



PETROMINERALES

A PETROBANK COMPANY

PETROMINERALES LTD.

**ANNUAL INFORMATION FORM
FOR THE YEAR ENDED DECEMBER 31, 2008**

MARCH 16, 2009

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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 subsidiaries;

“**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 27, 2009, with an effective date of December 31, 2008;

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

“**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;

“**License Contract**” means an exploration and production contract in Peru established by PeruPetro S.A.;

“**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 on December 6, 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;

“**PeruPetro**” means PeruPetro S.A., a private state law company responsible for promoting the investment of hydrocarbon exploration and exploitation activities in Peru;

“**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., the majority shareholder of Petrominerales;

“**R Factor**” means the ratio of cumulative revenues to cumulative costs for purposes of allocating production under the Neiva and Orito IPCs;

“**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;

“**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	Mbbl	Thousand barrels
bbl(s)	Barrel(s) of oil	MMbbl	Million barrels
Cdn\$	Canadian dollars	M\$	Thousands of United States dollars
km	Kilometres	MM\$	Millions of United States dollars
km²	Square kilometres	\$	United States dollars

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>
bbls	cubic metres	0.159
cubic metres	bbls	6.293
Feet	metres	0.305
Metres	feet	3.281
Miles	kilometres	1.609
Kilometres	miles	0.621
Acres	hectares	0.405
Hectares	acres	2.471

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 “*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.

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.

INFORMATION

The information in this Annual Information Form is stated as at December 31, 2008, unless otherwise indicated. For an explanation of the capitalized terms and expressions and certain defined terms, please refer to the “*Abbreviations and Definitions*” 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

Certain statements contained in this Annual Information Form constitute forward-looking statements. The use of 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”, “will” 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. The Company believes the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct. Accordingly, any such forward-looking statements are qualified in their entirety by reference to, and are accompanied by, the factors discussed throughout this Annual Information Form. Such forward-looking statements included in this Annual Information Form should not be unduly relied upon. These forward-looking statements speak only as of the date of this Annual Information Form.

In particular, this Annual Information Form may contain forward-looking statements pertaining to the following:

- the performance characteristics of the Company’s oil properties;
- oil production levels;
- the size of the oil reserves;
- projections of market prices and costs;
- supply and demand for oil;
- expectations regarding the ability to continually add to reserves through acquisitions and development;
- treatment under governmental regulatory regimes and tax laws; and
- capital expenditure programs.

With respect to forward looking statements contained in this Annual Information Form, the Company has made assumptions regarding:

- oil production levels;
- commodity prices;
- general economic and financial market conditions;
- availability of labour and drilling equipment;
- timing and amount of capital expenditures;
- government regulation in the areas of taxation, royalty rates and environmental protection; and
- expectations and assumptions concerning the obtaining of necessary regulatory approvals.

The actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this Annual Information Form:

- volatility in market prices for oil;
- fluctuation in foreign currency exchange rates;

- liabilities inherent in oil operations;
- uncertainties associated with estimating oil reserves;
- competition for, among other things, capital, acquisitions of reserves and undeveloped lands;
- geological, technical, drilling and processing problems;
- changes in legislation, including changes in environmental or tax laws and government incentive programs relating to the oil and gas industry; and
- the other factors discussed under “*Risk Factors*”.

Statements relating to “reserves” or “resources” are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitably produced in the future.

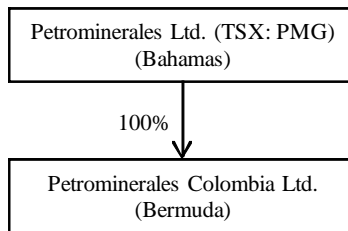
Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this Annual Information Form are expressly qualified by this cautionary statement. Further, any forward-looking statement is made only as of a certain date, and the Company undertakes 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.

INTRODUCTION

Petrominerales is an exploration and production company operating at the forefront of Colombia's oil and gas industry. Five years ago, the Colombian government introduced a compelling new fiscal and land contracting regime. Under the new regime, Petrominerales began accumulating exploration blocks and the Company is now one of the country's largest land holders with 18 blocks spread across three prolific hydrocarbon basins. Petrominerales was one of the first exploration companies in the country to use 3D seismic as a primary exploration tool, and in 2007, we drilled a major discovery on our Corcel Block. With rapid development of Corcel, Petrominerales is now Colombia's largest producer from exploration blocks under the new fiscal and land contracting regime. Corcel is only one of many exploration plays being pursued by the Company in the largely under-explored basins of Colombia and now, Peru.

CORPORATE STRUCTURE

The following chart illustrates Company's material subsidiaries, as at December 31, 2008, and unchanged as at the date of this Annual Information Form.



Petrominerales Colombia Ltd. ("**PCL**"), through its predecessor companies, was originally incorporated in 1996 under the *International Business Companies Act, 2000* (Bermuda) to engage in oil exploration and development activities in Colombia. PCL is the Company's main operating subsidiary and has been operating in Colombia since 1996. See "*General Development of the Business*".

In May 2002, Petrobank Energy and Resources Ltd. ("**Petrobank**"), through its wholly-owned subsidiary Petro International Ltd. ("**Petro International**"), acquired all the issued and outstanding shares of PCL.

On April 20, 2006, Petrominerales Ltd. was incorporated under the *International Business Companies Act, 2000* (Bahamas). 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.

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.

On June 29, 2006, the Company, Petro International and PCL completed the Reorganization Transactions, being the share exchange transactions contemplated by the Share Exchange Agreement whereby Petrominerales acquired all of the shares of PCL and commenced trading on the TSX under the symbol 'PMG'.

GENERAL DEVELOPMENT OF THE BUSINESS

Petrominerales, through its predecessor companies, has been in Colombia since 1996. 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. PCL initiated drilling operations in the latter part of 2002, with first production commencing in January 2003.

On January 1, 2004, the regulatory regime in Colombia underwent a significant change, with the formation of the ANH, which has the responsibility of regulating the Colombian oil industry. 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 increased the amount of new exploration in the country. In 2005, Petrominerales began negotiating and contracting Exploration Contracts, and to date has accumulated 1.9 million acres subject to 16 Exploration Contracts in Colombia.

The following describes the Company's significant events that occurred in the past three years.

Year ended December 31, 2006

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

In April, production from the Orito 117 and 118 wells contributed to a significant increase in production. As a result, the total Company production averaged 2,612 bbl/d in the second quarter of 2006.

In June, 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, 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

In the first quarter, 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 March, the Ojo de Tigre-2 well was cased as a potential oil well on the Joropo Block in the Llanos Basin.

In the second quarter, the Company announced that the Mapuro-1 and the Casanare Este-1 wells, drilled on the Castor and Casanare Este blocks in the Llanos Basin, were plugged and abandoned.

In June, Petrominerales completed drilling and logging operations at the Corcel-A1 exploration well on the Corcel Block in the Llanos Basin. The Corcel-A1 well spudded on April 7 and reached a total depth of 12,000 feet on June 14. An extended production test commenced on September 7. On October 17, the

Corcel-A2 well reached total depth and was cased as a potential oil well. In November, Petrominerales commenced an extended production test of the Corcel-A2 well.

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

On September 13, 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, Petrominerales raised \$100 million by private placement of 3.375% unsecured convertible notes (the “Notes”) due December 2010. See “*Capital Structure – Convertible Notes*”.

Year ended December 31, 2008

During 2008, on the Corcel Block, Petrominerales drilled, or completed drilling, six successful oil wells and two water injection wells. The oil wells were Corcel-A3, A4, C1, C3, D1 and D2. In addition, the Corcel central processing facilities were constructed to initially handle 70,000 barrels of fluid per day, construction also began on an oil offloading station at Monterrey, and 120 km² of 3D seismic was acquired. See “*Principal Properties – Corcel*”.

On the Casanare Este Block, the Casanare Este-2 exploration well was drilled to total depth of 10,570 feet in February, and was subsequently cased as a potential oil well. The first three of five potential zones tested wet. The well was subsequently abandoned based on results obtained from the offsetting Castor-1 well.

On the Castor Block, the Castor-1 exploration well was drilled to a total depth of 10,604 feet and was abandoned.

On the Mapache Block, two exploration wells, Mapache-1 and Mirasol-1 (formerly Mapache-2), were drilled and completed as potential oil wells in the second quarter of 2008. Subsequent to December 31, 2008, the Mapache-1 and Mirasol-1 wells were prepared for extended production testing and we have constructed production facilities on the block. See “*Principal Properties – Mapache*”.

On the Joropo Block, the Ojo de Tigre-3 exploration well was drilled and completed as a potential oil well. A workover in the Ojo de Tigre-2 well was performed that resulted in 249 bbl/d of production. As the well could only be produced in the dry season, it was shut-in.

In August, the Company commenced a normal course issuer bid (the “NCIB”). In accordance with the NCIB, Petrominerales is authorized to repurchase up to 5,032,717 of its common shares, representing approximately 5% of the issued and outstanding common shares of the Company. In 2008, Petrominerales repurchased 1,326,000 common shares under the NCIB. See “*Capital Structure – Normal Course Issuer Bid*”.

In November, Petrominerales entered into an agreement to acquire a 55 percent interest in the 2.6 million acre Block 126 in the Ucayali Basin of Peru.

In late November 2008, drilling and completion operations at the Orito field were suspended temporarily, due to a general strike in the Putumayo region of Colombia. Operations resumed on January 6, 2009.

In December, Petrominerales was awarded two contiguous blocks in the Llanos Basin north of Corcel, Blocks 25 and 31, on trend with the “world-class giant” Cusiana-Cupiagua field complex. The award of Blocks 25 and 31 brought Petrominerales’ aggregate exploration contract holdings to 16 exploration blocks in Colombia,

consisting of 1.9 million acres of 100% working interest operated lands in Colombia's Llanos and Putumayo basins.

