruttan Calgary, Alberta, Canada	Vice President, Finance and Chief Financial Officer	Vice President, Finance and Chief Financial Officer of the Company since May 2006; Vice President Finance of Petrobank Energy and Resources Ltd. since May 2006. Director of Corporate Finance and Investor Relations of Petrobank since July 2003; Director of Corporate Finance of Petrobank from October 2001 to July 2003; Manager of Corporate Finance of Petrobank from March 2000 to October 2001.

Biographies

John D. Wright is the Company's President and Chief Executive Officer. Mr. Wright has been President, Chief Executive Officer and a Director of Petrobank since March 2000 and of the Company since May 2006. Previously, Mr. Wright was the General Manager of Alberta Energy Company's Ecuadorian operations from May to December 1999; President and Chief Executive Officer of Pacalta Resources Ltd. from May 1996 to June 1999; Executive Vice President and Chief Operating Officer of Morgan Hydrocarbons Inc. from December 1993 to April 1996; and Vice President Production of Morgan Hydrocarbons Inc. from 1989 to 1993. Mr. Wright graduated from the University of Alberta in 1981 with a Bachelor of Science degree in Petroleum Engineering and obtained his Certified Financial Analyst designation in 1986.

Steven J. Benedetti is the Company's Senior Vice President and Colombian Country Manager. Mr. Benedetti was appointed Senior Vice President and Colombian Country Manager in May 2006 and has been Vice President Latin America and Colombian Country Manager of Petrobank since January 1, 2004. Mr. Benedetti previously served as President of Southern Cone Energy Consultants in Houston, Texas and Santiago, Chile from June 2002 to December 2003; and Vice President of Latin America for Samson Investment Company from April 2000 to June 2002. Prior thereto, Mr. Benedetti worked 24 years with Unocal (Union Oil Co. of California) as geologist,

exploration manager and country manager in several locations in the United States, The Netherlands, Venezuela and Argentina. Mr. Benedetti received a Bachelor of Science degree in Geology from Idaho State University in 1974 and a Master of Science degree in Geology from Texas Christian University in 1976.

Mark R. Holliday is the Company's Vice President, Operations. Mr. Holliday was appointed VP operations in May 2006 and has been Latin America Operations Manager for Petrobank since September 2003. Prior thereto, Mr. Holliday served as Consulting Engineer for Seacrest Engineering Inc. from 2002 to 2003, as Drilling Planning and Design Manager for Pluspetrol E&P from 2000 to 2002, as Drilling Manager for Alberta Energy Company, Ecuador/Argentina from 1998 to 2000, as Senior Drilling Engineer with Amoco Venezuela from 1996 to 1998, as Drilling Engineer/Well Site Supervisor for Amoco Orient Company from 1993 to 1996, and as a Drilling Engineer for Amoco Production Company from 1992 to 1996. Mr. Holliday obtained a Bachelor of Science degree in Petroleum Engineering from Louisiana State University in 1992 and an Associate degree in Science in Petroleum Technology from McNeese State University in 1986. Mr. Holliday is a member of the Society of Petroleum Engineers and of the Louisiana State Board of Registration for Professional Engineers and Land Surveyors.

A. Paul Kroshko is the Company's Vice President, Exploration. Mr. Kroshko was appointed VP Exploration in May 2006 and has been Latin America Exploration Manager for Petrobank since March 2005. From December 2001 to June 2004, Mr. Kroshko held a technical position with Nexen (Colombia), initially as a consultant and then as Senior Staff Geophysicist. Prior thereto, Mr. Kroshko served as President of TechEx Corp., an independent oil and gas exploration and consulting company, from April 1993. During this time, Mr. Kroshko also served on the board of directors of Petromin Resources Ltd. from May 1995 to March 2001 and on the board of directors of Mobius Resource Corporation from February 1996 to January 1997. From September 1987 to March 1993 Mr. Kroshko held two positions as foreign advisor on Canadian aid programs to the national oil companies of Morocco (September 1987 to October 1990) and Colombia (May 1992 to February 1993). Mr. Kroshko has held a number of other positions internationally and in North America, including Chief Geophysicist for Sceptre Resources Indonesia. Mr. Kroshko obtained a Bachelor of Science degree in Geophysics from the University of Western Ontario in 1974 and is a member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta.

Alastair MacDonald is the Company's Corporate Secretary. Mr. MacDonald has been a director and the Corporate Secretary of the Company since April 2006. Mr. MacDonald has been a director of PCL and predecessor companies since its incorporation in September 1996. A former banker with the Bank of Bermuda Ltd., Mr. MacDonald has been Chief Executive Officer of a financial advisory company in Bermuda since 1996. In this capacity he has been a director and officer of numerous companies in the oil and gas exploration field as well as in the high tech and computer fields. Prior to this, Mr. MacDonald was a banker at the Bank of Bermuda Ltd., where he served as Manager of the Private Banking Department from October 1991 to October 1996. Mr. MacDonald has a Bachelors degree from McGill University and a Masters degree from the University of British Columbia.

