



PETROMINERALES LTD.

**Annual Information Form
for the year ended December 31, 2007**

March 31, 2008

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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 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;

“**Corcel**” means the 79,815 acre Corcel exploration block in the Llanos Basin in Colombia;

“**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, 2008, with an effective date of December 31, 2007;

“**Ecopetrol**” means Empresa Colombiana de Petr leos, the Colombian national oil company;

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

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

“**GORR**” means gross overriding royalty, being a percentage of gross production, as calculated on a monthly basis, payable to third parties holding GORR rights related to the Corcel or Joropo Blocks;

“**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, signed with Ecopetrol;

“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;

“Joropo” means the 72,257 acre Joropo exploration block in the Llanos Basin in Colombia;

“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 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;

“net profits interest” means the percentage of net profits, as calculated on a monthly basis, payable to third parties holding rights related to the Corcel or Joropo Blocks;

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

“Notes” means the 3.375% unsecured convertible notes of the Company that mature in December 2010;

“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:

bbl/d	Barrels of oil per day	mdbl	Thousand barrels
bbl(s)	Barrel(s) of oil	mdbl	Million 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.

INFORMATION

The information in this Annual Information Form is stated as at December 31, 2007, 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, 2007. The MD&A can be found on SEDAR at www.sedar.com and is incorporated by reference into this Annual Information Form.

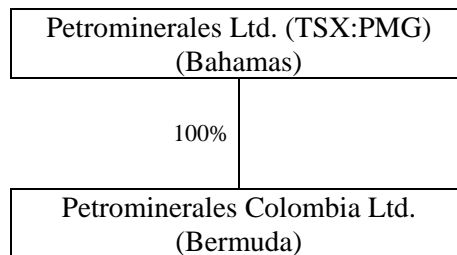
Because actual results or outcomes could differ materially from those expressed in any forward-looking statements of the Company made by or on behalf of the Company, investors should not place undue reliance on any such forward-looking statements. Actual results achieved during the forecast period may 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: the ability to economically test, develop and utilize the technologies described herein; the feasibility of the technologies, general economic, market and business conditions; fluctuations in oil and gas prices; the results of exploration and development of drilling and related activities; fluctuation 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.

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 113 No. 7-45 Torre B Piso 15, 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, 2007, unchanged as at the date of this Annual Information Form.



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 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, with first production commencing in December 2002.

Year ended December 31, 2005

During 2005, Petrominerales negotiated contracts on five exploration blocks and five TEA's.

During 2005, Petrominerales drilled the Orito 116 well, which confirmed the southwest extension of the Orito field, outside of the previously interpreted zero edge of the field.

The Orito 116 well was followed by the Orito 117 and 118 wells, which further confirmed the Company's Orito reservoir model and provided additional support for the Company's long-term development plan.

Year ended December 31, 2006

On March 13, 2006, the Ojo de Tigre-1 exploration well on the Joropo Block in the Llanos Basin of Colombia was plugged and abandoned.

On April 12, 2006, production from the Orito 117 and 118 wells contributed to a significant increase in production, which averaged 2,612 bbl/d in the second quarter of 2006.

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.

Petrominerales commenced trading on the TSX on June 29, 2006, under the symbol 'PMG'.

Year ended December 31, 2007

On March 9, 2007, the Ojo de Tigre-2 well was cased as a potential oil well.

In the first quarter of 2007, Petrominerales obtained an additional six exploration blocks which brought Petrominerales' exploration holdings to a total of 13 exploration blocks, consisting of 1.5 million acres of operated, 100% working interest lands in Colombia's Llanos and Putumayo Basins.

In the second quarter of 2007, the Company announced that the Mapuro-1 and the Casanare Este-1 wells were plugged and abandoned.

On June 18, 2007, Petrominerales completed drilling and logging operations at the Corcel-A1 exploration well on the Corcel Block in the Llanos Basin of Colombia. The Corcel-A1 well spudded on April 7, 2007 and reached a total depth of 12,000 feet on June 14, 2007. A six-month extended production test commenced on September 7, 2007. On October 23, 2007 the Corcel-A2 development well reached total depth and was cased as a potential oil well. On November 19, 2007, Petrominerales commenced a six month test of the Corcel-A2 well. Combined Corcel production for the fourth quarter of 2007 was 6,545 bbl/d, and averaged 4,929 bbl/d in February 2008.

In the fourth quarter of 2007, the Company completed the Conga-1 exploratory well as a potential oil well on the Las Aguilas Block in the Putumayo Basin.

On September 13, 2007, the Company issued 5,060,000 common shares at a price of Cdn\$12.05 per share for gross proceeds of \$58.1 million.

On December 6, 2007, Petrominerales raised \$100 million by private placement of 3.375% unsecured convertible notes (the "Notes") due December 2010. See "*Capital Structure – Convertible Notes*".

In total, Petrominerales drilled five exploration wells in the Company's 2007 exploration program. Four of these wells were drilled in the Llanos Basin, two of which were completed as new pool discoveries (Joropo and Corcel). The Conga-1 well was drilled in the Putumayo Basin adjacent to Orito, and was completed as a new pool discovery.

DESCRIPTION OF THE BUSINESS

Petrominerales is one of Colombia's largest exploration land holders with 15 ANH exploration blocks at 100 percent working interest in the Llanos and Putumayo Basins covering 1.6 million acres. These basins are under-explored areas with the proven potential to yield prolific wells and large reserve additions. Historically our development projects have been focused in the Putumayo and Upper Magdalena Basins. In 2007, our production volume growth continued from our ongoing development programs and began to reflect the results of our initial exploration success at Corcel in the Llanos Basin.

Business Model

Petrominerales is operating with a three-tiered business model closely aligned with the objectives of the Colombian government in re-energizing its oil industry. Our plan takes our operations into the core elements of the industry.

The first tier is the near-term development of established fields. We produce light oil from Orito in the Putumayo Basin, and Neiva in the Upper Magdalena Valley Basin. While our Corcel discovery is on production and we are starting to build an inventory of development locations, it is still classified as an exploration block and we will be working hard to delineate the full extent of the field and the ultimate potential of the block.

The second tier is exploration in the Llanos Basin for large-scale reserves of conventional light oil. Our exploration acreage covers 15 blocks at 100 percent working interest. We have a growing base of 3D seismic and, to-date, over 30 leads and prospects have been identified. Several of those leads are follow-up wells to our two discoveries at Corcel and Joropo.

Heavy oil is our third tier for growth and it is where we see Petrominerales having a very long-term presence, and contributing substantially to the country's energy self-sufficiency. We presently have three large blocks in a heavy oil fairway extending across the Llanos Basin. Petrominerales also has signed a license to deploy Petrobank's THAI™ process production technology throughout Colombia, which has both significant operational and environmental benefits.