DESCRIPTION OF THE BUSINESS

Strategy

As one of the largest land holders in Colombia, we have identified key areas to focus our resources and the talents of our people. There are three pillars to our operating plan:

- *Near-term development* – rapid development of our major Corcel discovery, as well as cost-effective, low risk activities in development projects at our Orito and Neiva fields;
- *High-impact exploration* – selecting basins in both Colombia, and now Peru, which are in the early stages of development, but with excellent prospectivity for large reserve accumulation;
- *Heavy oil* – a longer-term strategy, we are starting to explore in Colombia's heavy oil belt, which has potential for future development. Petrominerales plans to be at the forefront of the expansion of the Colombian heavy oil industry through the application of technology. We are targeting large accumulations of heavy oil and offer world-class exploitation expertise including the opportunity to deploy the THAI™ technology in Colombia. THAI™ has significant operational and environmental benefits over other processes and represents a step change in recovery efficiencies. Petrominerales has the exclusive rights for the application of the technology in Colombia.

Production

In 2008, the Company had production from the IPCs in Orito and Neiva and from the Corcel, Joropo and Las Aguilas exploration and production blocks. Company production averaged 10,967 bbl/d in 2008, 15,344 bbl/d in the fourth quarter of 2008 and 25,897 bbl/d in February 2009.

Reserves

As at December 31, 2008, the Company's independent reserve evaluator assigned reserves to the Company's properties as follows:

<u>LIGHT AND MEDIUM OIL AND NATURAL GAS LIQUIDS RESERVES ⁽¹⁾</u>				
<u>RESERVES CATEGORY</u>	<u>Corcel</u>	<u>Orito</u>	<u>Neiva and Joropo</u>	<u>Total Company</u>
	<u>(Mbbbl)</u>	<u>(Mbbbl)</u>	<u>(Mbbbl)</u>	<u>(Mbbbl)</u>
Proved				
Developed	9,397	3,840	992	14,229
Undeveloped	1,336	7,359	2,250	10,945
Total Proved	10,733	11,199	3,242	25,174
Probable	3,248	5,385	3,042	11,675
Total Proved Plus Probable	13,981	16,584	6,284	36,849
Possible	8,409	7,177	2,530	18,116
Proved Plus Probable Plus Possible	22,390	23,761	8,814	54,965

Notes:

1. Company gross reserves based on forecast prices and costs. See "Reserves Data and Other Oil and Gas Information".

The reserves at December 31, 2008 shown in the table above do not include any reserves associated with our exploration successes on the Mapache Block, the Corcel-D3 well, or our remaining 14 exploration blocks in Colombia and Peru.

IPC Contracts

Petrominerales has IPCs in two fields in southwestern Colombia, Orito, in southern Colombia's Putumayo Basin, and 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 eight percent royalty paid to the government.

Exploration and Production Contracts

Colombia

Petrominerales currently has 15 Exploration Contracts in the Llanos Basin and one (1) Exploration Contract in the Putumayo Basin, covering a total land area of over 1.9 million acres. All of these blocks are subject to the ANH terms, the royalty system, the windfall profits tax and Colombian income taxes (as more fully described herein under the heading "*Industry Conditions - Colombia*"); heavy oil production is eligible for reduced royalty rates. The Company is entitled to 100 percent of new production on 14 Exploration Contracts and 99 percent of production on two Exploration Contracts. See "*Principal Properties - Exploration Blocks*".

The Corcel Block is subject to a three percent GORR before payout granted to the original owner, which converted in 2008 to an eight percent net profits interest, while the Joropo Block is subject to a 10 percent GORR before payout granted to the original owner 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.

Peru

In November 2008, Petrominerales acquired a 55 percent interest in the 2.6 million acre Block 126 in the Ucayali Basin of Peru. Block 126 is governed by a License Contract and is subject to Peruvian oil and gas laws as administered by PeruPetro S.A., the state owned oil and gas company, and Peruvian royalty and tax regimes (as more fully described herein under the heading "*Industry Conditions - Peru*").

Petrominerales has been recognized as an operator in Peru by PeruPetro, however we have not received final approval on the 55% assignment of the Block 126 License Contract. The approval is expected to be received in due course from the Peruvian Ministry of Energy and Mines.

Acreage and Block Summary

At December 31, 2008, Petrominerales had an interest in the following blocks (See “*Industry Conditions*”):

Block	Area (acres)	Current Commitments	Phase Option Date
<i>Deep Llanos Basin</i>			
Corcel	79,815	One exploratory well	September 2, 2009
Guatiquia	26,349	One exploratory well	August 28, 2009
Block 25 ⁽¹⁾	169,733	138 km 2D seismic + 55 km ² 3D seismic + one exploratory well	February 16, 2012
Block 31 ⁽¹⁾	163,975	133 km 2D seismic + 60 km ² 3D seismic + two exploratory wells	February 16, 2012
	439,872		
<i>Llanos Plains</i>			
Mapache	107,861	40 km ² 3D seismic + two exploratory wells	June 30, 2009
Casimena	107,704	85 km ² 3D seismic	November 3, 2009
Castor	108,741	100 km ² 3D seismic + 14 km 2D seismic	June 14, 2009
Casanare Este	78,815	96 km ² 3D seismic	June 2, 2009
Altamira 3431B	38,998	One exploratory well	October 20, 2009
Altamira 3431D	63,165	One exploratory well	October 20, 2009
Jaguar	64,969	One exploratory well	August 28, 2009
Joropo ⁽²⁾	72,257	None	March 7, 2009
	642,510		
<i>Llanos Heavy Oil</i>			
Chiguiro Este	178,272	One exploratory well	June 14, 2009
Chiguiro Oeste	125,952	One exploratory well	October 20, 2009
Rio Ariari	514,426	50 km ² 3D seismic + one exploratory well	October 20, 2009
	818,650		
<i>Putumayo</i>			
Las Aguilas	32,215	Two exploratory wells + 8 km ² 3D seismic	October 21, 2009
<i>Colombia – total exploration</i>			
	1,933,247		
<i>IPCs</i>			
Orito ⁽³⁾	42,492	None	-
Neiva ⁽³⁾	2,395	None	-
	44,887		
<i>Colombia – total acreage</i>			
	1,978,134		
Peru Block 126 ⁽⁴⁾	2,636,506	500 exploration work units	December 11, 2010
<i>Total Company acreage</i>			
	4,614,640		

Notes:

1. The exploration block was awarded in December 2008 and the Exploration Contract signed on February 16, 2009.
2. On March 6, 2009, Petrominerales notified the ANH of its intention to relinquish 71,130 acres of the Joropo Block, retaining 1,127 acres surrounding the Ojo de Tigre-2 and Ojo de Tigre-3 wells.
3. Acreage is shown gross. See “*Principal Properties – Incremental Production Contracts*”.
4. Acreage and work commitments are shown as gross. Petrominerales has a 55% working interest in the block. Petrominerales has been recognized as an operator in Peru by PeruPetro, however we have not received final approval on the 55% assignment of the Block 126 License Contract. The approval is expected to be received in due course from the Peruvian Ministry of Energy and Mines. Each exploration work unit is valued at \$5,000. See “*Industry Conditions – Peru*”.

PRINCIPAL PROPERTIES

Incremental Production Contracts (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 degree API oil at structurally low positions, increasing to approximately 45 degree 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 192 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.

As at December 31, 2008, the Orito field had produced just over 232 MMbbl, including approximately 192 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. The Company also plans to complete testing the Villeta formation found in the Conga-1 exploration well drilled on the neighboring Las Aguilas Block, and has initiated 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.

In 2008, gross field production at Orito averaged 5,994 bbl/d and baseline production averaged 2,265 bbl/d, resulting in average incremental production of 3,729 bbl/d (2,946 bbl/d working interest to the Company before deduction of an eight percent royalty). The baseline production forecast is:

Orito Field Baseline Production Forecast	
Year	(bbl/d)
2009	2,337
2010	2,222
2011	2,121
2012	2,022
2013	1,934
2014	1,855
2015	1,781
2016	1,712
2017	1,649
2018	1,589
2019	1,534
2020	1,485
2021	1,433
2022	1,384
2023	562

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 totaling 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. To the end of 2008, Petrominerales had drilled 12 wells and performed 20 workovers.

In 2008, average daily production in the Neiva field was 2,707 bbl/d and baseline production averaged 2,072 bbl/d, resulting in average incremental production of 634 bbl/d (438 bbl/d working interest to the Company before deduction of an eight percent royalty). The baseline production forecast is:

Neiva Field Baseline Production Forecast	
Year	(bbl/d)
2009	1,948
2010	1,833
2011	1,723
2012	1,619
2013	1,523
2014	1,433
2015	1,348
2016	1,268
2017	1,192
2018	1,121
2019	1,055
2020	992
2021	932
2022	877
2023	348

Exploration Blocks - Colombia

Corcel

Corcel has rapidly progressed from exploration to significant oil production on less than 15% of the block's acreage. There are currently six producing oil wells on the block from three structures, A, C and D. In 2008, average daily production from the Corcel Block was 7,562 bbl/d, the fourth quarter production averaged 13,023 bbl/d and in February 2009 production averaged 21,764 bbl/d. Since inception, the cumulative production from the Corcel Block to December 31, 2008 was 2.4 million barrels from the A structure, 1.0 million barrels from the C structure, and 0.1 million barrels from the D structure.

While the ultimate potential of the block will be defined through long-term testing and additional 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.