Tannya E. Morales is the Company's Corporate Controller. Ms. Morales was appointed Corporate Controller in May 2006 and has been Colombian Finance Director of Petrobank since March 2004. She held positions with EnCana Corporation and its predecessors Alberta Energy Company and Pacalta Energy Ltd. including Finance Manager (Ecuador), and International Accounting Manager and Corporate Financial Advisor (Canada) from July 1998 to December 2003. She was Finance and Administrative Director of Rhone Poulenc Rorer in Ecuador from July 1997 to July 1998 and served as Assistant Controller at Occidental Petroleum from January 1988 to July 1997. She was a public accountant with Arthur Andersen & Co. between 1986 and 1988. Ms. Morales obtained her C.P.A. designation in 1989 and a Masters degree in Business Administration from the University San Francisco in 1996.

Corey C. Ruttan is the Company's Vice President, Finance and Chief Financial Officer. Mr. Ruttan was appointed Vice President Finance and Chief Financial Officer of the Company in May 2006 and has held various positions with Petrobank since March 2000 including Vice President Finance, Director of Corporate Finance and Investor Relations, Director of Corporate Finance and Manager of Corporate Finance. Mr. Ruttan previously served as Vice President of Caribou Capital Corp. from June 1999 to March 2000; Manager Financial Reporting of Pacalta Resources Ltd. from May 1997 to June 1999; and articulated with KPMG from September 1994 to May 1997. Mr.

Ruttan obtained his Bachelor of Commerce degree majoring in Accounting from the University of Calgary in 1994 and obtained his Chartered Accountant designation in 1997.

Directors

The following table provides the names and municipalities of residence of the Company's directors together with brief biographies, the date they were first appointed to the Company's Board of Directors and their principal occupation for the previous five years.

Name and Municipality of Residence	Director Since	Principal Occupation in the Past Five Years
John D. Wright ⁽³⁾ Calgary, Alberta, Canada	May 2006	President, Chief Executive Officer and Director of Petrobank Energy and Resources Ltd. since March 2000.
Jerald L. Oaks ⁽²⁾ Greenwood Village, Colorado, USA	May 2006	Director of Petrobank Energy and Resources Ltd. since September 1993, Professional Engineer, President of Oaks Resources Management Inc. since June 1986.
Kenneth R. McKinnon ⁽¹⁾⁽²⁾ Calgary, Alberta, Canada	May 2006	Director of Petrobank Energy and Resources Ltd. since March 2000, Corporate Secretary of Petrobank Energy and Resources Ltd. from November 1997 to December 2004; Vice President Legal Affairs and General Counsel of Critical Mass Inc. since September 2000.
Enrique Umaña-Valenzuela ⁽¹⁾ Bogotá, Colombia	May 2006	Trade and investment consultant since May 2005, Director of Sociudades Bolivar since March 2006, President of Coinvertir - Invest in Colombia Corporation from July 1997 to April 2005.
Ernesto Sarpi ⁽³⁾ Naples, Italy	May 2006	Self-employed consultant from June 2004 to May 2006; Manager of New Ventures of ENI SpA. Agip Div. from November 1999 to May 2004.
Geir Ytreland ⁽²⁾⁽³⁾ Droebak, Norway	May 2006	Self-employed consultant since April 2000; General Manager Norsk Hydro from March 1993 to March 2000; Project Manager for development of the East Timor petroleum industry since January 2004.
Alastair MacDonald ⁽¹⁾ Pembroke, Bermuda	April 2006	Corporate Secretary and Director of the Corporation since April 2006; Director of Petrominerales Colombia Ltd. and predecessor companies since September 1996; Chief Executive Officer of Triathlon Ltd., a financial advisory company since November 1996.

Notes:

- (1) Member of the Audit Committee.
- (2) Member of Compensation Committee.
- (3) Member of the Reserves Committee

Biographies

For a biography of each of Mr. Wright and Mr. MacDonald see “*Executive Officers, Key Employees and Directors — Executive Officers and Key Employees*”.

Kenneth R. McKinnon. Kenneth R. McKinnon: Mr. McKinnon obtained his Bachelor of Commerce from the University of Calgary (Accounting) in 1980 and obtained his Bachelor of Laws from Queens University in 1983. Mr. McKinnon was Vice President, Finance and Chief Financial Officer of Petrobank from November 1997 to March 2000. Mr. McKinnon is also a Director and member of the Audit Committee of both Petrobank and Savaria Corporation, and a Director of Quorum Information Technologies Inc. Over this time he gained experience in analyzing financial statements and he has an understanding of internal controls and procedures for financial reporting and has experience supervising persons engaged in the preparation, analysis and evaluation of financial statements. He has gained an understanding of Audit Committee functions through his involvement with the Company and other public corporations. In 2006, he earned the ICD.D designation of the Institute of Corporate Directors, as a certified corporate director.