Production

In 2007, the Company had production from the IPCs in Orito and Neiva and from the Corcel, Joropo and Las Aguilas exploration and production blocks. Aggregate production of the Company, as of December 31, 2007, averaged 4,767 bbl/d in 2007, 9,575 bbl/d in the fourth quarter of 2007 and 8,927 bbl/d in February 2008.

IPC Contracts

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.

Exploration and Production Contracts

Petrominerales currently has 14 Exploration Contracts in the Llanos Basin and one Exploration Contract in the Putumayo Basin, covering a total land area of over 1.6 million acres. All of these blocks are subject to the ANH terms, the royalty system (as more fully described herein under the heading “*Industry Conditions*”) and the windfall surcharge; heavy oil production is eligible for reduced royalty rates.

The Corcel block is subject to a three percent overriding royalty before payout granted to the Company’s partner, which converts to an eight percent net profits interest after payout, while the Joropo block is 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. These are the only third-party interests that affect Petrominerales’ exploration and production blocks.

Petrominerales has a significant exploratory land base of approximately 1.6 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*”.

PRINCIPAL PROPERTIES

Development Blocks (IPCs)

Orito Field

The Orito Field, the largest in southern Colombia’s Putumayo Basin, has extensive field infrastructure, good seismic control and connection to an under-utilized export pipeline with deep water loading facilities, enabling fiscalization of incremental oil production. 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 approximately 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 190 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 electric submersible pumps, and re-completing wells to enhance oil inflow.

In 2007, gross field production at Orito averaged 5,717 bbl/d and baseline production averaged 2,610 bbl/d, resulting in average incremental production of 3,107 bbl/d (2,454 bbl/d working interest to the Company before deduction of an eight percent royalty).

As at December 31, 2007, the Orito field had produced just over 230 mmbbl, including approximately 190 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 2008 and 2009. The Company also plans to target the Villeta formation and to conduct a pilot water flood in the shallower Pepino zone. Petrominerales' management 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.

Neiva Field

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 2007, average daily production in the Neiva field was 2,748 bbl/d and baseline production averaged 2,203 bbl/d, resulting in average incremental production of 545 bbl/d (376 bbl/d working interest to the Company before deduction of an eight percent royalty).

Exploration Blocks

Petrominerales has 15 Exploration Contracts, all governed by the ANH (See "*Industry Conditions - ANH*"), summarized as follows:

Exploration Blocks	Area (acres)	Current Commitments	Phase Option Date
Casanare Este	78,814	One exploratory well	June 2, 2008
Corcel	79,815	One exploratory well	September 2, 2008
Las Aguilas	32,215	One exploratory well	October 21, 2008
Casimena	107,703	One exploratory well	November 3, 2008
Joropo	72,257	Two exploratory wells + 30 km ² 3D seismic	March 7, 2009
Castor	108,741	30 km ² 3D seismic + 1 exploratory well + surface geochemical	June 14, 2008
Mapache	107,861	40 km ² 3D seismic + 2 exploratory wells	June 30, 2008
Jaguar	64,969	33 km ² 3D seismic	August 28, 2008
Jabali	5,393	3 km ² 3D seismic	August 28, 2008
Guatiquia	26,349	14 km ² 3D seismic	August 28, 2008
Chiguiro Este	179,261	90 km ² 3D seismic	June 14, 2008
Chiguiro Oeste	125,952	160 km 2D seismic + surface geochemical	October 20, 2008
Rio Ariari	514,424	416 km 2D seismic	October 20, 2008
Altamira 3431B	38,998	18 km ² 3D seismic	October 20, 2008
Altamira 3431D	63,165	36 km ² 3D seismic	October 20, 2008
Exploration acreage	<u>1,605,917</u>		

Corcel

The Corcel-A1 spudded on April 8, 2007 and reached a total depth of 12,000 feet in the third quarter of 2007. A six-month extended production test commenced on September 7, 2007 at initial rates of 4,000 bbl/d.

The Corcel-A2 well spudded on August 25, 2007 and reached a total depth of 12,140 feet on October 17, 2007. Logs indicated total potential net pay of approximately 125 feet of high quality reservoir sands in the Mirador and Guadalupe formations. We have initially completed four intervals, with a total of 45 feet of sand, in the Upper and Lower Mirador formations of the Corcel-A2 well. These intervals were initially tested over a 24-hour period and on November 6, 2007 we announced that our Corcel-A2 well came on-stream at rates increasing to 3,100 bbl/d on natural flow. The well was then shut in for pressure build up and was placed on an extended production test commencing November 17, 2007.

The Corcel-A3 well spudded on November 21, 2007 and was drilled directionally to a depth of 13,050 feet. Logs indicate that the productive horizons present in Corcel-A1 and Corcel-A2 are present in Corcel-A3. The top of the Mirador zone in Corcel-A3 is approximately 95 feet lower compared to Corcel-A1. An additional 600 feet of geological section was drilled in Corcel-A3 below what was previously thought to be economic basement. During the drilling of the additional section, we encountered sands with oil and gas shows before drilling was terminated and the decision was made to case the well. Three of these new intervals were evaluated, two unsuccessfully. The interval from 12,449 feet to 12,461 feet was perforated and successfully tested 27 degree API crude oil at rates up to 760 bbl/d, with fluctuating water cuts.

Production is currently being processed through temporary facilities and trucked to three different Ecopetrol offloading stations; Araguaney, Chichimena, and Vasconia.

Corcel has rapidly progressed through exploration to first oil with the drilling of our Corcel-A1 discovery well in the second quarter of 2007. The well was quickly brought on production in the third quarter. The discovery has been followed up by two successful delineation wells to date. While the ultimate size of the discovery will be defined through long-term testing and additional delineation drilling, Corcel is a significant discovery that has extended the oil-bearing horizons in the Llanos Basin to an area that has not seen exploration activity in recent years.

Combined Corcel production for the fourth quarter of 2007 was 6,545 bbl/d and averaged 4,929 bbl/d in February 2008.

Joropo

Petrominerales holds 72,257 acres in the Joropo area. Petrominerales drilled an initial test well on this block (the Ojo de Tigre-1 well), 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 was 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, in the Mirador Formation, with net oil pay in excess of 25 feet. A gravel pack was run over the producing interval to prevent sand production that could plug the lifting pump and to guarantee test data given the proximity of the rainy season. The well was tested from March 26 to April 5, 2007 at rates of up to 420 barrels of fluid per day with a water cut ranging between 20 to 30%, showing a permanent improvement in both fluid rate and decreased water cut. The pressure transient analysis showed significant damage presumably associated with the type of completion and will be re-tested during the first quarter of 2008 once the gravel pack has been removed from the well.