Production is currently being processed through our Corcel central processing facilities and trucked to seven different offloading stations. The majority of production, 95%, was sold to Ecopetrol and trucked to five offloading stations; Araguaney, Chichimene, Vasconia, Velasquez and Toldado.

Corcel A

The Corcel-A1 well was spud 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 was spud 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 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 well suffered a major casing issue which caused the well to be shut-in in the second quarter of 2008. In 2009 or 2010, we plan to side-track this well and place it back on production.

The Corcel-A3 well was spud on November 21, 2007 and was drilled directionally to a depth of 13,050 feet. Logs indicated that the productive horizons present in Corcel-A1 and Corcel-A2 were 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. During 2008 the well was converted to a water injection well to handle produced water from the field.

The Corcel-A4 well was drilled to a targeted depth of 12,465 feet and was brought on production at rates of over 4,500 bbl/d in the Guadalupe and Mirador intervals in the second quarter of 2008.

Corcel C

The Corcel-C1 exploration well was spud on May 23, 2008 and reached total depth of 13,189 feet on July 9, 2008. Logs indicated presence of 77 feet of pay present in the Lower Sand 1 and Guadalupe formations. We perforated 35 feet of the Lower Sand 1 yielding an initial flow rate of 5,200 bbl/d of 19 degree API oil.

The Corcel-C3 well was spud on July 26, 2008 and reached total depth of 13,357 feet on September 1, 2008. Logs indicated presence of 68 feet of pay present in the Lower Sand 1 and Guadalupe formations. We perforated 23 feet of the Guadalupe formation yielding an initial flow rate of 9,700 bbl/d of 29 degree API oil.

Our Corcel-C discovery is significant as it demonstrates the presence of a new play concept in the region. We believe this increases our chance of success on the Corcel-B structure and has expanded our drilling inventory to include the Corcel-G exploration prospect, both of which are analogous play concepts.

Corcel D

The Corcel-D1 exploration well was spud on September 27, 2008 and reached a total depth of 12,350 feet on November 5, 2008. Logs indicated total potential net pay of approximately 102 feet of high quality reservoir sands in the Mirador and Guadalupe formations. The Corcel-D1 well had initial production of 3,800 bbl/d of 22 degree API crude oil with one percent water cut from 35 feet of sand in the Guadalupe formation. Premature water breakthrough in the Guadalupe perforations caused the well to be shut-in in these zones. Based on log and core analysis, the well had an additional 67 feet of net pay in the Mirador and Lower Sand 1 intervals. In January 2009, the well was re-completed in the Mirador formation and was brought on production at 8,770 bbl/d.

The Corcel-D2 exploration well was spud on November 12, 2008 and reached total depth of 12,262 feet on January 3, 2009. Logs indicated presence of 75 feet of pay present in the Mirador and the Guadalupe formations. The liner cementing operation was unsuccessful and attempts to cut and pull the liner from the well were also unsuccessful. The liner was cement squeezed and abandoned and a sidetrack was drilled approximately 15 feet away from the original wellbore where a new seven inch liner was run and successfully cemented. In early 2009, the well was placed on production from 46 feet of pay in the Mirador formation with an initial rate of 4,500 barrels of 26 degree API oil per day at a 50% water cut. The initial 50% water cut is possibly a result of cross flow from water bearing zones encountered in the original wellbore and as a result may not fully reflect the ultimate oil production potential of the Mirador formation.

The Corcel-D3 exploration well was spud on January 31, 2009 and reached total depth of 12,580 feet. Well logs indicate 111 feet of potential net oil pay in the Mirador, Guadalupe and Lower Sand 1 formations and we are casing the well as a potential oil producer.

Corcel Exploration

In 2008, we completed a 120 km² 3D seismic program over the northeastern portion of the Corcel Block adjacent to and on trend with the existing Corcel 3D seismic. The processing was completed in late 2008 and we are currently interpreting the data. Initial indications are that this newly acquired seismic data will allow us to continue to expand our prospect inventory including a number of different play types. All of our 2007 and 2008 drilling locations were picked from our original 3D seismic data set, which covered 15% of the Corcel Block.

Guatiquia

In 2008, we completed a 40 km² 3D seismic program over the Guatiquia Block, immediately southwest and adjacent to the Corcel discovery. We expect to drill our first exploration prospect in 2009, which was identified from the 3D seismic.

Blocks 25 and 31

On December 4, 2008, we were awarded Block 25 and Block 31 at the Colombian Mini Round 2008. Block 25, immediately southwest of and on trend with the “world-class giant” Cusiana-Cupiagua field covers 169,733 acres. Block 31, immediately north of and adjacent to our Corcel Block, covers 163,975 acres.

The first phase work commitments will include shooting 138 km 2D seismic, 55 km² of 3D seismic and drilling one exploration well on Block 25, and acquiring 133 km 2D seismic, 60 km² of 3D seismic and drilling two exploration wells on Block 31.

In aggregate, the blocks currently have 1,315 kilometres of existing 2D seismic from which we have already identified several leads.

The first work commitment phase for both of these blocks is three years. These blocks are subject to the standard ANH contract terms plus a further state participation of one percent of gross production, payable to the ANH. We executed this contract with the ANH on February 16, 2009, and they are subject to the final approval of the Directive Council of the ANH which is expected in due course.

Mapache

On the Mapache Block, two exploration wells, Mapache-1 and Mirasol-1 (formerly Mapache-2), were drilled and completed as potential oil wells in the second quarter of 2008. Subsequent to December 31, 2008, the Mirasol-1 well was prepared for extended production testing. On initial test, the well flowed at an average rate of 1,300 barrels of 34 degree API oil per day, over a 30-hour period from 9 feet of high quality sand, in the Upper Carbonera 7 (C7) formation. Following the C7 test in Mirasol-1, the Upper Mirador formation was re-swab tested and stabilized at a rate equivalent to 515 bbl/d of 34 degree API crude. We have installed an electric submersible pump capable of producing 3,500 barrels of fluid per day and have constructed production facilities with an initial capacity of 5,000 barrels of fluid per day. We have begun completion operations at the Mapache-1 well, which appears to have similar potential in the Mirador sands to Mirasol-1. Final rates from our initial twenty four hour flow test at Mapache-1 were 1,400 bbl/d of 34 degree crude oil, at less than 2% water cut.

Casimena

The Mapuro-1 side track well commenced drilling on December 12, 2007 and reached a total depth of 8,760 feet on January 4, 2008. The objective of the well was to test a seismically defined Ubaque formation prospect. However based on petrophysical analyses the well was abandoned. We are planning an 85 km² 3D seismic program in 2009.

Castor

The Castor-1 exploration well was drilled to a total vertical depth of 10,604 feet in the second quarter of 2008 and, based on formation evaluation information, the decision was made to abandon the well. Our phase 2 commitment includes additional 3D seismic which will be acquired to evaluate an extended portion of the 108,741 acre block before drilling our next Castor exploration well.

Casanare Este Block

The Casanare Este-2 well reached a total depth of 10,570 feet on February 27, 2008. The well was completed as a potential oil well and the first of three potential zones was completed with the drilling rig, but tested 100% water. Originally, we planned to complete the additional horizons in the well with a workover rig but we have now made the decision to abandon the well, based on additional analysis and results from the offsetting Castor-1 well. Before drilling our next Casanare Este exploration well, we plan to acquire additional seismic on the block in 2009.

Jaguar, Altamira A&B

A 3D seismic program was completed covering portions of the Jaguar, Altamira A&B blocks. However, the prospectivity of blocks, as derived from our 3D seismic interpretation, did not meet our expectations. We are currently reviewing our strategy for these blocks.

Joropo

On March 6, 2009, Petrominerales notified the ANH of its intention to relinquish 71,130 acres of the Joropo Block, retaining 1,127 acres surrounding the Ojo de Tigre-2 and Ojo de Tigre-3 wells.

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 need to be re-tested to fully evaluate the potential of the well.

The Ojo de Tigre-3 well was spud on January 31, 2008 and reached a total depth of 8,324 feet on February 14, 2008. The well was completed in the Carbonera formation. Seventeen feet of C7 sands were perforated, however the well produced 100% water. Upon further evaluation, the presence of poor cement bond in the well is believed to have caused the water influx. A remedial cement squeeze will be required to properly isolate the prospective zones in the well. We also performed a work over in the Ojo de Tigre-2 well to remove the screens and clean out the perforated intervals, and then installed a jet pump completion. The well produced 1,532 barrels of fluid per day, with an 82% water cut, resulting in average production rates of 248 bbl/d, but the well could only be produced during the remainder of the dry season and has now been shut-in. We acquired an additional 30 km² of 3D seismic on the Joropo Block in the second quarter of 2008. No additional prospectivity was interpreted from this seismic survey.

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.

Llanos Basin Heavy Oil Blocks (Rio Ariari, Chiguiro Oeste and Chiguiro Este)

The 576 km of 2D and 62 km² of 3D seismic data acquired over our Rio Ariari, Chiguiro Oeste and Chiguiro Este heavy oil blocks has been interpreted and we have identified an initial 14 prospects. On Rio Ariari, we plan to acquire an additional 50 km² of 3D seismic in 2009 in addition to a drilling an exploration well. On Chiguiro Oeste and Chiguiro Este, we are planning to drill an exploration well on each block in 2009 to test seismically defined exploration prospects.