Jerald L. Oaks. Mr. Oaks was one of the original founders of Petrobank and has been a Director of Petrobank since September 1993. He is currently President and founder of Oaks Resources Management Inc., which provides oil and gas property management and technical services for institutional and private oil and gas interest owners. Mr. Oaks received a Bachelor of Science degree in Petroleum Engineering from the University of Texas at Austin in 1958. Mr. Oaks has 48 years of oil and gas experience including various engineering roles at Phillips Petroleum Company working in Texas, Venezuela, Algeria, Libya and Colombia. In 1973, Mr. Oaks was a founder of Taiga Energy, Inc. which specialized in tight gas development, primarily in the Uintah and Piceance Basins of Colorado and Utah. In 1980, Mr. Oaks was a founder and President of Petrobank Operating Company, a gas producing and development company specializing in new technology development for gas production, which drilled and operated 200 gas wells with extensive lease holdings in Pennsylvania. Mr. Oaks is a registered Professional Engineer (Texas) and a member of the Society of Petroleum Engineers and American Institute of Mining and Metallurgical Engineers.

Ernesto Sarpi. Mr. Sarpi is currently a self-employed consultant. From 1999 to 2004, Mr. Sarpi was Business Manager Americas & Far East, Agip Division, of ENI Group. Prior thereto, Mr. Sarpi was Portfolio and Joint Venture Manager, Agip UK Ltd. from 1995 to 1999; General Manager, Agip Africa Algerian Branch from 1993 to 1994; Manager Negotiations International Exploration, Agip SpA from 1991 to 1993 and General Manager, Agip Energy and Natural Resources (Nigeria) from 1988 to 1991. Mr. Sarpi obtained a Doctor in Geological Sciences degree from the University of Naples in 1961 and a Ph.D. in Geology from Columbia University in 1967.

Enrique Umaña-Valenzuela. Mr. Umaña-Valenzuela, a citizen and resident of Colombia, has been in private practice as a trade and investment consultant and has also been involved in family land developing activities since May 2005. Mr. Umaña-Valenzuela acted as President of the investment promotion agency of Colombia, Coinvertir, from 1997 to April 2005 and as a part-time legal representative from May 2005 to December 2005. Prior thereto, Mr. Umaña-Valenzuela was in private practice as a trade and investment consultant from 1995 to 1997. Mr. Umaña-Valenzuela acted as International Adviser to the Minister of Defense in Colombia and later as Vice Minister of Defense in 1995. Prior thereto, Mr. Umaña-Valenzuela acted as Deputy Chief of Mission of the Colombian Embassy and later as Chargé d’Affaires in Washington, D.C. in late 1994; as Minister Counselor of the Colombian Embassy of Colombia from 1991 to 1994; as Director of the Colombian Government Trade Bureau from 1983 to 1991; and as Financial Vice President of the Bogotá Telephone Company from 1982 to 1983. Mr. Umaña-Valenzuela is a Director of Sociedades Bolívar S. A., and a member of the Fiduciary Committee of the Colombian Hydrocarbons Investment Fund. Mr. Umaña-Valenzuela is also a member of the board of the Colombian American Chamber of Commerce and a member of the International Advisory Council of the Americas Society in New York City. Mr. Umaña-Valenzuela obtained a Bachelor of Arts degree in Economics and International Relations from Columbia University in 1962.

Geir Ytreland. Mr. Ytreland is a geologist, with more than 26 years experience in the international petroleum industry. From January 2004 he was the project manager for the undertaking: “Assistance in developing the management of the petroleum sector in East Timor”, a project financed by the government of Norway and intended to develop the East Timor government's management and administration of the petroleum sector in that nation. Mr. Ytreland completed this assignment in May 2006 and has continued working as an independent energy and geology consultant in Oslo, Norway. Mr. Ytreland has also worked as a geoscientist and explorationist for Unocal (13 years) and Norsk Hydro (7 years) in Southeast Asia, Africa, Europe, United States, the Middle East and Latin America. He was General Manager for Norsk Hydro in Venezuela from 1995 to 2000. Since 2000 he has been an independent consultant and prior to taking up the position in East Timor he was a consultant for Saudi Aramco in Dhahran, Saudi Arabia. Mr. Ytreland holds a Master of Science degree in geology from the University of Bergen in Norway.