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.

Las Aguilas

The Company is continuing to test the Conga-1 well on the Las Aguilas block with fluctuating flow rates through the jet pump completion. Once stabilized production data is obtained from this test, the Company plans to evaluate the potential of the prospective up-hole intervals of this well. Additionally, the Company also plans to shoot a 48 square kilometre 3D seismic program over the Orito and Las Aguilas blocks during 2008 and plan to drill our next exploration well on the Las Aguilas block in the second half of 2008.

Regulatory Framework relating to Occupational Health, Industrial Safety, Environmental Protection and Social Responsibility

The environmental regulatory framework in Colombia which governs the oil and gas industry is divided into two parts; planning and compliance.

Planning

The Colombian Ministry of Environment, Housing and Development requires that environmental impact assessments (“**EIA**”) and environmental management plans (“**EMP**”) be submitted as the principal planning tools for all new projects, ensuring local and specific environmental and social variables are included in project planning. Exploratory drilling projects require the submission of an EIA and EMP at least five months prior to beginning project activities. Following approval, the Ministry of the Environment awards an environmental license. When a discovery is made, the environmental license typically allows for a maximum one year of production testing, while the company prepares a new EIA and EMP for the development of a permanent oil and gas production field and development drilling.

Field pipeline design and construction is subject to a two part environmental licensing process. First, an environmental options assessment is conducted, whereby both the company and the government environmental authority review options to agree on an environmentally friendly pipeline design and layout. Once an agreement is reached, the company can apply for the pipeline environmental license through a comprehensive EIA and EMP.

Once a production field’s environmental license is in place, development drilling, flowlines, batteries and other production infrastructure can be added by preparing specific EMP’s. This also applies for all activities Petrominerales carries out in its IPC’s.

Social responsibility in project planning includes consultation with local communities through regulatory procedures, depending upon the type of community to be consulted (ie: settlers, farmers, indigenous, Afro-Colombians). In addition, each EIA and EMP should include a comprehensive chapter on Occupational Health and Industrial Safety, based on national regulations and international standards with respect to health and safety.

Compliance

The second essential area in Occupational Health, Industrial Safety, Environmental Protection and Social Responsibility is maintaining optimal regulation compliance standards. In Colombia, these regulations include specific standards for water and air quality, wastewater and solid waste treatment and disposal, air emission control and industrial hygiene.

Petrominerales' Corporate Responsibility in 2007

In 2007, due to intensified exploration and production activities in several blocks, Petrominerales strengthened its Occupational Health, Industrial Safety, Environmental Protection, Social Responsibility and Communities relations capacity by developing a Corporate Responsibility Management Program including additional responsibilities in government relations. Several achievements were realized in 2007, as follows:

Health & Safety

Petrominerales retained a zero percent lost-time incidents record among its employees and facilities, and kept contractor accident rates at a minimum despite the significant increase in the number of simultaneous operations in its IPC and exploration and production blocks. In addition, the Company maintained fast response capability to oil spills and other pollution contingencies. In its nearly six years of operation, Petrominerales has not been subject to any investigation or requirement from environmental or the Health and Safety authorities regarding pollution or safety issues.

Environment

The Company completed its sixth year of field operations in Colombia with 100 percent environmental compliance in executing our exploration and production and IPC contract projects and activities. Our main environmental strategies include the preparation of comprehensive environmental impact assessments and assembling project-specific environmental management plans. Petrominerales encourages local community engagement in environmental planning in order to create a positive relationship between the oil business and local means of production.

By submitting its EIA and EMPs according to the requirements of environmental authorities, Petrominerales again achieved an excellent standard in environmental licenses and permits awarding, and suffered no delays in project startup and programming, thereby maintaining a high degree of compliance in its contractual commitments. The Company demonstrated excellent capabilities for environmental emergency response and control.

Community Relations

Aside from Petrominerales' achievements in environmental planning and compliance, the Company has developed a series of policies and practices that compliment our basic responsibilities as a development tool for our surrounding communities. Our Corporate Social Responsibility strategy is based on three main principles:

- Creating local employment opportunities, which has been both well received by communities and has contributed to maintaining a positive relationship in and around the Company's operations;
- Providing education and training programs to strengthen community and local authority relationships, identify new markets for local goods and services, and reduce dependence on industry support, and
- Engaging communities in studies and processes related to environmental management by combining the Company's expertise with local knowledge.

Fundación Vichituni

Fundación Vichituni (the "**Foundation**") completed its second year of work, assisting Petrominerales in developing and enhancing social and environmental values in the regions influenced by the Company's operations. *Vichituni*, from the traditional Embera language, translates as "you are worthy". Fundación

Vichituni's mission is to promote sustainable community growth through economic, social and environmental development. The 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 and formal agreements with national and international non-government organizations ("NGO") with respect to the two main lines of work where we focus our programs:

- Building community and Company relations and more knowledgeable and effective municipal governments in the Departments of Putumayo, Casanare and Meta through the establishment of a national training program focusing on Colombian regulations regarding royalty distributions, public administration and management, development of public services, and overall local government performance.
- Increasing awareness of environmental issues facing various communities within the Putumayo area through the development of a youth leadership program. The program seeks to democratically discover sustainable solutions to environmental concerns through student interaction with their peers, families and communities.

Research is underway for the construction and establishment of a branch in Orito of the Foundation's National Technological and Administrative Training College to increase the technical skills and educational level of the local adult population to meet the growing needs of the industry's workforce in the area.

Fundación Vichituni is looking into the opportunity in Orito for the creation of a centre designed to provide public access to legal and justice related information and services currently not available in the region, with courses and education available for conflict resolution and peace development.

The Foundation continues seeking international funding and partnerships with a near term goal of self-sustainability.

Taxes

The Company's pre-tax income from Colombian sources as defined under Colombian law was, until 2006, 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). New tax reforms were enacted December 27, 2006, which became effective January 1, 2007, included: elimination of the 10 percent surcharge, reduction in tax rates to 34 percent in 2007, and to 33 percent for subsequent years, increase (to 40 percent from 30 percent) in the deduction for the acquisition or construction of real fixed assets, elimination of the seven percent remittance tax and introduction of a 1.2 percent equity tax.

A "presumptive" minimum income tax exists which may apply in years with little or no income. Under this structure, 34 percent of three percent of 2007 net tax equity would be applied. For 2008 and subsequent years, this is reduced to 33 percent of three percent of the net tax equity. The excess may 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 December 31, 2007, Petrominerales and PCL collectively, have 91 employees.