Las Aguilas

The Company tested the Conga-1 well on the Las Aguilas Block with fluctuating flow rates from the Caballos formation through the jet pump completion. In November 2008, we mobilized a heavy workover rig from Ecuador to the Conga-1 well on the Las Aguilas Block west of Orito, where testing operations recommenced. We are evaluating the Villeta intervals that have proven productive at Orito. On November 20, 2008 a general strike in the Putumayo forced us to suspend activities at this location until January 6, 2009. The planned 48 km² 3D seismic program over the Orito and Las Aguilas blocks during 2008 was also suspended. We have a two well commitment for the Las Aguilas Block which is to be completed in 2009.

Exploration Blocks – Peru

Block 126

The block's first phase commitments included the reinterpretation of 1,200 kilometres of 2D seismic, which has been completed and confirmed a large anomaly, the La Colpa structure, which was encountered by a well drilled on the block 20 years ago. Initially, three other structural leads have also been identified from the existing reprocessed 2D seismic. The next exploration phase will include the acquisition of 150 square kilometres of 3D seismic and 50 kilometres of 2D seismic, which is likely to commence later in 2009. An Environmental Impact Assessment has been submitted to the Peruvian government and a public consultation was completed in February 2009. Approval for the seismic program is expected in due course.

Petrominerales has been recognized as an operator in Peru by PeruPetro, however we have not received final approval on the 55% assignment of the Block 126 License Contract. The approval is expected to be received in due course from the Peruvian Ministry of Energy and Mines.

GENERAL

Taxes

The Company's pre-tax income from Colombian sources as defined under Colombian law is subject to Colombian income taxes at a statutory rate of 33 percent. Costs related to the acquisition or construction of real fixed assets are subject to a special tax deduction in the year of acquisition equal to 40 percent. The Company's Colombian entities are also subject to an equity tax, which is 1.2 percent of 2006 equity levels.

A "presumptive" minimum income tax exists which may apply in years with little or no income. When applicable, presumptive income tax is calculated as 33 percent of three percent of prior year net 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.

As at December 31, 2008, the Company had tax pools in Colombia totalling \$399.7 million.

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, 2008, Petrominerales and PCL collectively, have 147 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 one party, Ecopetrol. Crude oil sales to individual counterparties for the years ended December 31, 2008 and 2007 are as follows:

	Sales as a Percentage of Revenues	
	2008	2007
Ecopetrol	95%	93%
Other	5%	7%

The Company’s Corcel oil production in 2008 was sold through two sales contracts. The first sales contract is 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 \$2.38/bbl for pipeline transportation and marketing fees. The second sales contract is with a third party, whereby the price received is based on the average WTI price in the month less the Vasconia Blend differential relative to WTI, adjusted for quality differences, less approximately \$4.29/bbl for pipeline transportation and marketing fees. The Company is currently trucking its Corcel oil to several delivery points at an average cost of \$4.67/bbl in 2008.

The Company’s Orito oil production is currently being sold at the wellhead pursuant to a sales contract with Ecopetrol. 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 \$3.85/bbl for transportation and marketing fees to the Orito transfer point.

The Company’s Neiva oil production, is sold at the wellhead 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 seven days before and seven days after the bill of lading date, adjusted for quality differences, plus a \$0.73/bbl premium, less approximately \$3.00/bbl for transportation and marketing fees to the Neiva transfer point.

The following table illustrates the 2008 average discounts (premiums) compared to WTI for certain Colombian crude oil.

2008 Average Monthly Price Discounts (Premiums) US\$/bbl				
Month	WTI	South Blend	Vasconia	Caño Limon
January	92.98	4.81	8.08	5.48
February	95.39	4.46	7.91	4.89
March	105.45	4.67	8.49	4.56
April	112.63	3.10	9.00	3.94
May	125.38	2.11	9.77	1.74
June	133.93	4.61	8.67	1.19
July	133.30	6.94	7.71	0.15
August	116.58	4.73	7.51	(0.75)
September	103.61	5.11	8.10	(0.27)
October	76.62	4.05	10.19	0.78
November	57.41	5.94	10.28	0.67
December	41.45	5.35	8.23	0.16
Average	99.56	4.66	8.66	1.88

Access to oil offloading stations and pipeline access is important to growing Corcel production. In November 2008, the Company entered into an agreement to construct a crude oil offloading facility adjacent to the Corcel Block in exchange for preferential rights to deliver up to an initial 20,000 barrels of oil per day to the facility. The term of the agreement is 15 years, over which Petrominerales' rights to deliver oil will decrease in stages (as illustrated in the table below), ultimately to 10,000 barrels of oil per day, at the earlier of ten years from commencement of facility operations or once 22.9 million barrels of oil have been delivered to the facility.

Petrominerales' Oil Delivery Limits at Monterrey*

<u>Year</u>	<u>bbbl/d</u>
1	20,000
2	18,000
3	14,857
4	14,857
5	14,857
6	10,000
thereafter	10,000

*once 22.9 million barrels have been delivered to the facility, Petrominerales' delivery limit is 10,000 bbl/d.

The Company's portion of the construction costs are estimated to be \$17.4 million, of which \$2.1 million was spent to December 31, 2008. Once the facility is complete, it will be the property of Ecopetrol, who will operate the facility and charge a reduced pipeline tariff of \$0.35 per barrel until the earlier of ten years from commencement of facility operations or once 22.9 million barrels of oil have been delivered to the facility. After the threshold deliver point has been met, Petrominerales will pay a pipeline and offloading facility terminal tariff equal to 75 percent of the then market rate.

Regulatory Framework

The environmental regulatory framework in Colombia, including Occupational Health, Industrial Safety, Environmental Protection and Social Responsibility, 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 (i.e.: settlers, farmers, indigenous, Afro-Colombians). In addition, each EIA and EMP should include a comprehensive plan with respect to 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.

Our operations are subject to strict monitoring by the Ministry of Environment, Housing and Territorial Development (MAVDT) as well as the Regional Environmental Corporations (Corpoamazonia in Putumayo, Cormacarena in Meta, Corporinoquia in Casanare and the CAM in Neiva). These regional authorities belong to the Colombian National Environmental System (SINA).

Petrominerales has independent third party Health, Safety, Environment and Community auditors in all of our operations areas. These auditors ensure that both our employees and contractors comply with environmental legislation, the requirements set by the Regional Environmental Corporations and follow the approved Environmental Management Plans.

At the end of each operation, an Environmental Compliance Report is prepared, against which the Environmental Authorities do their final evaluation. A yearly follow-up to this report is also completed.

Corporate Responsibility in 2008

In 2008, due to intensified exploration and production activities in several blocks, Petrominerales expanded its Occupational Health, Industrial Safety, Environmental Protection, Social Responsibility and Community relations capacity by developing a Corporate Responsibility Management Program including additional responsibilities in government relations. Several achievements were realized in 2008 described below.

Health & Safety

In 2008, Petrominerales recorded a zero percent lost-time incidents record among its employees and at its facilities. Due to the increase in activities in seismic, drilling, workover, facilities construction and oil production, there was a slight increase in accidents reported by the contractors in the first semester. In response, we established periodic meetings with contractors, developed guides and industrial security procedures, among other activities.

In response to increased oil production, storage and transportation activities at Corcel, we also increased our capacity for responding to oil spills by developing Emergency Contingency Plans for each transportation route.

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

In 2008, Petrominerales focused on reducing the approval times for environmental approvals. Special attention was invested in preparing and presenting quality environmental studies (both EIAs and EMPs) to the Ministry of Environment, Housing and Territorial Development, and in working with the environmental authorities throughout the evaluation process.

Petrominerales believes it is in material compliance with environmental legislation in the jurisdictions in which it operates at this time (Colombia and Peru). The Company's practice is to do all that it reasonably can to ensure that it remains in material compliance with environmental protection legislation. Petrominerales is committed to meeting its responsibilities to protect the environment wherever it operates and will take such steps as required to ensure compliance with environmental legislation. The Company believes that it is reasonably likely that the trend towards stricter standards in environmental legislation and regulation will continue. The Company anticipates increased capital and operating expenditures as a result of increasingly stringent laws relating to the protection of the environment. No assurance can be given however that environmental laws will not result in a curtailment of production or a material increase in the costs of

production, the development or exploration activities, or otherwise adversely affect the Company's financial condition, capital expenditures, results of operations, competitive position or prospects.

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 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.

INDUSTRY CONDITIONS

Colombia

Historically, all oil production in Colombia was undertaken by Ecopetrol in contracts of association with foreign companies that allowed Ecopetrol to back into exploration discoveries for up to 50 percent working interest. Ecopetrol is the Colombian national company responsible for exploration, extraction, production, transportation, and crude marketing for export. Colombia 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 the responsibility of regulating the Colombian oil industry. As this function was previously performed by Ecopetrol, Ecopetrol now competes 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. These are the central Orensa pipeline, which transport oil from the Llanos Basin and Cusiana-Cupiagua fields, the 490-mile Caño Limon pipeline, the Alto Magdalena and Colombia Oil pipelines, and the Transandino or Trans-Andean (OTA), 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 the responsibility of regulating the Colombian oil industry. 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 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 ANH agreement provides full risk/reward benefits for the contractor. Under the terms of the ANH contract the successful operator retains 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 ANH 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

Historically, for new field production commencing prior to July 25, 2002, a flat 20 percent royalty applied. For new field production commencing after July 25, 2002, 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.

All of Petrominerales' Colombian contracts are subject to this sliding scale royalty.

Windfall Profits Tax

For contracts signed under the new oil and gas regulatory regime, 2004 onwards, a windfall profit tax applies once a field has cumulatively produced more than five million barrels of oil, determined before the deduction of royalties. The 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>2009 Threshold Prices</u>
Less than 10° API	Nil
10° to 15° API	\$46.50/bbl
15° to 22° API	\$32.56/bbl
22° to 29° API	\$31.39/bbl
Greater than 29° API	\$30.22/bbl

Crude oil production with a quality above 29 degrees API and a realized oil price of US\$50/bbl results in windfall surcharge which is equivalent to an incremental 11.9 percent royalty, bringing the total government take to 19.9 percent for a field with production less than 5,000 bbl/d. Threshold prices are adjusted annually for inflation.