Share Ownership of Executive Officers and Directors

As at December 31, 2006, the directors and executive officers of the Company as a group beneficially own or exercise control or direction over 722,655 shares representing 0.76% of the common shares issued and outstanding as at December 31, 2006.

The directors and executive officers of the Company also have indirect ownership of Petrominerales through their ownership of common shares of Petrobank. Petrobank indirectly owns 80.73% of the issued and outstanding shares of Petrominerales and as at December 31, 2006, the Company's directors and executive officers own 4,366,153 common shares of Petrobank, representing 6.05% of the issued and outstanding shares of Petrobank.

MANAGEMENT SERVICES AGREEMENT

The Company and Petrobank entered into a management services agreement (the “Management Services Agreement”) dated June 9, 2006, and effective May 1, 2006 which provides that Petrobank will provide the Company with the services of John D. Wright and Corey C. Ruttan, as President and Chief Executive Officer and Chief Financial Officer, respectively, and that Petrobank shall manage and administer the business of the Company on an as needed basis from time to time. It is the intention of the parties that Messrs. Wright and Ruttan allocate their time equally between providing services in their respective roles with Petrobank and the Company. The Management Services Agreement expires on April 30, 2007 but is automatically renewed annually unless one months' notice is given by either party prior to the commencement of the next term. The Company will pay Petrobank a monthly fee of Cdn\$75,000 for the services provided under the Management Services Agreement. The Management Services Agreement may be terminated by either party upon 30 days' notice and payment by the Company of all fees and expenses owing under the Management Services Agreement.

AUDIT COMMITTEE

Composition of the Audit Committee

The Audit Committee is scheduled to meet no less than four times each year and will hold additional meetings as circumstances otherwise warrant. The Audit Committee is comprised of Messrs. McKinnon (Chairman), MacDonald and Umaña-Valenzuela. Messrs. Umaña-Valenzuela and McKinnon are independent within the meaning of Multilateral Instrument 52-110 - Audit Committees (“MI 52-110”), however, Mr. MacDonald is not considered independent within the meaning of MI 52-110 since he has been employed by and received compensation from PCL.

All members of the Audit Committee are financially literate, as defined in MI 52-110. The Audit Committee has a defined Mandate and Terms of Reference and is responsible for reviewing and overseeing the external audit function, recommending the external auditor and the terms of such appointment or discharge, reviewing external auditor reports and significant findings and reviewing and recommending for approval to the Board of Directors of

the Company all public financial disclosure information such as financial statements, management's discussion and analysis, annual information forms and prospectuses.

Charter of the Audit Committee

Please refer to Appendix "C" to this Annual Information Form for the full text of the Mandate and Terms of Reference of the Audit Committee.

Relevant Education and Experience of the Audit Committee Members

The following is a brief summary of the education or experience of each member of the Audit Committee that is relevant to the performance of his responsibilities as a member of the Audit Committee, including any education or experience that has provided the member with an understanding of the accounting principles used by the Fund to prepare the annual and interim financial statements of the Fund and the Partnership.

Name of Audit Committee Member	Relevant Education and Experience
Kenneth R. McKinnon	Mr. McKinnon has been Vice President Legal Affairs and General Counsel of Critical Mass Inc. since September 2000 and is also a director and member of the Audit Committee of both Petrobank and Savaria Corporation. Over this time he gained experience in analyzing financial statements and he has an understanding of internal controls and procedures for financial reporting and has experience supervising persons engaged in the preparation, analysis and evaluation of financial statements. He has gained an understanding of Audit Committee functions through his involvement with Petrobank and other public corporations. Mr. McKinnon obtained his Bachelor of Commerce degree from the University of Calgary in 1980 and obtained his Bachelor of Laws degree from Queens University in 1983.

Name of Audit Committee Member	Relevant Education and Experience
Enrique Umaña-Valenzuela	<p>Mr. Umaña-Valenzuela, a citizen and resident of Colombia, has been in private practice as a trade and investment consultant and has also been involved in family land developing activities since May 2005. Mr. Umaña-Valenzuela acted as President of the investment promotion agency of Colombia, Coinvertir, from 1997 to April 2005 and as a part-time legal representative from May 2005 to December 2005. Prior thereto, Mr. Umaña-Valenzuela was in private practice as a trade and investment consultant from 1995 to 1997. Mr. Umaña-Valenzuela acted as International Adviser to the Minister of Defense in Colombia and later as Vice Minister of Defense in 1995. Prior thereto, Mr. Umaña-Valenzuela acted as Deputy Chief of Mission of the Colombian Embassy and later as Chargé d'Affaires in Washington, D.C. in late 1994; as Minister Counselor of the Colombian Embassy of Colombia from 1991 to 1994; as Director of the Colombian Government Trade Bureau from 1983 to 1991; and as Financial Vice President of the Bogotá Telephone Company from 1982 to 1983. Mr. Umaña-Valenzuela is a Director of Sociedades Bolivar S. A., and a member of the Fiduciary Committee of the Colombian Hydrocarbons Investment Fund. Mr. Umaña-Valenzuela is also a member of the board of the Colombian American Chamber of Commerce and a member of the International Advisory Council of the Americas Society in New York City. Mr. Umaña-Valenzuela obtained a Bachelor of Arts degree in Economics and International Relations from Columbia University in 1962.</p>
Alastair Macdonald	<p>A former banker with the Bank of Bermuda Ltd., Mr. MacDonald has been Chief Executive Officer of a financial advisory company in Bermuda since 1996. In this capacity he has been a director and officer of numerous companies in the oil and gas exploration fields as well as in the high tech and computer fields. Prior to this, Mr. MacDonald was a banker at the Bank of Bermuda Ltd., where he served as Manager of the Private Banking Department from October 1991 to October 1996. Mr. MacDonald has a Bachelors degree from McGill University and a Masters degree from the University of British Columbia.</p>