Specialized Skill and Knowledge

The Company believes its success is largely dependent 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 it has 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: Ecopetrol and a large international oil company. Crude oil sales to individual counterparties for the years ended December 31, 2006 and 2007 are as follows:

	Sales as a Percentage of Revenues	
	2007	2006
Ecopetrol	93%	86%
Large international oil company	7%	14%

INDUSTRY CONDITIONS

Colombian Market

Historically, all oil production in Colombia was undertaken by Ecopetrol in contracts of association with foreign companies. Ecopetrol is the Colombian national company responsible for exploration, extraction, production, transportation, and crude marketing for export. The country was 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 assumed 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, 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.

ANH

The regulatory regime in Colombia underwent a significant change, effective January 1, 2004, with the formation of the ANH, which has assumed the role of regulating the Colombian oil industry. This function was previously performed by Ecopetrol. In conjunction, 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 and has significantly increased the amount of new exploration in the country. In

place of the earlier association contracts in which the government (Ecopetrol) had an immediate back-in to production, the new agreement provides 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 surcharge provision for larger fields.

Previously the ANH dealt with exploration acreage proposals on a “first-come, first-served” basis, but has since adopted a system of competitive bidding rounds, or rounds whereby the ANH invites a selected group of companies to submit proposals. Once the ANH is satisfied that the successful 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 Colombian 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 five 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 per field basis using a sliding scale that ranges from eight percent (for production up to 5,000 bbl/d) up to a maximum of 25 percent (for production above 600,000 bbl/d), 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 surcharge 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	\$44.77/bbl
15° to 22° API	\$31.35/bbl
22° to 29° API	\$30.22/bbl
Greater than 29° API	\$29.10/bbl

Crude oil production with a quality above 29° API and a realized oil price of US\$80/bbl results in windfall surcharge which is equivalent to an incremental 21% royalty, bringing the total government take to 29% for a field with production less than 5,000 bbl/d.

Overriding Royalties in Petrominerales E&P Contracts

The Corcel block is subject to a three percent GORR before payout granted to the Company's partner, which converts to an eight percent net profits interest after payout, while the Joropo block is subject to a 10 percent GORR before payout granted to the original operator of the block, which converts to a 22 percent net profits interest after payout. These are the only third-party interests that affect Petrominerales' exploration and production blocks.

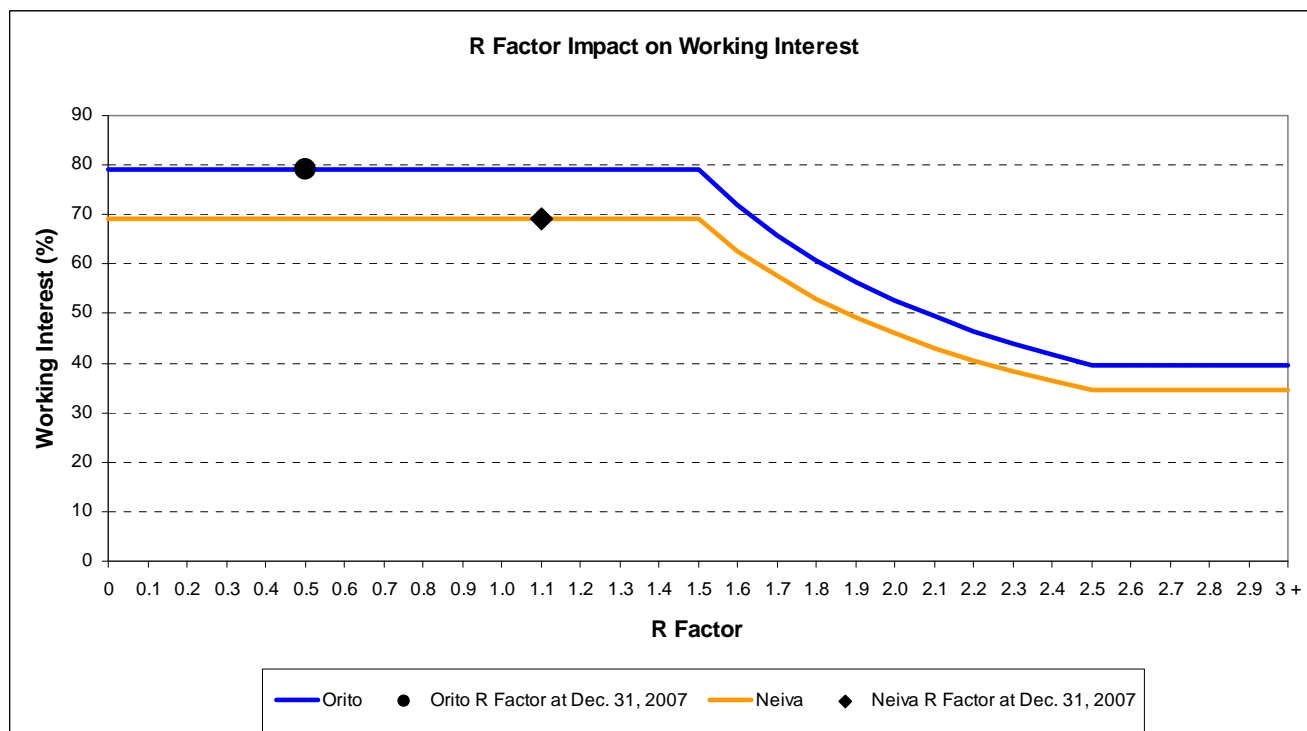
Incremental Production Contracts

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:

R Factor	Orito	Neiva
1.5 to 2.5	79%/(R-0.5)	69%/(R-0.5)
2.5 or more	39.5%	34.5%

The cumulative revenues, costs and R Factors as at December 31, 2007 for each of the Company's IPC's were as follows:

	Orito	Neiva
	(US\$ millions)	
Cumulative revenue	119.1	25.3
Cumulative costs	225	23.7
R Factor	0.53	1.07



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 previous six months, adjusted for quality differences, less approximately \$3.48/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 10 days before and 10 days after the bill of lading date, adjusted for quality differences, plus a \$0.12/bbl premium, less approximately \$3.02/bbl for transportation and marketing fees to the Neiva transfer point.

The Company's Corcel oil production is sold through a sales contract with Ecopetrol, whereby the price received is based on the average WTI price in the month less the Caño Limon differential relative to WTI in the previous month, adjusted for quality differences, less approximately \$5.57/bbl for pipeline transportation and marketing fees. The Company is currently trucking its Corcel oil to several delivery points at an average cost of \$4.12/bbl.

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 31, 2008.

Disclosure of Reserves Data

The Company engaged D&M to evaluate the Company's reserves as at December 31, 2007. The reserves data set forth in this Annual Information Form is based upon the evaluation by D&M dated February 20, 2008, with an effective date of December 31, 2007.