The windfall profits tax does not apply to Petrominerales' Incremental Production Contracts.

Overriding Royalties in Petrominerales E&P Contracts

The Corcel Block was subject to a three percent GORR before payout granted to the original owner, which converted to an eight percent net profits interest in 2008, while the Joropo Block is subject to a ten percent GORR before payout granted to the original owner 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.

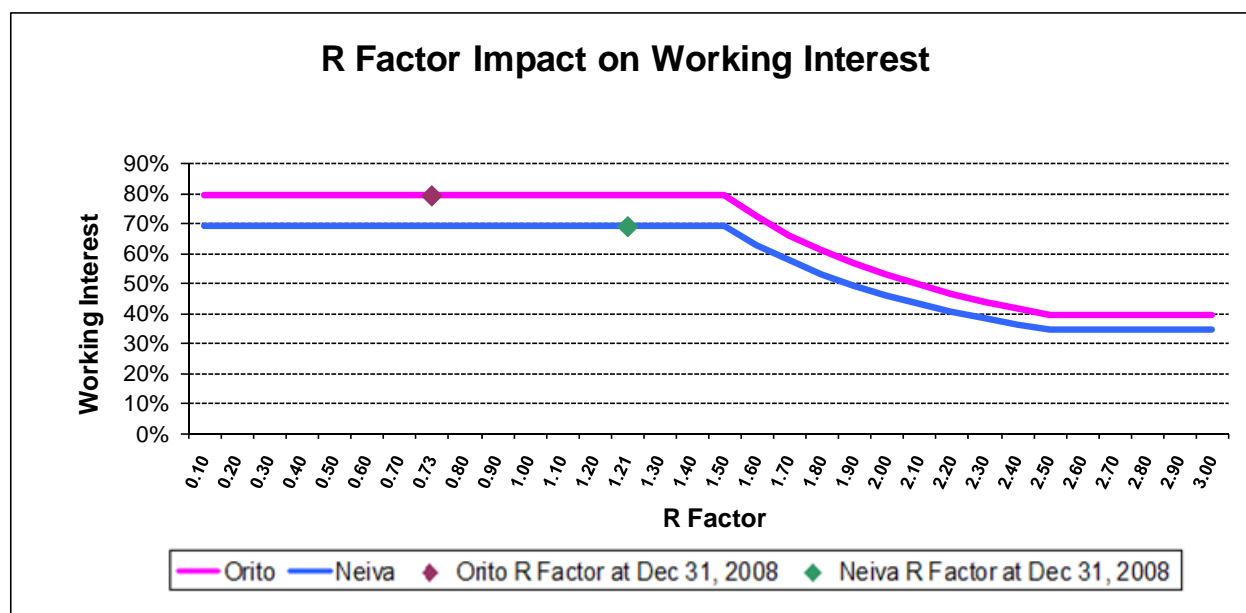
Incremental Production Contracts

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' earlier activities focused on fulfilling 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, 2008 for each of the Company's IPC's were as follows:

	Orito (USMM\$)	Neiva (USMM\$)
Cumulative revenue	218.2	36.9
Cumulative costs	297.3	30.4
R Factor	0.73	1.21



Cumulative revenues include Company interest oil sales made from the block before the deduction of royalties. Cumulative costs include transportation expenses, operating expenses and capital costs.

Peru

Peru, located on the west Central Coast of South America, is a constitutional republic characterized by a stable market orientated government that possesses a strong commitment to hydrocarbon exploration and production. Peru offers an attractive royalty structure that guarantees, through legislation, taxation levels throughout the term on an awarded block. Peruvian Law N° 26221, enacted in 1993, comprises the entire hydrocarbon legal framework and eliminated the previous state monopoly on hydrocarbon importation transportation, refining and distribution.

PeruPetro S.A. is the Peruvian private law state company responsible for promoting the investment of hydrocarbon exploration and exploitation activities in Peru. The country is a net oil importer and as a result, the regulatory regime in Peru is very competitive compared to other foreign jurisdictions. This competitive regulatory regime, combined with significant blocks of unexplored acreage and high commodity prices in 2007 and 2008 has resulted in a significant increase in Peruvian exploration activity.

Peru has a long history of petroleum exploration. The first wells were drilled in Peru in 1875. These wells were located in the Talara Basin; an onshore basin that extends offshore, located along the North West coast of Peru. The best known basin in Peru is the Marañon Basin, the southern extension of the Oriente Basin of Ecuador and the Putumayo Basin of Colombia, where Petrominerales' Orito Field is located. The Ucayali Basin is located in east Central Peru. Today, the 140,000 km² basin is defined by tectonic elements to the North, the Contaya Arch and to the South by the Fitzcararrald Arch. The basin is 650 km in length and approximately 250 km in width.

The western part of the basin is defined by the sub-Andean thrust and fold belt while the eastern edge of the basin is constrained by the Brazilian Shield. The basins contain in excess of 5,000 metres of sedimentation ranging in age from the Paleozoic to the Tertiary and Quaternary. The Ucayali Basin has experienced several episodes of extension and rifting that has affected the sedimentary history with the result that the Ucayali Basin has similar tectonic history to the Western Canadian Sedimentary Basin. Prospectivity is found from a variety of play types, multiple reservoirs and the presence of several source rocks within a sedimentary column of up to 16,000 feet.

General activity by third parties in Peru includes, fifty wells drilled by in the Ucayali Basin and 13,400 km of seismic data acquired. Three oilfields have been discovered, the Agua Caliente (1938), Maquia (1958) and the Pacay (1958). In 1984, the first of the five gas/condensate fields which form part of the Camisea gas field were discovered. These pools are the San Martin (1984), the Cashiriari (1996), the Pagorene (1998), the Mipaya (1987) and the Aguaytia (1961).

Peru - Hydrocarbon Law & License Contracts

Law N° 26221, enacted in 1993, comprises the entire hydrocarbon legal framework and eliminated the previous State monopoly on hydrocarbon importation, transportation, refining and distribution.

The License Contract term consists of two phases: (i) the initial exploration phase which lasts seven years and can be extended for up to an additional three years; and (ii) upon a declared discovery, and at the contractor's request, the exploitation phase commences with a 30 year term (40 years for natural gas), extendable under certain circumstances. The duration of the exploration period is seven years; however, the contractor may request an extension for up to three additional years provided that it has fully complied with the minimum work programs for the four exploration phases. The exploration phase of a License Contract is divided into four phases, each phase has minimum work program that is defined in Exploration Work Units (EWU). Each EWU is assigned a value of \$5,000, and exploration activities are assigned EWU values, as follows:

2D seismic	1 EWU per km
3D Seismic	3 EWU per km ²
2D reprocessing	0.02 EWU per km
Well 0 – 1000 metres	0.01 EWU per metre
Well 1001 – 2000 metres	0.13 EWU per metre
Well 2001 – 3000 metres	0.18 EWU per metre
Well 3001 – 4000 metres	0.22 EWU per metre
Well > 4001 metres	0.25 EWU per metre

The benefit of this system is that it permits flexibility for the exploration company to change program without the necessity of regulatory approval.

If a discovery is made but it is non-commercial only for reasons of transportation, the contractor may request a retention period of up to five years (ten years for natural gas) in order to make transportation feasible. At the end of the exploration phase, the contractor must declare commerciality or return the block.

Once the exploration phase is complete and the operator declares commerciality, the exploitation phase begins. The duration of the exploitation period of each declared field is 30 years (40 years for natural gas). All discoveries are reported to PeruPetro.

Relinquishment of part or all of the license area depends on the phase in which operations are. Under normal circumstances the contractor must relinquish 60 percent of the area at the end of the seven-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. The operator and the ANH may also agree on the relinquishment of certain parts of a license area during the initial seven-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.

Peru - Royalties and Taxes

The hydrocarbon law establishes that royalties may be determined in one of two ways, at the election of the operator. One method is based on production levels; the second method is based on the economic results methodology. Once the operator declares a commercial discovery, it must elect one of the royalty schemes to be applicable to the block's production. Once the royalty scheme is selected for a License Contract, it cannot be changed. The royalty structure has been in place for five years.

When the operator elects to have royalties based on production levels, the following sliding scale illustrates the applicable royalty rate:

<u>Field Production (bbl/d)</u>	<u>Royalty Rate</u>
0 – 5,000	5%
5,001 – 100,000	5% - 20%
> 100,000	20%

When the operator elects to have royalties based on the economic results methodology, the royalty payable consists of a five percent fixed royalty plus a variable profits interest calculated using income and expenditures, that has a maximum value of 20 percent.

The statutory tax rate applicable to corporate income is 30 percent, and tax losses can be carried forward for four years. The Peruvian government, through the Ministry of Economy and Finance, guarantees the benefit of tax stability for the operations carried out under a License Contract.

RESERVES DATA AND OTHER OIL AND GAS INFORMATION

The reserves data and other oil and gas information set forth in herein is dated March 16, 2009.

Disclosure of Reserves Data

The Company engaged D&M to evaluate the Company's reserves as at December 31, 2008. The reserves data set forth in this Annual Information Form is based upon the evaluation by D&M dated February 27, 2009, with an effective date of December 31, 2008.