Audit Committee Oversight

At no time since the commencement of the Company most recently completed financial year, has a recommendation of the Audit Committee to nominate or compensate an external auditor not been adopted by the Company.

Pre-approval Policies and Procedures

The Audit Committee also pre-approves all non-audit services to be conducted by the external auditors and ensures that management has effective internal control systems, investigates any recommendations for improvement of internal controls and meets at least annually with the Company's external auditors without management present and at least quarterly with management present. The Company does not have internal auditors and given the size of the Company, the Company considers this to be practical and appropriate.

External Audit Fees

Deloitte & Touche LLP was engaged by the Company on January 12, 2007. For the year ended December 31, 2006, Deloitte & Touche LLP and its affiliates were paid approximately \$211,279, as detailed below:

	<u>2006</u>
Audit fees	\$96,626
Audit-related fees ⁽¹⁾	82,153
Tax fees	32,500
<hr/> Total	<hr/> \$211,279

- ⁽¹⁾ Audit related fees include costs of \$61,718 associated with the initial public offering of Petrominerales in addition to costs associated with quarterly reviews.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

Except as disclosed herein, to the knowledge of the Company no director or officer of the Company and no securityholder holding a sufficient number of securities of the Company to affect materially the control of the Company, or a personal holding company of any such persons, is or has been within the 10 years preceding the date of this Annual Information Form, a director or executive officer of any company, that while that person was acting in such a capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Corey C. Ruttan entered into a settlement agreement with the Alberta Securities Commission on May 3, 2002 in respect of an insider trading violation relating to a May 17, 2000 trade. Mr. Ruttan cooperated completely in resolving the matter with the regulators. The settlement resulted in Mr. Ruttan paying an administrative penalty of \$10,000, representing a return of profits, and the costs of the proceeding in the amount of \$3,925. For a period of one year, Mr. Ruttan agreed to cease trading in securities and to not act as a director or officer of a public company. These restrictions expired on May 3, 2003. Mr. Ruttan is a Chartered Accountant in good standing.

PRINCIPAL SHAREHOLDER

The following table shows information concerning the securities of the Company directly or indirectly beneficially owned by each person or company who, as at the date of this Annual Information Form, owned of record, or who, to the knowledge of the Company, owned beneficially or exercised control or direction over, directly or indirectly, more than 10% of any class or series of voting securities of the Company.

<u>Name</u>	<u>Number of Common Shares</u>	<u>Type of Ownership</u>	<u>Percentage Owned</u>
Petrobank Energy and Resources Ltd.	76,693,827	Indirect	80.73 %

LEGAL PROCEEDINGS

As of the date hereof, there are no outstanding legal proceedings or legal proceedings known to be contemplated to which the Company is a party or in respect of which any of the properties of the Company are subject that are anticipated to be material to the Company.

PROMOTER

Petrobank may be considered to be the promoter of the Company in that it took the initiative in founding and organizing the Company. For additional information concerning Petrobank please see the disclosure contained under the headings “*Principal Shareholder*”, “*Relationship with Petrobank*” and “*Management Services Agreement*”.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed herein, no director, executive officer, or person or company that is the direct or beneficial owner of, or who exercises control or direction over, more than 10 percent of the common shares and no associate or affiliate of any of the foregoing has, or has had, any material interest in any transaction prior to the date hereof or any proposed transaction that has materially affected or will materially affect the Company.

Petrominerales maintains a Technical Services Agreement with the Company’s indirect majority shareholder, Petrobank, for items such as geological, geophysical, and engineering services provided. All charges are based on cost plus an administrative fee, of no more than five percent. These costs totalled \$1.8 million for the year ended December 31, 2006 (2005 - \$1.3 million). The Company also pays Petrobank a monthly fee of Cdn\$75,000 pursuant to a Management Services Agreement made effective May 1, 2006. The fee is based on a negotiated value of services provided. Costs under this agreement totalled \$0.5 million for the year ended December 31, 2006 (2005 - \$nil). For further information see “*Relationship with Petrobank*”.