The D&M Report presents an appraisal, as of December 31, 2007, of the extent and value of the proved, probable, and possible crude oil reserves, of the Corcel, Joropo (both located in the Los Llanos basin) Orito (located in Putumayo basin) and Neiva (located in the Upper Magdalena Valley Basin), 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 PCL. The Corcel and Joropo properties are solely operated by Petrominerales. The operator of the Orito and Neiva properties is Ecopetrol. The D&M Report was prepared under 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, 2007 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 the Orito and Neiva fields are limited to the Company's share of the incremental volumes produced above predefined baseline production curves agreed to under terms of IPC's 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 less royalty expenses. Future net revenue is defined as the future gross revenue less direct operating expenses, capital costs net profits interests and 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 and its head office in Colombia, 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.

Classification of Reserves

Petroleum reserves included in the D&M Report are classified by degree of probability as proved, probable, or possible. For purposes of the report, reserves are those quantities of oil and gas anticipated to be economically recoverable from known accumulations. The definitions of reserves shown below serve as the basis for the estimates contained in the D&M Report. The definitions are in accordance with those prepared for the *Canadian National Instrument 51-101* as presented in the *Canadian Oil and Gas Evaluation Handbook Second Edition September 1, 2007, Volume 1 Reserves Definitions and Evaluation Practices and Procedure* (COGEH), Section 5. The petroleum reserves are classified in accordance with Sections 5.4.1, 5.4.2, and 5.4.3 of COGEH. Section 5 of COGEH contains the complete and official explanation of reserves definitions herein.

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 which are generally accepted as being reasonable, and shall be disclosed.

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 plus 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:

- 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, and

- 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.

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

As discussed under the heading “*Incremental Production Contracts*”, 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.

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.

**SUMMARY OF OIL AND GAS RESERVES
FORECAST PRICES AND COSTS, as of December 31, 2007**

RESERVES CATEGORY	LIGHT AND MEDIUM OIL RESERVES	
	Company Gross (mdbl)	Company Net (mdbl)
Proved		
Developed Producing	9,118	8,365
Undeveloped	11,479	10,517
Total Proved	20,597	18,882
Probable	16,380	14,901
Total Proved Plus Probable	36,977	33,783
Possible	14,953	13,510
Proved Plus Probable Plus Possible	51,930	47,293

**FUTURE NET REVENUE BY PRODUCTION GROUP (Undiscounted)
FORECAST PRICES AND COSTS, as of December 31, 2007**

RESERVES CATEGORY	REVENUE	ROYALTIES	OPERATING COSTS	DEVELOPMENT COSTS	WELL ABANDON- MENT COSTS	NET PROFITS INTEREST	FUTURE NET REVENUE BEFORE INCOME TAXES	INCOME TAXES	FUTURE NET REVENUE AFTER INCOME TAXES
	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)
Total Proved	1,551,031	129,221	113,077	187,165	638	29,270	1,091,660	277,599	814,061
Total Proved Plus Probable	2,767,916	239,383	203,382	382,499	823	56,710	1,885,119	593,280	1,291,839
Proved Plus Probable Plus Possible	3,878,740	346,697	286,371	524,495	1,128	83,618	2,636,431	891,141	1,745,290

**NET PRESENT VALUES OF FUTURE NET REVENUE
FORECAST PRICES AND COSTS, as of December 31, 2007**

RESERVES CATEGORY	BEFORE INCOME TAXES DISCOUNTED AT					AFTER HOST COUNTRY INCOME TAXES DISCOUNTED AT				
	(%/year)					DISCOUNTED AT (%/year)				
	0	5	10	15	20	0	5	10	15	20
	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)
Proved										
Developed Producing	558,847	497,314	447,869	415,519	373,069	470,004	420,120	379,393	352,147	316,721
Undeveloped	532,813	421,495	339,567	282,986	230,068	344,057	270,827	217,036	178,980	145,369
Total Proved	1,091,660	918,809	787,436	698,505	603,137	814,061	690,947	596,429	531,127	462,090
Probable	793,459	639,898	527,456	457,899	376,762	477,778	379,830	308,700	263,208	214,567
Total Proved Plus Probable	1,885,119	1,558,707	1,314,892	1,156,404	979,899	1,291,839	1,070,777	905,129	794,335	676,657
Possible	751,312	609,333	504,516	442,311	363,017	453,451	364,253	299,054	258,854	212,281
Proved Plus Probable Plus Possible	2,636,431	2,168,040	1,819,408	1,598,715	1,342,916	1,745,290	1,435,030	1,204,183	1,053,189	888,938

**FUTURE NET REVENUE BY PRODUCTION GROUP (Discounted at 10%/year)
FORECAST PRICES AND COSTS, as of December 31, 2007**

RESERVES CATEGORY	PRODUCTION GROUP	FUTURE NET REVENUE BEFORE INCOME TAXES	FUTURE NET REVENUE BEFORE INCOME TAXES
		(M\$)	(\$/bbl Net Reserves)
Total Proved	Light and Medium Crude Oil	787,436	41.70
Total Proved Plus Probable	Light and Medium Crude Oil	1,314,892	38.92
Proved Plus Probable Plus Possible	Light and Medium Crude Oil	1,819,408	38.47

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

LIGHT AND MEDIUM OIL RESERVES

FACTORS	Gross Proved	Gross Probable	Gross Proved Plus Probable	Gross Proved Plus Probable Plus Possible
	(mdbl)	(mdbl)	(mdbl)	(mdbl)
December 31, 2006	13,563	10,968	24,531	33,906
Technical Revisions	3,162	419	3,581	5,463
Discoveries	7,422	6,936	14,358	19,936
Economic Factors	(1,810)	(1,943)	(3,753)	(5,635)
Production	(1,740)	-	(1,740)	(1,740)
December 31, 2007	20,597	16,380	36,977	51,930

FUTURE DEVELOPMENT COSTS^{(1) (2)}
FORECAST PRICES AND COSTS

Year	Total Proved Reserves	Total Proved Plus Probable Reserves	Proved Plus Probable Plus Possible Reserves
	(M\$)	(M\$)	(M\$)
2008	84,650	187,550	195,120
2009	76,296	106,590	137,190
2010	26,219	60,343	80,631
2011	244	28,016	72,587
2012	-	249	39,216
2013	-	-	-
2014	394	-	-
2015	-	574	879
Thereafter	-	-	-
Total undiscounted	187,803	383,322	525,623
Total discounted at 10%	166,403	336,227	446,456

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.

PRODUCTION ESTIMATES

The following table sets out the volume of the Company's production estimated for the year ended December 31, 2008 which is reflected in the estimate of future net revenue disclosed in the tables contained in this Annual Information Form.