The D&M Report presents an appraisal, as of December 31, 2008, of the extent and value of the proved, probable, and possible crude oil reserves, of the Corcel, Joropo (both located in the Llanos Basin), Orito (located in Putumayo Basin) and Neiva (located in the Upper Magdalena Valley Basin) blocks, 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, 2008 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 gross 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 COGEH. 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, 2008**

RESERVES CATEGORY	LIGHT AND MEDIUM OIL		NATURAL GAS LIQUIDS		TOTAL	
	Company Gross (Mbbl)	Company Net (Mbbl)	Company Gross (Mbbl)	Company Net (Mbbl)	Company Gross (Mbbl)	Company Net (Mbbl)
Proved						
Developed Producing	14,229	13,057	-	-	14,229	13,057
Undeveloped	10,385	9,551	560	515	10,945	10,066
Total Proved	24,614	22,608	560	515	25,174	23,123
Probable	11,469	10,514	206	191	11,675	10,705
Total Proved Plus Probable	36,083	33,122	766	706	36,849	33,828
Possible	17,577	16,073	539	495	18,116	16,568
Proved Plus Probable Plus Possible	53,660	49,195	1,305	1,201	54,965	50,396

**FUTURE NET REVENUE BY PRODUCTION GROUP (Undiscounted)
FORECAST PRICES AND COSTS, as of December 31, 2008**

RESERVES CATEGORY	Revenue (USM\$)	Royalties (USM\$)	Operating Costs (USM\$)	Development Costs (USM\$)	Well Abandonment Costs (USM\$)	Net Profits Interest (USM\$)	Future Net Revenue Before Income Taxes (USM\$)	Income Taxes (USM\$)	Future Net Revenue After Income Taxes (USM\$)
Total Proved	1,724,166	140,154	217,003	132,815	1,124	31,690	1,201,380	241,111	960,269
Total Proved Plus Probable	2,571,624	210,842	272,099	232,883	1,414	41,871	1,812,515	455,109	1,357,406
Proved Plus Probable Plus Possible	3,941,153	328,600	420,903	380,929	2,127	69,876	2,738,718	759,594	1,979,124

**NET PRESENT VALUES OF FUTURE NET REVENUE
FORECAST PRICES AND COSTS, as of December 31, 2008**

RESERVES CATEGORY	BEFORE INCOME TAXES DISCOUNTED AT					AFTER HOST COUNTRY INCOME TAXES DISCOUNTED AT				
	0% (USM\$)	5% (USM\$)	10% (USM\$)	15% (USM\$)	20% (USM\$)	0% (USM\$)	5% (USM\$)	10% (USM\$)	15% (USM\$)	20% (USM\$)
Proved										
Developed Producing	606,882	540,866	487,162	454,073	405,421	529,064	469,631	421,163	390,794	347,419
Undeveloped	594,498	448,189	344,761	272,807	214,476	431,205	328,622	255,362	202,334	161,738
Total Proved	1,201,380	989,055	831,923	726,880	619,897	960,269	798,253	676,525	593,128	509,157
Probable	611,135	487,547	397,484	336,913	277,805	397,137	315,930	256,761	216,083	178,156
Total Proved Plus Probable	1,812,515	1,476,602	1,229,407	1,063,793	897,702	1,357,406	1,114,183	933,286	809,211	687,313
Possible	926,203	723,314	579,154	490,810	394,839	621,718	484,727	387,271	327,061	262,552
Proved Plus Probable Plus Possible	2,738,718	2,199,916	1,808,561	1,554,603	1,292,541	1,979,124	1,598,910	1,320,557	1,136,272	949,865

**FUTURE NET REVENUE BY PRODUCTION GROUP (Discounted at 10% / year)
FORECAST PRICES AND COSTS, as of December 31, 2008**

RESERVES CATEGORY	PRODUCTION GROUP	FUTURE NET REVENUE	FUTURE NET REVENUE
		BEFORE INCOME TAXES	BEFORE INCOME TAXES
		(USM\$)	(US\$/bbl Net Reserves)
Total Proved	Light and Medium Crude Oil ⁽¹⁾	831,923	35.98
Total Proved Plus Probable	Light and Medium Crude Oil ⁽¹⁾	1,229,407	36.34
Proved Plus Probable Plus Possible	Light and Medium Crude Oil ⁽¹⁾	1,808,561	35.89

Note:

1. Includes natural gas liquids.

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

FACTORS	LIGHT AND MEDIUM OIL RESERVES			NATURAL GAS LIQUIDS		
	Company Gross Proved (Mbbbl)	Company Gross Probable (Mbbbl)	Company Gross Proved Plus Probable (Mbbbl)	Company Gross Proved (Mbbbl)	Company Gross Probable (Mbbbl)	Company Gross Proved Plus Probable (Mbbbl)
December 31, 2007	20,597	16,380	36,977	-	-	-
Technical Revisions	(95)	(5,916)	(6,011)	164	136	300
Discoveries	7,451	1,014	8,465	396	70	466
Economic Factors	675	(9)	666	-	-	-
Production	(4,014)	-	(4,014)	-	-	-
December 31, 2008	24,614	11,469	36,083	560	206	766

**FUTURE DEVELOPMENT COSTS
FORECAST PRICES AND COSTS**

YEAR	Total Proved Reserves (USM\$)	Total Proved Plus Probable Reserves (USM\$)	Proved Plus Probable Plus Possible Reserves (USM\$)
2009	53,100	105,800	149,900
2010	38,976	51,530	71,519
2011	28,893	57,784	57,784
2012	11,846	17,769	59,229
2013	-	-	42,497
2014	254	254	254
2015	870	1,160	-
Thereafter	-	-	1,873
Total undiscounted	133,939	234,297	383,056
Total discounted at 10%	115,145	202,624	317,893

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, 2009 which is reflected in the estimate of future net revenue disclosed in the tables contained in this Annual Information Form.

RESERVES CATEGORY	LIGHT AND MEDIUM OIL 2009 Company Gross (bbl/d)	NATURAL GAS LIQUIDS 2009 Company Gross (bbl/d)
Proved Producing		
Corcel	12,660	-
Orito	3,071	-
Neiva	386	-
Total Proved Producing	16,117	-
Proved Undeveloped		
Corcel	578	526
Orito	726	-
Neiva	1,099	-
Total Proved Undeveloped	2,403	526
Total Proved		
Corcel	13,238	526
Orito	3,797	-
Neiva	1,485	-
Total Proved	18,520	526
Probable		
Corcel	1,658	112
Orito	619	-
Neiva	1,712	-
Total Probable	3,989	112
Total Proved Plus Probable		
Corcel	14,896	638
Orito	4,416	-
Neiva	3,197	-
Total Proved Plus Probable	22,509	638
Possible		
Corcel	4,098	280
Orito	33	-
Neiva	1,378	-
Total Possible	5,509	280
Proved Plus Probable Plus Possible		
Corcel	18,994	918
Orito	4,449	-
Neiva	4,575	-
Total Proved Plus Probable Plus Possible	28,018	918

Pricing Assumptions, Forecast Prices and Costs

In the D&M Report, D&M employed the following pricing assumptions, as of December 31, 2008, in estimating reserves data using forecast prices and costs.

Year ⁽¹⁾	West Texas Intermediate Crude Oil at	Colombia Plant Gate Prices				Inflation Rate (%/year)
	Cushing (US\$/bbl)	Orito (US\$/bbl)	Neiva (US\$/bbl)	Corcel (US\$/bbl)		
2009	57.00	52.04	47.26	45.77	0.0	
2010	69.53	64.37	58.31	57.73	3.0	
2011	76.38	71.04	64.35	64.27	3.0	
2012	86.99	81.38	73.71	74.41	2.5	
2013	94.74	88.93	80.54	81.81	2.5	
2014	97.11	91.24	82.63	84.07	2.5	
2015	99.54	93.60	84.77	86.39	2.5	
Thereafter	+2.5% per yr.	+2.5% per yr.	+2.5% per yr.	+2.5% per yr.	2.5% per yr.	

Note:

1. Weighted average historical prices realized by the Company for the year ended December 31, 2008, excluding hedging activities, were \$82.27/bbl of light and medium crude oil, while actual WTI at Cushing was \$80.07/bbl.

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 2009, the Company’s planned drilling program consists of six locations at Corcel, two locations at Orito and 16 at Neiva along with workovers in all areas and fracture stimulations in both Orito and Neiva.
- The 2010 drilling and completions schedule will focus on these three areas and on any other opportunities arising from the Company’s exploration programs.

The D&M Report includes the following:

- **Corcel:** 1 Proven Undeveloped (A2 sidetrack), 2 Probable (C2 and A3 sidetrack) and 4 Possible locations (E1, E2, B1, G1)
- **Orito:** 20 Proven Undeveloped, 8 Probable and 15 Possible locations

➤ **Neiva:** 16 Proven Undeveloped, 12 Probable and 8 Possible locations

Undeveloped reserves, like all projects, are subject to availability of capital and equipment 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 booked at December 31 over the most recent three financial years. First attributed consists of undeveloped reserves associated with acquisitions plus discoveries.

UNDEVELOPED RESERVES FORECAST PRICES AND COSTS

As of December 31, 2008

RESERVES CATEGORY	LIGHT AND MEDIUM OIL Company Gross (Mbbl)		NATURAL GAS LIQUIDS Company Gross (Mbbl)	
	First Attributed	Booked	First Attributed	Booked
Proved Undeveloped				
Prior to 2006	3,910	7,411	-	-
2006	2,761	9,616	-	-
2007	5,620	11,479	-	-
2008	3,250	10,385	560	560
Probable Undeveloped				
Prior to 2006	2,681	6,503	-	-
2006	4,697	10,968	-	-
2007	8,163	16,380	-	-
2008	3,905	11,469	206	206

Oil Wells

The following table summarizes the Company's interests, by region in Colombia, as at December 31, 2008, in oil wells which are producing or which are considered capable of production. All wells considered capable of production have been standing for a period of less than one year, are within economic distance of transportation facilities and are classified as proved developed non-producing reserves in the D&M Report. All of the Company's properties are located onshore.