The Company has entered into three agreements, a Technology Use Agreement, Option Agreement and Joint Operating Agreement, with a wholly-owned subsidiary of Petrobank. Under the terms of the Technology Use Agreement, Petrominerales has the right to use the THAI™ technology, know how and any improvements or enhancements, in heavy oil opportunities in Colombia, subject to a licensing fee equal to 10 percent of gross production. Under the terms of the Option Agreement, Petrobank’s subsidiary will have the right to acquire a working interest between 10 and 50 percent in any Petrominerales heavy oil project using the THAI™ technology. Upon acquiring a working interest in a project, Petrobank’s subsidiary can also elect to be the operator of the project, which would then be governed by the Joint Operating Agreement, and would share the actual costs on a pro rata basis.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Company are Deloitte & Touche LLP, Chartered Accountants, 3000 Scotia Centre, 700 - 2nd Street SW, Calgary, AB T2P 0S7.

The transfer agent and registrar for the common shares of the Company is Computershare Trust Company of Canada, at its principal offices in Calgary, Alberta and Toronto, Ontario, where transfers of securities may be recorded.

INTERESTS OF EXPERTS

There is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under National Instrument 51-102, by the Company during, or related to, its most recently completed financial year other than D&M, the Company's independent engineering evaluator and Deloitte & Touche LLP. None of the principals of D&M had any registered or beneficial interests, direct or indirect, in any of the Company's securities or other property or of our associates or affiliates either at the time they prepared the statement, report or valuation prepared by it, at any time thereafter or to be received by them. Deloitte & Touche LLP, the Company's auditors, are independent in accordance with the auditors' rules of professional conduct.

MATERIAL CONTRACTS

The Company has not entered into any material contracts that are not disclosed or otherwise entered in the ordinary course of business.

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com. Additional information is contained in the Company's financial statements for the year ended December 31, 2006, in the related MD&A and in the Company's information circular for the Annual Meeting of shareholders held on May 25, 2007.

APPENDIX “A”
FORM 51-101F3
REPORT OF MANAGEMENT AND DIRECTORS
ON OIL AND GAS DISCLOSURE

Management of Petrominerales Ltd. (the “Company”) are responsible for the preparation and disclosure of information with respect to the Company’s oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data, which consist of the following:

- (a) (i) proved, proved plus probable, and proved plus probable plus possible oil and gas reserves estimated as at December 31, 2006 using forecast prices and costs; and
- (ii) the related estimated future net revenue; and
- (b) (i) proved, proved plus probable, and proved plus probable plus possible oil and gas reserves estimated as at December 31, 2006 using constant prices and costs; and
- (ii) the related estimated future net revenue.

Independent qualified reserves evaluators have evaluated the Company’s reserves data. The report of the independent qualified reserves evaluators will be filed with securities regulatory authorities concurrently with this report.

The Reserves Committee of the Board of Directors of the Company has:

- (a) reviewed the Company’s procedures for providing information to the independent qualified reserves evaluators;
- (b) met with the independent qualified reserves evaluators to determine whether any restrictions affected the ability of the independent qualified reserves evaluators to report without reservation, to inquire whether there had been any disputes between the previous independent qualified reserves evaluator; and
- (c) reviewed the reserves data with management and the independent qualified reserves evaluators.

The Reserves Committee of the Board of Directors has reviewed the Company’s procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The Board of Directors has, on the recommendation of the Reserves Committee, approved:

- (a) the content and filing with securities regulatory authorities of the reserves data and other oil and gas information;
- (b) the filing of the report of the independent qualified reserves evaluators on the reserves data; and
- (c) the content and filing of this report.

Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

(signed) "Steven J. Benedetti"

Steven J. Benedetti

Senior Vice President and Colombian Country
Manager

(signed) "A. Paul Kroshko"

A. Paul Kroshko

Vice President, Exploration

(signed) "John D. Wright"

John D. Wright

President, Chief Executive Officer, Director and
Member of the Reserves Committee

(signed) "Ernesto Sarpi"

Ernesto Sarpi

Director and Member of the Reserves Committee

March 30, 2007

APPENDIX “B”
FORM 51-101F2
REPORT ON RESERVES DATA
BY
INDEPENDENT QUALIFIED RESERVES EVALUATOR

To the Board of Directors of Petrominerales Ltd. (the “Company”):

1. Pursuant to the request of the Company, we have evaluated the Company’s reserves data as of December 31, 2006. The reserves data include the following:
 - (d)
 - (i) proved, proved-plus-probable, and proved-plus-probable-plus-possible oil and gas reserves estimated as of December 31, 2006 using forecast (as defined in our report) prices and costs; and
 - (ii) the related estimated future net revenue; and
 - (e)
 - (i) proved, proved-plus-probable, and proved-plus-probable-plus-possible oil and gas reserves estimated as of December 31, 2006 using constant (as defined in our report) prices and costs; and
 - (ii) the related estimated future net revenue.
2. The reserves data are the responsibility of the Company’s management. Our responsibility is to express an opinion on the reserves data based on our evaluation.

