

Q3

2010

THIRD QUARTER REPORT



PETROMINERALES

A PETROBANK COMPANY

Petrominerales reported solid results for the third quarter of 2010 highlighted by a 52 percent increase in production to 32,667 barrels of oil per day (“bopd”), funds flow from operations of US\$128.4 million (US\$1.29 per basic share) and net income of US\$35.4 million (US\$0.36 per basic share). We maintained high operating netbacks, at US\$47.82 per barrel, a 12 percent increase over 2009. Our balance sheet remains strong with a US\$517.4 million net working capital surplus and an undrawn \$150 million credit facility. This financial flexibility gives us the strength to continue to execute significant and accelerated exploration programs during the remainder of 2010 and through 2011 on our high impact exploration lands in the Llanos basin of Colombia and Peru.

FINANCIAL & OPERATING HIGHLIGHTS

(All references to \$ are United States dollars unless otherwise noted)

	Three months ended September 30,			Nine months ended September 30,		
	2010	2009	% change	2010	2009	% change
Financial						
(\$000s, except where noted)						
Crude oil revenue	231,506	119,485	94	798,128	300,660	165
Funds flow from operations ⁽¹⁾	128,430	71,709	79	444,505	177,653	150
Per share – basic (\$)	1.29	0.73	77	4.48	1.81	148
– diluted (\$)	1.17	0.71	65	4.18	1.75	139
Net income	35,436	26,224	35	190,029	48,935	288
Per share – basic (\$)	0.36	0.27	33	1.92	0.50	284
– diluted (\$)	0.35	0.26	35	1.85	0.49	278
Capital expenditures	119,133	53,998	121	343,621	198,896	73
Total assets	1,580,161	659,876	139	1,580,161	659,876	139
Net working capital surplus (deficit) ⁽¹⁾	517,425	(6,189)	-	517,425	(6,189)	-
Common shares, end of period (000s)						
Basic	99,834	98,150	2	99,834	98,150	2
Diluted ⁽²⁾	123,946	104,461	19	123,946	104,461	19
Operations						
Operating netback (\$/bbl) ⁽¹⁾						
WTI benchmark price	76.15	68.24	12	77.67	57.32	36
Crude oil sales price ⁽³⁾	64.54	56.29	15	64.83	46.07	41
Royalties	9.09	5.52	65	7.47	4.50	66
Production expenses	7.63	8.02	(5)	6.80	6.91	(2)
Operating netback	47.82	42.75	12	50.56	34.66	46
Crude oil production (bopd) ⁽⁴⁾	32,667	21,546	52	38,298	21,621	77

⁽¹⁾ Non-GAAP measure. See “Non-GAAP Measures” section within MD&A.

⁽²⁾ Consists of common shares, stock options, deferred common shares, incentive shares and the 2010 convertible debentures outstanding as at the period-end date.

⁽³⁾ Net of transportation and excludes revenue from purchased oil.

⁽⁴⁾ Actual production sold for the three and nine months ended September 30, 2010 was 32,696 bopd and 38,121 bopd respectively (2009 – 21,239 bopd and 21,345 bopd).

Highlights

(comparisons are third quarter 2010 compared to the third quarter of 2009, except where noted)

- We increased crude oil production to 32,667 bopd, a 52 percent gain over the prior year.
- We generated a strong operating netback of \$47.82 per barrel in the quarter, a 12 percent increase.
- We recorded funds flow from operations of \$128.4 million (\$1.29 per basic share) and net income of \$35.4 million (\$0.36 per basic share).
- We drilled Candelilla-4 well and began producing oil from the Guadalupe formation;
- On the Corcel Block we commenced drilling our Boa-2 exploration well, and completed drilling and logging Arion-1;
- We raised US\$550 million through a convertible bond issuance in August. The bonds are convertible into common shares of Petrominerales at a conversion price of US\$34.746 and have an annual coupon of 2.625 percent.

OPERATIONAL REVIEW

Third quarter production averaged 32,667 bopd, and October production averaged 30,528 bopd. Since mid-2010 we have experienced periodic restrictions on water handling that resulted in some wells being shut-in or operating at lower pump frequencies. We have an ongoing program to optimize water handling and well productivity. Our third quarter production was also affected by our Candelilla-1 well being offline for 22 days. We are currently operating five drilling rigs focused on the Llanos Basin. We expect to continue executing large capital programs through the rest of 2010 and 2011 including expanded programs in the high impact areas of the deep Llanos Basin, the Llanos Basin heavy oil fairway, and in Peru.