	Producing		Non-Producing	
	Gross	Net	Gross	Net
Corcel	6	6	-	-
Joropo	1	1	-	-
Las Aguilas	-	-	1	1
Orito	68	54	4	3
Neiva	65	45	-	-
Total	140	106	5	4

Note: Abandoned wells not included.

Land Holdings

The land holdings of the Company, including those that are undeveloped as of December 31, 2008, are set forth in the following table (in 000s of acres unless otherwise noted):

<u>Country</u>	<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>
Colombia	28	23	1,950	1,942	1,978	1,965	99
Peru	-	-	2,637	1,450	2,637	1,450	55
Total	28	23	4,587	3,392	4,615	3,415	74

Undeveloped acreage includes rights granted pursuant to Exploration Contracts and License 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 respective oil and gas authority.

On March 6, 2009, Petrominerales notified the ANH of its intention to relinquish 71,130 acres of the Joropo Block, retaining 1,127 acres surrounding the Ojo de Tigre-2 and Ojo de Tigre-3 wells.

The land holdings in Peru relate to Block 126. Petrominerales has been recognized as an operator in Peru by PeruPetro; however, we have not received final approval on the 55 percent assignment of the Block 126 License Contract. The approval is expected to be received in due course from the Peruvian Ministry of Energy and Mines.

Properties with No Attributed Reserves

The undeveloped land holdings of the Company total 4,587,000 (1,605,917 in 2007) gross acres. Undeveloped acreage includes rights granted pursuant to Exploration Contracts or License 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 relevant oil and gas authority.

Forward Contracts and Future Commitments

See Notes 13, “*Financial Instruments and Financial Risk Management*”, and Note 15, “*Commitments and Contingencies*”, to the consolidated financial statements, which information is incorporated herein by reference and can be found on the Company’s website at www.petrominerales.com and 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. Periodically, the Company may manage these risks through the use of derivative instruments. The Board of Directors of the Company periodically reviews the results of all risk management activities and all outstanding positions. Currently, there are no risk management contracts outstanding.

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, 2008, 80 wells under the IPCs and 11 exploration wells under the ANH exploration contracts have either been drilled or intervened, however Petrominerales expects to incur costs on only 35 wells (30 net) due to the fact that most wells at Orito and Neiva 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 \$23.5 million on an undiscounted basis, and \$4.2 million discounted at 10 percent. In the next three fiscal years, the Company anticipates approximately \$0.5 million on an undiscounted basis and \$0.5 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 \$21.4 million on an undiscounted basis and \$2.1 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 2008, Petrominerales was taxable in Colombia. In certain prior years, the Company's tax pools sheltered it from paying current cash income taxes. The D&M Report anticipates an ordinary cash income tax liability in Colombia in 2009. Expenditures on productive, real assets in Colombia generate a 40 percent enhanced tax allowance deductible immediately (see "*General - Taxes*") and accordingly may reduce taxes payable in future periods.

Capital Expenditures

The following table summarizes capital expenditures related to the Company's activities for the year ended December 31, 2008:

	Total (M\$)
Development	178,939
Exploration	89,214
Property acquisitions	-
Total	268,153

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, 2008.

	Exploration		Development		Total	
	Gross	Net	Gross	Net	Gross	Net
Oil	5.0	5.0	15.0	11.9	20.0	16.9
Service Well	-	-	2.0	2.0	2.0	2.0
Dry	3.0*	3.0*	-	-	3.0*	3.0*
Total	8.0	8.0	17.0	13.9	25.0	21.9
Success Rate	63%	63%	100%	100%	88%	86%

Note:

*Includes the Ojo de Tigre-3 well, which produced 100% water from a 17 foot interval perforated in the Carbonera formation. Upon further evaluation, the presence of poor cement bond in the well is believed to have caused the water influx. A remedial cement squeeze will be required to properly isolate the prospective zones in the well.

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 2008 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, 2008.

	Three Months Ended				Year ended
	Mar 31, 2008	June 30, 2008	Sept 30, 2008	Dec 31, 2008	Dec 31, 2008
Corcel	4,811	3,582	8,758	13,023	7,562
Orito	3,355	3,316	3,278	1,844	2,946
Neiva and others	469	441	449	477	459
Total	8,635	7,339	12,485	15,344	10,967

Cumulative Production Volumes

The following tables set out the production volumes for the Company's important fields for the year ending December 31, 2008.

LIGHT AND MEDIUM OIL

Company Gross Cumulative Sales Volumes (bbl)	
Corcel	2,767,660
Orito	1,078,161
Neiva and others	168,029
Total Production	4,013,850

Average Daily Production (bbl/d)

Average daily Orito production	2007	2008
Gross Field	5,717	5,994
Baseline	(2,610)	(2,265)
Incremental	3,107	3,729
Petrominerales before royalty (79%)	2,454	2,946
Royalty (8%)	(196)	(236)
Petrominerales net of royalty	2,258	2,710

Average daily Corcel production	2007	2008
Gross field	1,925	7,562
Royalty (8.1- 8.2%)	(158)	(612)
Petrominerales net of royalty	1,767	6,950

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

	Three Months Ended				Year ended
	Mar 31, 2008	June 30, 2008	Sept 30, 2008	Dec 31, 2008	Dec 31, 2008
Average price received ⁽¹⁾	86.19	114.57	105.90	45.57	82.27
Royalties	8.22	10.83	11.22	3.90	8.02
Operating costs ⁽²⁾	10.82	10.75	8.02	6.45	8.46
Netback	67.15	92.99	86.66	35.22	65.79

Notes:

1. Net of transportation expenses.
2. 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 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 and portions of the Corcel Block, 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 the Company's most significant financial risk. Crude oil prices are influenced by global supply and demand, OPEC policy and worldwide political events. Fluctuations in crude oil prices not only affect the Company's cash flows, but may also result in changes to the borrowing capacity under the Company's credit facilities. Management believes it is neither appropriate nor possible to eliminate 100 percent of the Company's exposure to fluctuations in crude oil prices. The Company monitors market conditions and may selectively utilize derivative instruments to reduce exposure to crude oil price movements.

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. Credit markets throughout the world have tightened recently which could limit the Company's ability to access incremental debt. As at December 31, 2008, the Company has positive cash flows from operations, working capital of \$48.9 million and an undrawn \$80 million credit facility.

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. 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.

The Company is subject to risks related to its operations in Colombia and Peru, 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 and Peru 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 greater than the undiscounted cash flows, 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.

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.

Marketability of Production

The marketability and ultimate commerciality of oil and gas 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 pipelines, processing equipment, offloading and pipeline capacity and government regulation. Oil and gas 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.

Competition

The oil and gas industry is intensely competitive. Competition is particularly intense in the acquisition of prospective oil and gas reserves. The Company's competitive position depends on its geological, geophysical and engineering expertise, its financial resources and its ability to efficiently acquire and develop its 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 and gas reserves, but also carry on refining operations and

market refined products. Petrominerales also competes with major and independent oil and gas companies and other industries supplying energy and fuel in the marketing and sale of oil and gas to transporters, distributors and end users, including industrial, commercial and individual consumers. Petrominerales also competes with other oil and gas 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 and gas may choose to acquire reserves providing additional competition for Petrominerales.

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.

Operations

Oil and gas 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 and gas wells, production facilities, other property and the environment or in personal injury. Operational risks are managed using prudent field operating procedures. The Company has a detailed emergency response plan to deal with potential incidents and maintains a comprehensive insurance program to reduce the risk of significant economic loss; however, not all risks can be eliminated. 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 and gas 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 and Peru, the effect of which could have a negative impact on the Company.

To help mitigate the risks associated with operating in foreign jurisdictions, the Company seeks to operate in regions where the petroleum industry is a key component of the economy. Petrominerales believes that management's experience operating both in Colombia and in other international jurisdictions helps reduce these risks. Some countries in which the Company may operate may be considered politically and economically unstable. In Colombia and Peru, the governments have a long history of democracy and an established legal framework that, in Petrominerales' opinion, minimizes political risks.

Security

Colombia and Peru have a publicized history of security problems associated with certain narco-terrorist groups. The Company and its personnel are subject to these risks, but through effective security and social programs, Petrominerales believes these risks can be effectively managed. It is difficult to obtain insurance coverage to protect against terrorist incidents and as a result the Company's insurance program excludes this coverage. Consequently, incidents like this in the future could have a material adverse impact on the Company's operations. 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

Portions of the Company's expenditures are denominated in Colombian pesos and Canadian dollars. 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 not currently using exchange rate derivatives to manage exchange rate risks.

There are no significant restrictions on the repatriation of capital and distribution of earnings from Colombia and Peru to foreign entities. There can be no assurance, however, that restrictions on repatriation of capital or distributions of earnings from Colombia and Peru 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.

Petrominerales is exposed to fluctuations in short-term interest rates on amounts drawn under its secured credit facilities and its Colombian peso-based bank facility, as well as any additional future floating rate debt.

The Company has not hedged these rates as the facility is currently undrawn and to remain flexible in borrowing and repaying outstanding balances, if any.

Political and Regulatory

The Company is subject to extensive governmental and environmental approvals and regulations in its operating jurisdictions. Delays in obtaining regulatory approvals could result in project delays and an inability to meet contractual obligations. Changes to these regulations could increase the costs of conducting business in these jurisdictions. 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 Peru, 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 and gas, 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 and Peru 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.