RESERVES CATEGORY	LIGHT & MEDIUM OIL Company Gross (bbl/d)
Proved Producing	
Corcel	3,835
Joropo	301
Orito	3,373
Neiva	414
Total Proved Producing	7,923
Proved Undeveloped	
Corcel	2,741
Joropo	-
Orito	813
Neiva	120
Total Proved Undeveloped	3,674
Total Proved	
Corcel	6,576
Joropo	301
Orito	4,186
Neiva	534
Total Proved	11,597

Probable		
Corcel		5,753
Joropo		99
Orito		661
Neiva		69
Total Probable		<u>6,582</u>
Total Proved Plus Probable		
Corcel		12,329
Joropo		400
Orito		4,847
Neiva		603
Total Proved Plus Probable		<u>18,179</u>
Possible		
Corcel		-
Joropo		-
Orito		1,200
Neiva		16
Total Possible		<u>1,216</u>
Proved Plus Probable Plus Possible		
Corcel		12,329
Joropo		400
Orito		6,047
Neiva		619
Total Proved Plus Probable Plus Possible		<u>19,395</u>

PRICING ASSUMPTIONS, FORECAST PRICES AND COSTS

In the D&M Report, D&M employed the following pricing assumptions, as of December 31, 2007, in estimating reserves data using forecast prices and costs.

Year	West Texas Intermediate Crude Oil at Cushing (\$/bbl)	Inflation Rate (%/year)
2007(actual)*	80.07	
2008	90.00	0.0
2009	86.52	3.0
2010	84.87	2.0
2011	83.32	2.0
2012	82.78	2.0
2013	82.19	2.0
2014	81.53	2.0
2015	81.99	2.0
Thereafter	+2%/year	2.0

* Weighted average historical prices realized by the Company for the year ended December 31, 2007 were \$70.00/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.

The Company’s undeveloped medium to light oil reserves in the D&M Report are located in Colombia within the Corcel and Joropo exploration blocks and the Orito and Neiva fields. 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 proved undeveloped reserves will be developed through further drilling and completion of wells within these areas. In 2008, the Company’s planned drilling program consists of six locations at Corcel, 1 location at Joropo, ten locations at Orito and eight at Neiva along with workovers in all areas and fracture stimulations in both Orito and Neiva.
- The 2009 drilling and completions schedule will focus on these four areas and on any other opportunities arising from the Company’s exploration programs.

The D&M Report includes the following:

- o Corcel: 2 Proven Undeveloped, 3 Probable and 3 Possible locations
- o Orito: 19 Proven Undeveloped, 13 Probable and 16 Possible locations
- o Neiva: 12 Proven Undeveloped, 15 Probable and 4 Possible locations

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

The following table sets out the volume of the Company's proved undeveloped and probable undeveloped reserves over the most recent three financial years.

UNDEVELOPED RESERVES FORECAST PRICES AND COSTS

As of December 31, 2007

RESERVES CATEGORY	LIGHT AND MEDIUM OIL	
	Company Gross (mdbl)	
Proved Undeveloped		
2005		7,411
2006		9,616
2007		11,479
Probable Undeveloped		
2005		6,503
2006		10,968
2007		16,380
Possible Undeveloped		
2005		6,178
2006		9,375
2007		14,953

Oil Wells

The following table summarizes the Company's interests as of December 31, 2007, in oil wells, all of which are located onshore.

	<u>Producing</u>		<u>Non-Producing</u>	
	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>
Corcel	2	2	-	-
Joropo	1	1	-	-
Orito	62	49	4	3
Neiva	63	43	-	-
Total	128	95	4	3

* Abandoned wells not included

Land Holdings

The land holdings of the Company in Colombia, including those that are undeveloped as of December 31, 2007, are set forth in the following table (in 000s of acres unless otherwise noted):

<u>Developed</u>		<u>Undeveloped</u>		<u>Total</u>		<u>Average</u>
<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>	<u>Working Interest %</u>
45	35	1,606	1,606	1,651	1,641	99

In Colombia, undeveloped acreage includes rights granted pursuant to ANH exploration contracts (including those contracts 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 1,605,917 (1,501,069 in 2006) 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 11, “Financial Instruments and Financial Risk Management”, and Note 13, “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. Starting in 2007, the Company manages these risks through periodic use of derivative instruments. The Board of Directors of the Company periodically reviews the results of all risk management activities and all outstanding positions.

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 four 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, 2007, 71 wells under the IPCs and five exploration wells under the ANH exploration contracts have either been drilled or intervened, however Petrominerales expects to incur costs on only 20 wells due to the fact that most wells are expected to produce beyond the term of the IPCs.

The total abandonment and reclamation costs net of salvage values of the Company’s operations are estimated to be \$6.5 million on an undiscounted basis, and \$1.3 million discounted at 10 percent. In the next three fiscal years, the Company anticipates approximately \$0.3 million on an undiscounted basis and \$0.3 million discounted at 10 percent will be incurred on abandonment and reclamation costs.

The calculation of future net revenue in the forecast prices and costs tables contained herein have excluded \$5.9 million on an undiscounted basis and \$0.9 million discounted at 10 percent from the Company’s estimates, as these calculations do not reflect any costs for abandonment and reclamation for facilities and wells for which no proved reserves have been attributed and does not include any costs for abandonment and reclamation activities for the Orito or Neiva blocks.

Tax Horizon

In Colombia, the Company’s tax pools shelter it from paying current cash income taxes. Petrominerales is paying income tax based on presumptive income calculated as a percentage of Colombian equity levels. The D&M Report anticipates an ordinary cash income tax liability in Colombia in 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, 2007:

(000s)

Drilling and completions	\$100,226
Workovers	6,001
Seismic	6,561
Facilities and civil work	28,862
Other	1,372
Total	\$143,022

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, 2007.

	Exploration		Development		Total	
	Gross	Net	Gross	Net	Gross	Net
Oil	3	3	8	6.5	11	9.5
Dry	2	2	-	-	2	2
Total	5	5	8	6.5	13	11.5
Success Rate	60%	60%	100%	100%	85%	83%

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 2007 average daily oil production (bbl/d) before deduction of royalties payable to others, by major producing region, for each of the last four fiscal quarters and year ended December 31, 2007.

	Q1	Q2	Q3	Q4	Year
Orito	1,766	2,472	2,962	2,601	2,454
Corcel	-	-	1,093	6,545	1,925
Neiva and others	276	376	467	429	388
Total	2,042	2,848	4,522	9,575	4,767

Cumulative Production Volumes

The following tables set out the cumulative production volumes for the Company's important fields for the year ending December 31, 2007.