COLOMBIA

Guatiquia

Production from the Candelilla structure averaged 16,516 bopd during the third quarter of 2010 and 15,815 bopd during the month of October. Third quarter production was affected by the failure of an electric submersible pump (“ESP”) in the Candelilla-1 well. As a result, the well was shut-in for a total of 22 days beginning in August until the well was placed back on production on September 12th. The Candelilla-4 well targeted by-passed pay in the Guadalupe formation encountered while drilling each of the first three Candelilla wells. Candelilla-4 started producing 19 degree API oil at a rate of 3,000 bopd from two separate Guadalupe intervals. Based on these positive results, we are evaluating an additional two to four wells targeting the Guadalupe formation.

Candelilla production is currently being handled through early production facilities built on the Block, now capable of handling up to 55,000 barrels of fluid per day. We installed flow-lines between the Candelilla temporary facilities and our Corcel central processing facility. We are currently using these lines to transfer produced water to Corcel for treatment which will reduce our water trucking costs. We expect to tie-in the Candelilla crude oil production to our Corcel central processing facility by the end of the first quarter of 2011.

Our near-term drilling plan includes drilling two additional exploration wells, Yatay-1 and Azalea-1, and acquiring additional 3D seismic to provide coverage over the entire block. Yatay-1 is expected to begin drilling operations in November 2010 and reach total depth prior to year-end.

During August, the Candelilla exploration area reached cumulative production of more than five million barrels. As a result, Candelilla production is now subject to the ANH high price participation payment. During August and September, the additional royalty percentage was 14 percent. To the end of October, we have produced over six million barrels at Candelilla and we have recouped more than four times our total investment on the Block in just ten months. Our Candelilla discovery highlights the prolific potential of the Llanos Basin.

Corcel

Corcel production during the third quarter 2010 was 8,155 bopd, consistent with second quarter levels. During the month of October, production averaged 7,430 bopd. In July and August, production was affected by restrictions in water handling capacity. We completed the expansion of our water handling facilities to 80,000 barrels of water per day at the end of August. October production was temporarily impacted by our C1 well being offline for 13 days due to a pump change.

The Boa-2 well has now been drilled to a total measured depth of 12,843 feet. Boa-2 well logs indicate 89 feet of potential net oil pay in two separate Lower Sand 1 intervals which compares favorably to Boa-1. In Boa-1 we encountered 48 feet of net pay in the Lower Sand 1 and 2 intervals including 27 feet of net pay in the Lower Sand 1 formation. Following Boa-2, the rig commenced drilling the Corcel E2 well on October 22, 2010.

We began drilling exploration prospects in the Northeast portion of the Corcel Block starting with Amarillo-1. Well logs indicated a total of 46 feet of potential net oil pay in the Guadalupe formation. The Lower Sand 1 zone indicated an anomalous well log response and compelling hydrocarbon indications during drilling. Testing of two Lower Sand 1 intervals resulted in the recovery of salt water and a small volume of 6 degree API heavy oil. The Guadalupe formation tests resulted in the recovery of trace amounts of 31 degree API light oil. We subsequently perforated an additional Upper Guadalupe sand that tested wet. The future evaluation program for Amarillo-1 could include drilling a side-track well targeting potential net pay in the Guadalupe formation that recovered small amounts of 25 degree API oil.

We have completed drilling and logging operations at our Arion-1 well, the second exploration well on the Northeast portion of our Corcel Block. Well logs indicate 32 feet of potential net oil pay in the Guadalupe and Lower Sand 1 formations. The first of a four zone testing program began on October 15, 2010 using a service rig. However, shortly after the test began we experienced a failure of the testing pump which subsequently became stuck during retrieval operations. Although we are currently evaluating options for remedial action for this well, it is likely that the well will need to be sidetracked or re-drilled. Following Arion, the rig moved to our Caruto-1 exploration location and began drilling operations on October 13, 2010. Caruto-1 is expected to reach total depth in early December. Following the Caruto-1 well we are considering drilling the Hobo-1 well from the Arion pad, using the geological

and geophysical information gained from Amarillo-1 and Arion-1, before deciding on alternatives for Arion-1.