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, 2008, Petrominerales had 99,399,431 common shares issued and outstanding. As at the date of this Annual Information Form, Petrominerales had 99,133,831 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 Notes. The Notes mature on December 6, 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.

In October and November 2008, the Company repurchased Notes with a face value of \$18.3 million for \$11.1 million. As at December 31, 2008, the principal balance of the Notes is \$81.7 million. Upon conversion of the Notes, a total of 2,987,367 common shares of the Company may be issued, subject to normal provisions for adjustments of the conversion price such as a special distribution to shareholders or upon a change of control of the Company. Petrominerales has an option to force conversion of the Notes at the prevailing conversion price after December 6, 2009, should the price of the Company's common shares exceed 130 percent of the prevailing conversion price of the debentures for 20 trading days within a period of 30 consecutive trading days.

Normal Course Issuer Bids (NCIB)

During 2008, the Company repurchased and cancelled a total of 1,326,000 common shares at an average cost of Cdn\$9.89 per share pursuant to the NCIB approved by the TSX. Under the NCIB, the Company can purchase up to 24,977 common shares daily until August 17, 2009 to a maximum of 5,032,719 common shares, except for the period November 3, 2008 to March 30, 2009, where the Company may purchase up to 49,954 common shares daily pursuant to a temporary policy adopted by the TSX. For every common share purchased on the open market one common share is also purchased from Petro International Ltd. (a wholly-owned subsidiary of Petrobank), the Company's 76.5% shareholder. Accordingly, Petrobank's indirect ownership interest in Petrominerales is increasing as it is participating for less than its prorated ownership interest. Common shares acquired under the NCIB are cancelled by the Company.

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, 2008 to December 31, 2008.

Month	Price per Common Share (Cdn\$)					Volume
	Open	High	Low	Close		
2008						
January	20.03	20.10	11.16	16.06		4,504,100
February	16.06	19.27	15.72	18.20		2,145,800
March	18.20	18.65	13.50	14.15		1,488,200
April	14.15	17.35	14.00	16.52		2,123,900
May	16.52	19.11	15.25	16.04		2,216,500
June	16.04	18.25	15.50	16.35		2,123,700
July	16.35	16.69	11.67	12.80		2,491,400
August	12.80	13.40	10.36	12.28		4,288,600
September	12.28	12.45	9.00	10.05		3,460,000
October	10.05	10.23	5.21	9.35		4,302,500
November	9.35	10.50	7.60	8.50		1,819,400
December	8.50	8.28	5.00	5.74		1,417,900

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 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
Erik Lyngberg Calgary, Alberta Canada	Vice President, Exploration	Vice President Exploration of the Company since August 2008 and Chief Geologist to Petrominerales since July 2007; Chief Geologist to Petrobank since 2001. Prior to 2001, Mr. Lyngberg held various exploration positions with a number of Calgary based exploration companies beginning with Shell Canada Limited in 1984.
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. Ms. Morales held various positions with EnCana Corporation including Finance Manager Ecuador, International Accounting Manager, and Corporate Financial Advisor from July 1998 to December 2003.

Name and Municipality of Residence	Position Held	Principal Occupation in the Past Five Years
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; Senior Vice President and Chief Financial Officer of Petrobank since November 2008; Vice President Finance and Chief Financial Officer of Petrobank from May 2007 to November 2008; Vice President Finance of Petrobank from May 2006 to May 2007; Director of Corporate Finance and Investor Relations of Petrobank from July 2003 to May 2007.
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 since March 2000.

Biographies

Erik Lyngberg is the Company's Vice President, Exploration. Mr. Lyngberg was appointed Vice President, Exploration in August 2008 and was Chief Geologist since July 2007. Mr. Lyngberg has been with Petrobank since February 2001. During this time he has been extensively involved in each of Petrobank's business units, including the initial drilling phases at Orito and Neiva in Colombia. Prior thereto, Mr. Lyngberg was a Senior Geologist for Newport Petroleum Corp/ Hunt Oil from November 1998 to January 2001, Geologist for HCO Energy / Pinnacle Resources from February 1997 to July 1998, Geologist for Westcoast Petroleum/ Numac Energy from 1991 to 1997, and a geologist for Shell Canada from 1985 to 1991. Mr. Lyngberg has a Masters Degree in Geology from the University of British Colombia, as well as a Bachelors degree from the University of British Colombia.

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 of Petrominerales in May 2006 and was previously 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. Mr. Ruttan has held various positions with Petrobank since March 2000 including Senior Vice President and Chief Financial Officer, 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 ⁽²⁾ 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.

Name and Municipality of Residence	Director Since	Principal Occupation in the Past Five Years
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⁾ 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 Petrobank 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 in New York City 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., of Bancafe International in Miami, and a member of the Overseeing Committee of the Colombian Hydrocarbons Investment Fund, Phase I and Phase II, and of the Colombian Forestry Investment Fund. Mr. Umaña-Valenzuela is also 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, 2008, Petrominerales had 99,399,431 common shares issued and outstanding. As at December 31, 2008, the directors and executive officers of the Company as a group beneficially owned or exercised control or direction over 496,638 common shares of the Company, representing 0.5% of the common shares issued and outstanding as at December 31, 2008.

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, 2008, Petrobank indirectly owned 76.5 % of the issued and outstanding shares of Petrominerales and as at December 31, 2008, the directors and executive officers of Petrobank that are also directors and officers of Petrominerales indirectly owned 3,416,640 common

shares of Petrominerales, representing an additional 3.4% ownership of Petrominerales common shares as at December 31, 2008.

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 Petrobank. 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 in New York City 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 Sociudades Bolivar S. A., of Bancafe International in Miami, and a member of the Overseeing Committee of the Colombian Hydrocarbons Investment Fund, Phase I and Phase II, and of the Colombian Forestry Investment Fund. Mr. Umaña-Valenzuela is also 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's 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 years ended December 31, 2007 and 2008, Deloitte & Touche LLP and its affiliates were paid \$211,279 and \$316,494, respectively, as categorized below.

	<u>2007</u>	<u>2008</u>
Audit fees	\$96,626	\$265,825
Audit-related fees ⁽¹⁾	82,153	46,874
Tax fees	32,500	3,795
Total	<u>\$211,279</u>	<u>\$316,494</u>

Notes:

1. Audit related fees in 2007 include costs related to the common share issuance in September 2007 and quarterly interim reviews. In 2008, includes costs related to an IFRS scoping analysis and quarterly interim reviews.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

Except as disclosed herein, to the knowledge of the Company no director or officer of the Company and no 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 (“ASC”) 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.

Mr. John Wright is a director of Talon International Energy Ltd. (“Talon”), a reporting issuer listed on the TSX Venture Exchange. A cease trade order (the “Order”) was issued on May 7, 2008 against Talon by the ASC for the delayed filing of Talon’s audited annual financial statements and management’s discussion and analysis for the year ended December 31, 2007 (“Annual Filings”). The Annual Filings were filed by Talon on SEDAR on May 8, 2008. As a result of the Order, the TSX Venture Exchange suspended trading in Talon’s shares on May 7, 2008. Talon made application to the ASC for a revocation of the Order and in conjunction with Talon’s application for revocation of the Order, the ASC reviewed Talon’s financial statements and management’s discussion and analysis for the periods ending March 31, 2008, June 30, 2008 and the year ended December 31, 2007 (collectively, the “Reviewed Financial Statements”), and provided Talon with comments in respect of such Reviewed Financial Statements. Talon is currently working to revise the Reviewed Financial Statements to address the comments of the ASC and intends to re-file the Reviewed Financial Statements on SEDAR. The Order is still in effect as at the date of this Annual Information Form.

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.

Name	Number of Common Shares Outstanding	Number of Common Shares Owned	Type of Ownership	Percentage Owned
Petrobank Energy and Resources Ltd. (indirectly through its wholly-owned subsidiary Petro International Ltd.)	99,133,831	75,888,027	Indirect	76.6%

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 totaled \$1.0 million for the year ended December 31, 2008 (2007 - \$0.8 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 totaled \$0.8 million for the year ended December 31, 2008 (2007 - \$0.8 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, Alberta, 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

Deloitte & Touche LLP, Chartered Accountants, are the Company's auditors and as such have prepared an opinion with respect to the Company's consolidated financial statements as at and for the fiscal year ended December 31, 2008. Deloitte & Touche LLP is independent in accordance with the Rules of Professional Conduct as outlined by the Institute of Chartered Accountants of Alberta.

Information relating to reserves in this Annual Information Form was calculated by D&M as an independent qualified reserves evaluator. The principals of D&M, individually or as a group, neither own nor expect to receive any of Petrominerales' securities, directly or indirectly.

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 holders of the Notes, 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 to be provided for the annual and special meeting of the shareholders of the Company to be held on May 7, 2009. 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, 2008 which are available on the Company's website at www.petrominerales.com, and in the Annual Report of the Company for the year ended December 31, 2008, available at www.sedar.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, 2008, 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 judgements 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 16, 2009

APPENDIX “B”

**FORM 51-101F2
REPORT ON RESERVES DATA BY
INDEPENDENT QUALIFIED RESERVES EVALUATOR**

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

1. We have evaluated the Company’s reserves data as at December 31, 2008. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2008, 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 assure that reserves estimates are free of material misstatement. An evaluation also includes assessing whether the reserves data 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.\$) for proved-plus-probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated by us for the year ended as of December 31, 2008, 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, 2008 on Certain Properties in Colombia for Petrominerales Colombia Ltd. dated February 27, 2009	Colombia	Not Applicable	933,286	Not Applicable	933,286

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 27, 2009.

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.