LIGHT AND MEDIUM OIL

Company Gross Cumulative Sales Volumes (bbl)	
Corcel	702,607
Orito	895,644
Neiva and others	141,597
Total Production	1,739,848

Average Daily Production (bbl/d)

Average daily Orito production	2006	2007
Gross Field	5,140	5,717
Baseline	(2,767)	(2,610)
Incremental	2,373	3,107
Petrominerales before royalty (79%)	1,875	2,454
Royalty (8%)	(150)	(196)
Petrominerales net of royalty	1,725	2,258

Average daily Corcel production	2006	2007
Gross field	-	1,925
Royalty (8.2%)	-	(158)
Petrominerales net of royalty	-	1,767
GORR (3%)	-	(53)
Petrominerales net production	-	1,714

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

	Three Months Ended				Year ended
	<u>Mar 31, 2007</u>	<u>June 30, 2007</u>	<u>Sept 30, 2007</u>	<u>Dec 31, 2007</u>	<u>Dec 31, 2007</u>
Average price received	49.88	57.79	69.85	77.87	70.00
Royalties	3.99	4.64	6.07	7.88	6.55
Operating costs ⁽¹⁾	7.04	6.15	7.16	7.49	7.16
Netback	38.85	47.00	56.62	62.50	56.29

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.

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 unfavorably 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.

Reserves

The Company's future reserves and production and, therefore, cash flows are highly dependent upon success in exploiting the Company's current reserves base and acquiring or discovering additional reserves. Without reserves additions through exploration, acquisition or development activities, Petrominerales' reserves and production will decline over time. Exploring for, developing or acquiring reserves is capital intensive. To the extent cash flows from operations are insufficient to fund the Company's capital expenditures and external sources of capital become limited or unavailable, Petrominerales' ability to make the necessary capital investments to maintain oil and natural gas reserves will be impaired. Costs to find and develop or acquire additional reserves also depend on success rates, which vary over time.

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 and 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 holds, through its ownership of Petro International, 76.5% of the outstanding common shares. Accordingly, Petrobank has 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 chief financial officer. 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. 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

Common Shares

The Company is authorized to issue 200,000,000 common shares. As at December 31, 2007, Petrominerales had 100,288,775 common shares issued and outstanding. As at the date of this Annual Information Form, Petrominerales had 100,353,525 common shares issued and outstanding. 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.

Convertible Notes

On December 6, 2007, Petrominerales raised \$100 million by private placement of the Notes. The Notes mature in December 2010. The Notes have an annual coupon of 3.375% and are convertible into common shares of the Company at a conversion price of \$27.3485, representing a conversion premium of 38% to Petrominerales' volume weighted average common share price on November 26, 2007. Petrominerales will have an option to call the Notes after two years from the date of issue, should the price of the Company's common shares exceed 130% of the prevailing conversion price of the Notes over a specified period.

MARKET FOR SECURITIES

The Company's common shares are listed on 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 from January 1, 2007 to December 31, 2007.

Price per Common Share (Cdn\$)					
Month	Open	High	Low	Close	Volume
2007					
January	3.99	4.00	3.05	3.10	564,357
February	3.25	3.40	2.95	3.01	1,195,025
March	3.05	4.05	3.01	3.80	2,108,498
April	3.75	3.75	3.20	3.43	1,072,162
May	3.41	4.85	3.40	4.05	1,316,068
June	4.15	6.87	4.15	6.50	2,569,103
July	6.60	12.15	6.00	12.00	3,275,468
August	11.90	15.50	10.75	12.13	6,002,239
September	12.20	17.00	11.19	16.05	3,670,078
October	16.25	19.45	15.52	18.20	5,021,909
November	18.40	22.96	17.75	18.99	5,401,142
December	19.10	20.87	18.54	20.03	1,988,328

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
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.
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.
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 Western Isles Ltd. (formerly 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 and Chief Financial Officer of Petrobank since May 2007; Vice President Finance of Petrobank Energy and Resources Ltd. to May 2006; Director of Corporate Finance and Investor Relations of Petrobank from July 2003; Prior thereto, Mr. Ruttan was Director of Corporate Finance of Petrobank.

F. Jack Scott,
Bogotá, Colombia

Executive Vice President and
Country Manager, Colombia

Mr. Scott joined Petrominerales in May 2007 as Executive Vice President and Country Manager, Colombia. Prior to joining Petrominerales, Mr. Scott served as VP Engineering for Eurogas Corporation, involved in the development of the Castor Underground Gas Storage project offshore Spain and the development of properties offshore Tunisia. Prior to joining Eurogas Mr. Scott was self employed, involved in project development in a variety of international oil and gas projects. From 1992 to 1999 he held various positions with companies operating in Cuba including three years as Premier Oil's in-country representative managing the office and operations in Cuba.

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. Mr. Wright is also the President, Chief Executive Officer and Director of Petrobank.

Biographies

Mark R. Holliday is the Company's Vice President, Operations. Mr. Holliday was appointed Vice President, 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 Vice President, 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 its predecessor companies since its incorporation in September 1996. 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, 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 of 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 and Chief Financial Officer, 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.

John (Jack) F. Scott is the Company's Executive Vice President and Country Manager, Colombia. Mr. Scott joined Petrominerales in May 2007 as Executive Vice President and Country Manager, Colombia. Prior to joining Petrominerales, Mr. Scott served as VP Engineering for Eurogas Corporation, involved in the development of the Castor Underground Gas Storage project offshore Spain and the development of properties offshore Tunisia. Prior to joining Eurogas Mr. Scott was self employed, involved in project development in a variety of international oil and gas projects. From 1992 to 1999 he held various positions with companies operating in Cuba including three years as Premier Oil's in-country representative managing the office and operations in Cuba. He began his engineering career with Amoco Canada Petroleum Company Ltd. and later Westcoast Petroleum Ltd. (a total of ten years) moving to progressively senior engineering positions. Mr. Scott graduated from McGill University in 1980 with a Bachelor of Mechanical Engineering degree and is a member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta.

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 became a Chartered Financial Analyst charterholder in 1986.

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
Alastair MacDonald 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 Western Isles Ltd. (formerly Triathlon Ltd.), a financial advisory company since November 1996.
Kenneth R. McKinnon ⁽¹⁾⁽²⁾ Calgary, Alberta, Canada	May 2006	Director of Petrobank Energy and Resources Ltd. since March 2000. Mr. McKinnon holds the position of Vice President Legal and General Counsel of Critical Mass Inc., a website design company.
Jerald L. Oaks ⁽¹⁾⁽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.
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.
Enrique Umaña-Valenzuela ⁽¹⁾ Bogotá, Colombia	May 2006	Trade and investment consultant since May 2005, Director of Sociedades Bolivar since March 2006, President of Coinvertir - Invest in Colombia Corporation from July 1997 to April 2005.
John D. Wright ⁽³⁾ Calgary, Alberta, Canada	May 2006	President, Chief Executive Officer and Director of Petrobank Energy and Resources Ltd. since March 2000.
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.