Llanos Foothills (Blocks 31, 25, 59, 15)

On Block 31, initial interpretation of our recently acquired 3D seismic program has resulted in the identification of additional prospectivity, further increasing our exploration drilling inventory. The 150 square kilometre 3D seismic program was acquired during the second quarter of this year on the southern portion of Block 31 adjacent to and contiguous with the Corcel seismic program. We plan to drill our first exploration wells on the Block in 2011. We are also planning additional 3D seismic acquisition on the Block to help define additional Corcel type prospectivity as well as the large overthrust feature identified on the north western portion of the block.

On Block 25 we expect to begin drilling the first of two deep foothills wells targeting larger structural closures mapped from existing 2D seismic data starting in mid- 2011.

The timing for finalizing all the blocks awarded in the Open Round Colombia 2010, including blocks 59 and 15 is expected to be confirmed by the ANH on November 8, 2010. On Block 59, our first phase work commitments include acquiring 303 square kilometres of 3D seismic and drilling four exploration wells over three years. On Block 15, our first phase work commitments include acquiring 101 square kilometres of 3D seismic and drilling two exploration wells. We are in the initial stages of planning seismic acquisition programs for both of these blocks.

Central Llanos (Casimena, Castor, Casanare Este, Mapache)

In January, we initiated a 13-well exploration program in the Central Llanos Basin beginning with the Yenac-1 well on the Casimena Block that was placed on production April 13, 2010 at over 1,800 bopd of 16 degree API oil from two Mirador sands. We have now drilled the Yenac-2 well, reaching a total depth of 8,760 feet measured depth. Log results indicate that the Mirador formation in Yenac-2 was penetrated 25 feet higher than that encountered in Yenac-1. Log analysis from Yenac-2 indicates 48 feet of net potential pay in the well as compared to the 42 feet of net potential pay we previously reported from Yenac-1. Test results are expected by the end of November. Following Yenac-2, we plan to drill the Mantis-1 exploration well. In addition, based upon the positive results of Yenac-2 we are evaluating the potential for an additional seven development wells on the Yenac structure.

On the Castor, Casanare Este and Mapache blocks we are currently planning additional 3D seismic programs to be acquired during 2011. We also plan to recommence our Mapache multi-well exploration program early in 2011.

Heavy Oil (Chiguiro Este, Chiguiro Oeste, Rio Ariari)

During the quarter, we mobilized a drilling rig onto our Llanos Basin heavy oil acreage and commenced drilling the Avellana-1 exploration well on our Chiguiro Oeste Block. The well reached measured depth of 4,908 feet on August 18, 2010. The Avellana well encountered the Mirador formation 110 feet structurally higher than in the Chiguiro Oeste-1 well. We have now completed testing of all three test intervals. The intervals all tested water, however, during testing of the second interval we reverse circulated out light 29 degree API oil, and from the third interval we reverse circulated out heavy 9 degree API oil. The Avellana location was based upon the interpretation of existing reprocessed 2D seismic data. To better understand the potential of the Avellana structure we are currently evaluating a follow up strategy which may include acquisition of additional 3D seismic.

Following Avellana-1, we began drilling the Asarina-1 well on our Rio Ariari Block. The well has been cased as a potential oil producer and encountered 79 feet of potential net pay from several Lower Mirador sands as compared to the 40 feet of Mirador pay we reported in the Rio Ariari-2 well and 14 feet of Mirador pay reported in Rio Ariari-1. An initial testing program targeting four separate sands commenced on October 30, 2010 with results expected in early December. The positive Asarina results combined with the recently completed long-term production test of Rio Ariari provides indications of the potential for material accumulations of heavy oil on this block. Mochelo-1, the second well of a planned nine-well Rio Ariari exploration program, began drilling operations on October 29, 2010. The nine well exploration drilling program, including Asarina and Mochelo, is designed to target new exploration prospects and play-types that could result in the identification of multiple large resource opportunities. We expect to run this program continuously for the remainder of 2010 and into 2011.

Neiva

Neiva production averaged 3,790 bopd in the third quarter, an 18 percent increase from 2009, and has increased to average 3,845 bopd during the month of October. During the first nine months of 2010 we have drilled 20 wells. In 2010, we started drilling wells targeting the Monserrate formation, which have demonstrated similar productive capacity as our Doima-Chicoral wells. We currently have an additional 38 development locations to be drilled and we plan to be actively drilling on the block through the remainder of 2010 and 2011, focusing on Doima-Chicoral and Monserrate formations.