We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the “COGE Handbook”) prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society).
3. Those standards require that we plan and perform an evaluation to assure that reserves estimates are free of material misstatement and are in accordance with principles and definitions presented in the COGE Handbook.

The following table sets forth the estimated future net revenue (before deduction of Canadian income taxes) in thousands of United States dollars (M U.S.\$) for proved-plus-probable reserves evaluated by us, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, evaluated as of December 31, 2006, and identifies the respective portions thereof that we have evaluated and reported to Company’s management:

Independent Qualified Reserves Evaluator	Description and Effective Date of Evaluation	Location of Reserves	Net Present Value of Future Net Revenue (before Canadian Income Tax, Discounted at 10 Percent)			
			Audited (M U.S.\$)	Evaluated (M U.S.\$)	Reviewed (M U.S.\$)	Total (M U.S.\$)
DeGolyer and MacNaughton	Appraisal Report as of December 31, 2006 on the Orito Field and Neiva Block in Colombia for Petrobank Energy and Resources, Ltd. dated February 20, 2007	Colombia	Not Applicable	392,907	Not Applicable	392,907
Total		Colombia	Not Applicable	392,907	Not Applicable	392,907

4. In our opinion, the reserves and revenue evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook.
5. We have no responsibility to update our report referred to in paragraph 4 for events and circumstances occurring after the report preparation date.
6. Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

DeGolyer and MacNaughton, Dallas, Texas, USA, dated February 20, 2007.

Submitted,

(signed) "DeGolyer and MacNaughton"

DeGolyer and MacNaughton

(signed) "R. M. Shuck"

R. M. Shuck, P.E.

Senior Vice President

DeGolyer and MacNaughton

APPENDIX “C”

AUDIT COMMITTEE CHARTER

PETROMINERALES LTD.

AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

MANDATE AND TERMS OF REFERENCE

A. PURPOSE

The primary function of the Audit Committee is to assist the board of directors (the “**Board of Directors**” or “**Board**”) of Petrominerales Ltd. (“**Petrominerales**” or the “**Company**”) in fulfilling its responsibilities by reviewing: the financial reports and other financial information provided by Petrominerales to any regulatory body or the public; the Company’s systems of internal controls regarding preparation of those financial statements and related disclosures that management and the Board have established; and, the Company’s auditing, accounting and financial reporting processes generally. Consistent with this function, the Audit Committee should encourage continuous improvement of, and should foster adherence to, the Company’s policies, procedures and practices at all levels. The Audit Committee’s primary objectives are:

- To assist directors in meeting their responsibilities in respect of the preparation and disclosure of the financial statements of the Company and related matters;
- To provide for open communication between directors and external auditors;
- To enhance the external auditor’s independence;
- To increase the credibility and objectivity of financial reports; and
- To strengthen the role of the outside directors by facilitating in-depth discussions between directors on the Audit Committee, management and external auditors.

B. COMPOSITION

- (a) The Audit Committee shall be comprised of three or more directors as determined by the Board of Directors, none of whom are members of management of Petrominerales and all of whom are “unrelated directors” (as such term is used in the Report of the Toronto Stock Exchange on Corporate Governance in Canada) and “independent” (as such term is used in Multilateral Instrument 52-110—Audit Committees (“**MI 52-110**”) unless the Board shall have determined that the exemption contained in Section 3.6 of MI 52-110 is available and has determined to rely thereon.
- (b) All of the members of the Audit Committee shall be “financially literate” (as defined in MI 52-110) unless the Board shall determine that an exemption under MI 52-110 from such requirement in respect of any particular member is available and has determined to rely thereon in accordance with the provisions of MI 52-110.
- (c) The members of the Audit Committee shall be elected by the Board of Directors at the annual organizational meeting of the Board of Directors and remain as members of the Audit Committee until their successors shall be duly elected and qualified.

- (d) Unless a Chair is elected by the full Board of Directors, the members of the Audit Committee may designate a Chair by majority vote of the full Audit Committee membership.