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: 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 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.

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, 2007, Petrominerales had 100,288,775 common shares issued and outstanding. As at December 31, 2007, the directors and executive officers of the Company as a group beneficially owned or exercised control or direction over 549,347 common shares of the Company, representing 0.55% of the common shares issued and outstanding as at December 31, 2007.

The directors and executive officers of the Company also have indirect ownership of Petrominerales through their ownership of common shares of Petrobank. As at December 31, 2007, Petrobank indirectly owned 76.5 % of the issued and outstanding shares of Petrominerales and as at December 31, 2007, the Company's directors and executive officers owned 4,504,968 common shares of Petrobank, representing 5.83% 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 Vice President Finance and Chief Financial Officer, respectively, and the services of other employees of Petrobank from time to time, 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, 2008 but is automatically renewed annually unless one month's 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), Oaks and Umaña-Valenzuela. All of the members of the Audit Committee are considered independent within the meaning of MI 52-110.

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 Company to prepare the annual and interim financial statements of the Company.

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.
Jerald Oaks	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.

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 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.

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, and for the year ended December 31, 2007, Deloitte & Touche LLP and its affiliates were paid approximately \$264,673, all detailed below.

	<u>2006</u>	<u>2007</u>
Audit fees	\$96,626	\$193,122
Audit-related fees ⁽¹⁾	82,153	63,268
Tax fees	32,500	8,283
Total	\$211,279	\$264,673

⁽¹⁾ Audit related fees in 2006 included costs of \$61,718 associated with the initial public offering of Petrominerales in addition to costs associated with quarterly reviews. In 2007, this includes costs related to the common share issuance in September 2007.

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 security holder 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. (indirectly through its ownership of Petro International Ltd.)	100,288,775	Indirect	76.5%

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 by Petrobank to the Company. All charges are based on cost plus an administrative fee, of no more than five percent. These costs totalled \$0.8 million for the year ended December 31, 2007 (2006 - \$1.8 million). The Company also pays Petrobank a monthly fee of Cdn\$75,000 pursuant to a Management Services Agreement effective May 1, 2006. The fee is based on a negotiated value of services provided. Costs under this agreement totalled \$0.8 million for the year ended December 31, 2007 (2006 - \$0.5 million). 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 and Touche LLP, the Company's auditors, are independent in accordance with the Rules of Professional Conduct as outlined by the Institute of Chartered Accountants of Alberta.

MATERIAL CONTRACTS

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

On November 30, 2007, Petrominerales and Norsk Tillitsmann ASA, as Loan Trustee on behalf of the convertible noteholders, entered into a loan agreement (the "**Loan Agreement**") with respect to the private placement of the Notes. See "*Capital Structure – Convertible Notes*". The Loan Agreement may be found on SEDAR at www.sedar.com.

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com.

Additional information, including information as to directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, options to purchase securities and interests of insiders in material transactions, will be available in the Management Proxy Circular of the Company dated April 1, 2008 provided for the annual meeting of the shareholders of the Company to be held on May 21, 2008. Additional financial information is also provided in the Company's consolidated financial statements and Management's Discussion and Analysis for the year ended December 31, 2007 which are contained in the Annual Report of the Company for the year ended December 31, 2007, available at www.sedar.com or at www.petrominerales.com.

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 are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2007, estimated using forecast prices and costs.

Independent qualified reserves evaluators have evaluated the Company’s reserves data. The report of the independent qualified reserves evaluators is presented herein and 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
- (b) 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 Form 51-101F1 containing reserves data and other oil and gas information;
- (b) the filing of Form 51-101F1 which is 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, however, any variations should be consistent with the fact that reserves are categorized according to the probability of their recovery.

Signed "*John D. Wright*"

John D. Wright,
President, Chief Executive Officer, Director
and Member of the Reserves Committee

Signed "*Jack (John) Scott*"

Jack (John) Scott,
Executive Vice President and Country
Manager, Colombia

Signed "*Ernesto Sarpi*"

Ernesto Sarpi,
Director and Member of the Reserves
Committee

Signed "*Geir Ytreland*"

Geir Ytreland,
Director and Member of the Reserves
Committee

March 31, 2008

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. We have evaluated the Company’s reserves data as at December 31, 2007. The reserves data are estimates of the proved reserves, probable reserves and possible reserves and related future net revenue as of December 31, 2007, estimated using forecast prices and costs.
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 obtain reasonable assurance as to whether the reserves estimates are free of material misstatement and are in accordance with principles and definitions presented in the COGE Handbook.
4. 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.\$) attributed to 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, 2007, 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, 2007 on Certain Properties in Colombia for Petrominerales Colombia Ltd. dated February 20, 2008	Colombia	Not Applicable	905,129	Not Applicable	905,129

5. 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.
6. We have no responsibility to update our report referred to in paragraph 4 for events and circumstances occurring after the report preparation date.
7. Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material. However, any variations should be consistent with the fact that reserves are categorized according to the probability of their recovery.

Executed as to our report referred to above:

DeGolyer and MacNaughton, Dallas, Texas, USA, dated February 20, 2008.

Submitted,

(signed) "*DeGolyer and MacNaughton*"

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.

C. 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.

D. RESPONSIBILITIES AND DUTIES

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

Documents/Reports Review

- (d) Review and update this Charter, as conditions dictate.
- (e) 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.
- (f) Review the reports to management prepared by the external auditors and management's responses.
- (g) Review of significant auditor findings during the year, including the status of previous audit recommendations.
- (h) 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

- (i) 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.
- (j) Recommend to the Board the external auditors to be nominated for appointment by the shareholders.

- (k) 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.
- (l) On an annual basis, review and discuss with the auditors all significant relationships the auditors have with the Company to determine the auditors' independence.
- (m) Review the performance of the external auditors and approve any proposed discharge of the external auditors when circumstances warrant.
- (n) 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.
- (o) 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.
- (p) Consider, in consultation with the external auditor, the audit scope and plan of the external auditor.
- (q) 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

- (r) In consultation with the external auditors and management, review the integrity of the Company's financial reporting processes, both internal and external.
- (s) Consider judgments concerning the appropriateness of the Company's accounting policies.
- (t) 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.
- (u) Review risk management policies and procedures of the Company (i.e., hedging, litigation and insurance).
- (v) 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.
- (w) Approve management recommendations of appointment of individuals to senior financial reporting positions within the Company.

Process Improvement

- (x) 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.
- (y) 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.
- (z) 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

- (aa) 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.
- (bb) 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.
- (cc) 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.
- (dd) 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.