Putumayo Basin (Orito and Las Aguilas)

We are planning a multi-well drilling program in the area that is expected to commence at the beginning of 2011. The program is planned to start with two exploration wells on the Las Aguilas Block followed by our next phase of development drilling at Orito. In addition, we plan to acquire 50 square kilometres of 3D seismic to delineate the eastern flank and southern end of the Orito Block.

PERU

Block 126

On October 13, 2010, Petrominerales agreed to acquire an additional 25 percent interest in Block 126 in east central Peru. Under the terms of the agreement, Petrominerales will pay \$6.75 million, including a cash payment and carry for expenditures incurred through the upcoming drilling program on Block 126. Additionally, a bonus of up to \$8.0 million is payable based on reaching certain aggregate production levels from Block 126.

We completed a 150 square kilometre 3D seismic program on Block 126 earlier this year and we are in the final stages of evaluating the data and finalizing drilling locations. Lease planning, construction and infrastructure improvements are anticipated to begin in the fourth quarter of 2010 and an initial drilling program of up to three wells is now expected to commence during the third quarter of 2011. We also plan to reprocess approximately 1,000 kilometres of existing 2D seismic data. Pending interpretation of the reprocessed seismic data, we, together with our joint venture partner, intend to initiate further environmental impact assessments in these new areas, with a view to expanding our drilling program on the Block.

Blocks 114 and 131

Petrominerales holds a 30 percent working interest in blocks 114 and 131. On Block 131, the operator has initiated a 300 kilometre 2D seismic program and the first well could be drilled in 2012. On Block 114, the next exploration phase anticipates one exploration well being drilled by the end of 2012.

Block 161

Block 161, situated in east central Peru, is 1.2 million acres in size and is owned 80 percent by Petrominerales. Current commitments, to be completed by June 2012, include the acquisition of 350 kilometres of new 2D seismic data and an updated geological and geophysical report incorporating existing geological data and reprocessed seismic.

Block 141

Block 141, situated in southern Peru, is 1.3 million acres in size and is owned 80 percent by Petrominerales. The Pirin field, situated on trend to the southeast of Block 141, produced approximately 300,000 barrels of light 36 degree API oil between 1875 and 1915, but little work has been done since. Current commitments, to be completed by May 2011, include the acquisition, processing and interpretation of 300 kilometres of 2D seismic.

COLOMBIA PIPELINE INVESTMENT

Pipeline takeaway capacity in Colombia, and particularly in the Llanos Basin, has become constrained as the country's production continues to grow. To support our high impact Llanos Basin focused growth objectives we have made an offer to participate for up to 10 percent of the Oleducto Bicentenario de Colombia ("OBC") project that is being led by Ecopetrol. If our offer is accepted, this investment is expected to provide strategic access to key offloading capacity and help maintain high realized sales prices and per barrel profitability.

Phase zero of the project is now complete and has added 40,000 bopd of oil offloading capacity at Banadia, connecting to the underutilized Cano Limon export pipeline system. Phase one of the project will connect Llanos Basin production from Araguaney to Banadia. This phase is expected to cost approximately \$1.0 billion (\$100 million net) and add approximately 120,000 bopd (12,000 bopd net) of offloading capacity by the fourth quarter of 2011. Ultimately, phases two and three of the project could be completed by the end of 2013 and could add a further 330,000 bopd of gross takeaway capacity in the country at a total incremental gross cost of approximately \$4.4 billion. In addition to providing access to key takeaway capacity, this OBC investment provides for a market based rate of return and when compared to trucking production from the Llanos Basin to Colombian export points, can result in overall transportation savings of approximately \$10.00 per barrel.

REORGANIZATION

On November 2, 2010, Petrobank and Petrominerales announced a corporate reorganization that will see Petrobank shareholders receive Petrobank's proportionate interest in Petrominerales (the "Reorganization"). Petrobank and Petrominerales have signed an arrangement agreement detailing the terms and conditions of the Reorganization. The Board of Directors of each company, after having received a recommendation from an independent committee of its directors, have unanimously approved the Reorganization.

Pursuant to the Reorganization, a new Alberta corporation will be formed ("New Petrominerales") which will, through a series of transactions under the Reorganization, directly or indirectly acquire all of the outstanding shares of Petrominerales. Existing Petrominerales shareholders will receive one share of New Petrominerales for every share of Petrominerales they hold. Petrobank shareholders will receive approximately 0.62 shares of New Petrominerales and one replacement common share of Petrobank for each Petrobank common share held. There will be no change in the total number of shares outstanding for either Petrobank or Petrominerales.