MEETINGS

- (a) The Audit Committee shall meet at least four times annually, or more frequently as circumstances dictate. As part of its mandate to foster open communication, the Audit Committee should meet at least annually with management and the external auditors in separate executive sessions to discuss any matters that the Audit Committee or each of these groups believe should be discussed privately. The Audit Committee or at least its Chair should meet with the external auditors and management quarterly to review the Company's financial statements consistent with Section III.2 below. The Chief Financial Officer may, at the discretion of the Audit Committee, be present at meetings of the Audit Committee and may be excused from all or part of any such meetings by the Chairman.
- (b) Minutes of all meetings of the Audit Committee shall be taken and the Audit Committee shall report the results of its meetings and reviews undertaken and any associated recommendations to the Board of Directors.
- (c) A quorum for meetings of the Audit Committee shall be a majority of its members, and the rules for calling, holding, conducting and adjourning meetings of the Audit Committee shall be the same as those governing the Board.

C. RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties, the Audit Committee shall:

Documents/Reports Review

- (a) Review and update this Charter, as conditions dictate.
- (b) Review the financial statements, prospectuses, MD&A, annual information forms (“AIF”) and all public disclosure containing audited or unaudited financial information (including, without limitation, annual and interim press releases and any other press releases disclosing earnings or financial results) before release and prior to Board approval where required.
- (c) Review the reports to management prepared by the external auditors and management's responses.
- (d) Review of significant auditor findings during the year, including the status of previous audit recommendations.
- (e) Be satisfied with and periodically assess the adequacy of procedures for the review of corporate disclosure that is derived or extracted from the financial statements.

External Auditors

- (f) Be directly responsible for overseeing the work of the external auditors, including the resolution of disagreements between management and the external auditors regarding financial reporting.
- (g) Recommend to the Board the external auditors to be nominated for appointment by the shareholders.
- (h) Recommend to the Board the terms of engagement of the external auditor, including their compensation and a confirmation that the external auditors shall report directly to the Audit Committee.
- (i) On an annual basis, review and discuss with the auditors all significant relationships the auditors have with the Company to determine the auditors' independence.
- (j) Review the performance of the external auditors and approve any proposed discharge of the external auditors when circumstances warrant.
- (k) When there is to be a change in auditors, review the issues related to the change and the information to be included in the required notice to securities regulators of such change.
- (l) Periodically consult with the external auditors, without the presence of management, about internal controls and the fullness and accuracy of the Company's financial statements.
- (m) Consider, in consultation with the external auditor, the audit scope and plan of the external auditor.
- (n) Pre-approve the completion of any non-audit services by the external auditors and determine which non-audit services the external auditor is prohibited from providing and the Audit Committee may delegate to one or more independent members of the Audit Committee the authority to pre-approve non-audit services, provided that such member(s) reports to the Audit Committee at the next scheduled meeting such pre-approval and the member(s) complies with such other procedures as may be established by the Audit Committee from time to time.

Financial Reporting Processes

- (o) In consultation with the external auditors and management, review the integrity of the Company's financial reporting processes, both internal and external.
- (p) Consider judgments concerning the appropriateness of the Company's accounting policies.
- (q) Consider and approve, if appropriate, major changes to the Company's auditing and accounting principles and practices as suggested by the external auditors or management.
- (r) Review risk management policies and procedures of the Company (i.e., hedging, litigation and insurance).
- (s) Establish a procedure for:
 - (i) the receipt, retention and handling of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and
 - (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

- (t) Approve management recommendations of appointment of individuals to senior financial reporting positions within the Company.

Process Improvement

- (u) Establish regular and separate systems of reporting to the Audit Committee by management and the external auditors regarding any significant judgments made in management's preparation of the financial statements and the view of each group as to appropriateness of such judgments.
- (v) Following completion of the annual audit, review separately with management and the external auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
- (w) Review with external auditors their assessment of internal controls, their written reports containing recommendations for improvement, and management's response and follow-up to any identified weaknesses. The Audit Committee shall also review annually with the external auditors their plan for their audit and, upon completion of the audit, their reports upon the financial statements.

Ethical and Legal Compliance

- (x) Ensure that management has the proper review system in place to ensure that the Company's financial statements, reports and other financial information disseminated to regulatory organizations and the public satisfy legal requirements.
- (y) On at least an annual basis, review with the Company's counsel and/or management, any legal matters, compliance with applicable laws and regulations, or inquiries received from regulators or government agencies that could have a significant impact on the organization's financial statements.
- (z) Conduct and authorize investigations into any matters within the Audit Committee's scope of responsibilities. The Audit Committee shall be empowered to retain, and to set and pay compensation for any independent counsel and other professionals to assist in the conduct of any investigation.
- (aa) Perform any other activities consistent with this Charter, the Company's charter documents, governing law and any applicable rules, regulations, policies or laws as the Audit Committee or the Board of Directors deems necessary or appropriate.