This transaction is designed to enhance long-term value for Petrobank and Petrominerales shareholders. Benefits of the Reorganization include:

- Petrobank shareholders will receive direct ownership in the shares of New Petrominerales;
- All new and existing Petrominerales shareholders will directly receive future dividends from New Petrominerales;
- Canadian individual shareholders of New Petrominerales will receive dividends eligible for the Canadian dividend tax credit;
- New Petrominerales' public float will increase, providing additional liquidity to shareholders;
- New Petrominerales is expected to qualify for inclusion in the S&P/TSX Composite Index following the Reorganization;
- Increased valuation for Petrobank and New Petrominerales may result from the reduction or elimination of any holding company and parent company share price trading discounts; and
- The expected date of the Reorganization of December 31, 2010 may allow U.S. Petrobank shareholders to benefit from a lower tax rate on the transaction as the receipt of the New Petrominerales shares are expected to be treated as "qualified dividends", eligible for lower tax rates in 2010 compared to the ordinary income tax rates that are expected in 2011.

The Reorganization will not result in any changes to the existing Board and senior management of Petrominerales. Petrominerales will continue to pursue a repeatable, high impact exploration strategy, focused in Colombia and Peru. The Reorganization will not affect the Petrominerales dividend policy and shareholders are expected to continue to receive CDN\$0.125 per share paid on a quarterly basis. The first dividend payable on New Petrominerales common shares is expected in mid-April for shareholders of record on March 31, 2011.

We will apply to have the New Petrominerales common shares trade on the Toronto Stock Exchange under our existing PMG symbol. We are also updating the listing documentation to apply to list New Petrominerales common shares for trading on the Bolsa de Valores de Colombia (Colombian Stock Exchange).

The Reorganization is subject to the approval of the shareholders of each of Petrobank and Petrominerales. It is anticipated that a joint-management information circular containing additional information with respect to the Reorganization will be mailed to each Petrobank and Petrominerales shareholder in mid-November and meetings of the shareholders of each of Petrobank and Petrominerales will be held in mid-December, 2010. The Directors of each company, upon considering the recommendations of their respective independent committee, have unanimously recommended that their shareholders approve the Reorganization. Pending approvals from the shareholders of each company, approval of applicable courts, receipt of appropriate regulatory approvals and satisfaction of other customary closing conditions, including the receipt of relevant tax rulings, the transaction is scheduled to become effective on December 31, 2010.

The Reorganization is expected to be non-taxable to Petrobank and Petrominerales as well as Canadian resident shareholders of both companies. Canadian resident shareholders of Petrominerales will be

required to file a joint tax election with New Petrominerales to achieve a tax-deferred exchange of their Petrominerales shares for New Petrominerales shares. For U.S. shareholders of Petrobank, this transaction will be treated as a taxable dividend according to U.S. tax laws. It is expected that the dividend will be considered a “qualified dividend” for U.S. tax purposes, subject to the reduced tax rates applicable to long-term capital gains for individuals, provided shareholders meet the holding-period requirements. For U.S. shareholders of Petrominerales, this transaction is expected to be non-taxable. Tax information will be published on the websites of both Petrobank and Petrominerales in the near future; however shareholders are encouraged to seek the advice of their own tax professionals.

QUARTER RESULTS CONFERENCE CALL

Management of Petrominerales will be holding a conference call for investors, financial analysts, media and any interested persons on Wednesday, November 3, 2010 at 8:00 am (Mountain time) (10:00 a.m. Eastern Time) to discuss Petrominerales’ third quarter financial and operating results. The investor conference call details are as follows:

Live call dial-in numbers: 416-340-2219 / 866-226-1798

Replay dial-in numbers: 416-695-5800 / 800-408-3053

Replay pass code: 1374077

The live audio webcast link is: <http://events.digitalmedia.telus.com/petrominerales/110310/index.php> and is also available on our website at: <http://www.petrominerales.com/investors>.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") is dated November 2, 2010 and should be read in conjunction with the unaudited consolidated financial statements and accompanying notes of Petrominerales Ltd. ("Petrominerales" or the "Company") as at and for the three and nine months ended September 30, 2010, MD&A for the year ended December 31, 2009, and the audited consolidated financial statements as at and for the year ended December 31, 2009. Additional information for the Company, including the Annual Information Form ("AIF") can be found on SEDAR at www.sedar.com or at www.petrominerales.com. All amounts are in United States dollars, unless otherwise stated and all tabular amounts are in thousands of United States dollars, except share amounts or as otherwise noted.

Forward-Looking Statements. *Certain information provided in this report constitutes forward-looking statements. The words "anticipate", "expect", "project", "estimate", "forecast" and similar expressions are intended to identify such forward-looking statements. Specifically, this report contains forward-looking statements relating to the timing of capital projects, financial results, results of operations and participation in and timing of costs of the OBC. The forward looking information is based on key expectations and assumptions made by Petrominerales, including assumptions concerning the success of future drilling activities, the performance of existing wells, prevailing commodity prices, availability of labour and services, receipt of required permits and regulatory approvals and performance of expected activities by industry partners. The reader is cautioned that assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be incorrect. Actual results achieved during the forecast period will vary from the information provided herein as a result of numerous known and unknown risks and uncertainties and other factors. A discussion of those risks and uncertainties can be found in the Company's Canadian securities filings. Such factors include, but are not limited to: general economic, market and business conditions; fluctuations in oil prices; the results of exploration and development drilling, recompletions and related activities; timing and rig availability, outcome of exploration contract negotiations; fluctuation in foreign currency exchange rates; the uncertainty of reserve estimates; changes in environmental and other regulations; risks associated with oil and gas operations; reliance on partners in respect of the OBC bid process and construction of the OBC and other factors, many of which are beyond the control of the Company. There is no representation by Petrominerales that actual results achieved during the forecast period will be the same in whole or in part as those forecast. Except as may be required by applicable securities laws, Petrominerales assumes no obligation to publicly update or revise any forward-looking statements made herein or otherwise, whether as a result of new information, future events or otherwise.*

Non-GAAP Measures. *This report contains financial terms that are not considered measures under Canadian generally accepted accounting principles ("GAAP"), such as funds flow from operations, funds flow per share, net working capital surplus and operating netback. These measures are commonly utilized in the oil and gas industry and are considered informative for management and shareholders. Specifically, funds flow from operations and funds flow per share reflect cash generated from operating activities before changes in non-cash working capital. Management considers funds flow from operations and funds flow per share important as they help evaluate performance and demonstrate the Company's ability to generate sufficient cash to fund future growth opportunities and repay debt. Net working capital surplus includes current assets less accounts payable, accrued liabilities, income taxes payable and the principal amount of convertible debentures (when they are out of the money and not repayable in shares at maturity) and is used to evaluate the Company's financial leverage. Operating netback is determined by dividing oil sales less royalties, transportation and operating expenses by sales volume of produced oil. Management considers operating netback important as it is a measure of profitability per barrel sold and reflects the quality of production. Funds flow from operations, funds flow per share, net working capital surplus and operating netbacks may not be comparable to those reported by other companies nor should they be viewed as an alternative to cash flow from operations, net income or other measures of financial performance calculated in accordance with GAAP.*

Petrominerales Ltd. (“Petrominerales” or the “Company”), is a public company listed on the Toronto Stock Exchange. Petrominerales is involved in the exploration, development and production of crude oil in Colombia and Peru. Petrominerales is owned 65 percent by Petrobank Energy and Resources Ltd. (“Petrobank”) (TSX:PBG).

FINANCIAL REVIEW

(comparisons are third quarter 2010 compared to the third quarter of 2009 unless otherwise noted)

Average Daily Crude Oil Production ⁽¹⁾	Three months ended September 30,			Nine months ended September 30,		
	2010	2009	Change	2010	2009	Change
Guatiquia	16,516	-	-	21,739	-	-
Corcel	8,155	13,541	(40%)	9,198	14,856	(38%)
Neiva	3,790	3,214	18%	3,280	2,240	46%
Orito	2,762	3,770	(27%)	2,924	3,385	(14%)
Others	1,444	1,021	41%	1,157	1,140	1%
Total (bopd)	32,667	21,546	52%	38,298	21,621	77%

⁽¹⁾ Represents crude oil produced in the period. Sales volumes are different due to crude oil in transit at the period-end date and volumes sold on behalf of third parties. Sales volumes were 32,696 bopd in the third quarter of 2010 (2009 – 21,239 bopd) and 38,121 for the nine month period ended September 30, 2010 (2009 – 21,345 bopd), as detailed in the Sales Volume Reconciliation table below.

Production for the three and nine month periods ended September 30, 2010 increased 52 and 77 percent, respectively, primarily due to drilling successes at Guatiquia and Neiva offset by natural production declines at Corcel and Orito.

The Candelilla field is a new producing area on the Guatiquia Block starting in 2010. The Candelilla-1 discovery well commenced production on December 31, 2009. Three follow-up wells, Candelilla-2, 3 and 4, were placed on production February 15, March 29, and September 13, 2010, respectively.

Corcel production decreased 40 and 38 percent in 2010 mainly due to natural declines, only adding one producing well during the past 12 months, and water handling restrictions in July and August. The water handling restrictions resulted in certain wells operating at a lower pump frequency and in some cases being shut-in. Water handling facility expansions were completed in August.

Neiva production increased 18 percent in the third quarter and 46 percent for the nine months ended due to the success of our on-going development drilling program. During the first nine months of 2010, 20 wells have been drilled and 22 have been completed and placed on production.

Orito production decreased 27 and 14 percent for the three and nine month periods ended September 30, 2010 respectively, as no new wells have been drilled since April 2009.

Other production consists of our Yenac discovery and Mapache. The Yenac-1 well was placed on production in April at 1,800 bopd and produced an average of 1,139 bopd during the third quarter.

Sales Volumes Reconciliation (bopd)	Three months ended September 30,		Nine months ended September 30	
	2010	2009	2010	2009
Production	32,667	21,546	38,298	21,621
Inventory changes and other	29	(307)	(177)	(276)
Sales volumes of produced oil	32,696	21,239	38,121	21,345
Purchased oil	2,134	-	2,785	-
Sales volumes	34,830	21,239	40,906	21,345

The purchased oil relates to oil purchased from and marketed on behalf of third parties.

Average Benchmark and Realized Prices⁽¹⁾	Three months ended September 30,			Nine months ended September 30,		
	2010	2009	Change	2010	2009	Change
WTI (\$/bbl)	76.15	68.24	12%	77.67	57.32	36%
Sales price	72.22	61.15	18%	71.50	51.60	39%
Transportation costs	7.68	4.86	58%	6.67	5.53	21%
Realized oil price, net of transportation (\$/bbl)	64.54	56.29	15%	64.83	46.07	41%
Discount as a percentage of WTI	15%	17%	(12%)	17%	20%	(15%)

⁽¹⁾ Excludes revenues associated with purchased oil of \$14.4 million and \$54.0 million, respectively, for the three and nine month periods ended September 30, 2010.

The majority of the Company's production is priced in relation to WTI and the Colombian Vasconia crude oil stream. The Company's 2010 realized oil prices increased 15 and 41 percent for the three and nine month periods ended September 30, 2010, mainly due to parallel increases in benchmark WTI prices and increased quality of crude sold due to the addition of Candelilla light oil production.

The majority of the Company's oil production is trucked to various offloading stations for sale except for Orito and Neiva that are pipeline connected. Transportation costs increased to \$7.68 per barrel, a 58 percent increase in the third quarter of 2010 mainly due to trucking a larger portion of volumes to more distant offloading stations due to higher overall production and restricted capacity at certain offloading stations and pipeline segments in the Llanos Basin.

The discount as a percentage of WTI for the three and nine months ended September 30, 2010 has decreased primarily due to a narrowing of the differential between WTI and the Vasconia oil stream.

Oil Revenue

Crude oil revenue increased 94 percent in the third quarter due to a 15 percent increase in realized oil prices together with 54 percent higher sales volumes of produced oil. The following table reconciles the difference in revenue between the three and nine month periods ended September 30, 2009 and 2010.

	Three months ended September 30,	Nine months ended September 30,
Oil revenue, September 30, 2009	119,485	300,660
Sales volume variance	64,455	236,342
Price variance	33,202	207,153
Oil revenue from third party oil purchases	14,364	53,973
Oil revenue, September 30, 2010	231,506	798,128
\$ change in revenue	112,021	497,468
% change in revenue	94%	165%

Royalties

	Three months ended September 30,			Nine months ended September 30,		
	2010	2009	Change	2010	2009	Change
Royalties	27,339	10,793	153%	77,755	26,236	196%
\$ per bbl	9.09	5.52	65%	7.47	4.50	66%
Royalties as a percent of realized oil price	14%	10%	40%	12%	10%	20%

Colombian government royalties are fixed at a rate of eight percent until the Company's net production per field exceeds 5,000 bopd and then increase by one percent for each incremental 10,000 bopd of production per field. In addition, a high price participation payment is applied under certain Colombian exploration contracts when the cumulative production in an exploitation area within a block exceeds five million barrels. The high price participation payment is payable to the Agencia Nacional de Hidrocarburos (National Hydrocarbon Agency) ("ANH") and is calculated as a percentage of the difference between the realized oil price and a threshold oil price set by the ANH, times a contractual rate. The contractual rate is generally 30 percent for Petrominerales' contracts. Production from the Corcel Block is also subject to an eight percent net profits interest ("NPI"). The NPI account is a cumulative balance that includes the deduction of capital investments such that when negative, no amount is payable.

In the third quarter of 2010, royalties increased 153 percent primarily due to 52 percent higher production combined with the start of high price participation payments on Candelilla production. In August 2010, production from the Candelilla exploitation area exceeded five million barrels which triggered the application of the high price participation payment. As a result, royalties on a per barrel basis increased 65 percent, and as percentage of realized oil prices increased to 14 percent.

Petrominerales currently has a dispute with the ANH related to the interpretation of the Corcel Block exploration contract ("Corcel Contract") entered into between Petrominerales and the ANH on June 2, 2005. The ANH has indicated their view that exploitation areas under the Corcel Contract should be combined for the purposes of determining when the high price participation payment is payable. As combined production from the Corcel-A, Corcel-C, and Corcel-D exploitation areas has exceeded five million barrels of oil, the ANH asserts that Petrominerales is required to pay the high price participation payment with respect to production from Corcel-A, Corcel-C, and Corcel-D from January 2010 onwards and on a go-forward basis for all of Petrominerales' exploitation areas combined in the Corcel Block. Based on their view, the ANH has requested additional payments aggregating to \$25.0 million to date. As at September 30, 2010, the Corcel-A, Corcel-C and Corcel-D exploitation areas have individually produced 4.6, 3.6 and 2.2 million barrels, respectively. Individually, none of Petrominerales' exploitation areas on the Corcel Block have cumulatively produced more than five million barrels of oil.

Petrominerales disagrees with the ANH interpretation and views the Corcel Contract as providing that payment of the high price participation payment is required once each exploitation area has cumulatively produced more than five million barrels of oil.

The dispute is currently in a conflict resolution process as provided for in the Corcel Contract. Petrominerales believes that the resolution of this dispute will be in favour of the Company, and accordingly, no additional royalty provision has been made in these financial statements.

Production Expenses	Three months ended September 30,			Nine months ended September 30,		
	2010	2009	Change	2010	2009	Change
Production expenses	22,953	15,678	46%	70,727	40,258	76%
\$ per bbl	7.63	8.02	(5%)	6.80	6.91	(2%)

In 2010, production expenses increased 46 and 76 percent during the three and nine month periods ended September 30 primarily due to higher production levels and an increase in water handling costs. On a per barrel basis, production expenses decreased due to economies of scale associated with higher production levels.

The Colombian national oil company, Ecopetrol, is responsible for primary production operations at Orito and Neiva at a cost (subject to annual inflation, currency, and other adjustments) of \$5.68 per barrel and \$3.11 per barrel, respectively, in 2010.

General and Administrative Expenses	Three months ended September 30,			Nine months ended September 30,		
	2010	2009	Change	2010	2009	Change
General and administrative expenses	6,649	2,749	142%	16,752	8,232	103%
\$ per bbl	2.21	1.39	59%	1.60	1.39	15%

The increase in general and administrative expenses for the three and nine month periods ended September 30, 2010 was primarily due to higher staff levels and office costs associated with our expanding operations and professional fees associated with our Colombian stock exchange listing.

Stock-Based Compensation Expenses	Three months ended September 30,			Nine months ended September 30,		
	2010	2009	Change	2010	2009	Change
Stock-based compensation expenses	3,311	1,051	215%	8,237	3,419	141%

Stock-based compensation expenses is a non-cash expense that is based on the fair value of stock options, deferred common shares and incentive shares granted, amortized over the vesting period of the option or incentive share, or immediately upon grant of the deferred common shares. The 2010 expense increased over 2009 mainly due to higher grants in the quarter, combined with an increase in the fair value per grant as a result of a higher Petrominerales stock price.

Interest Expense	Three months ended September 30,			Nine months ended September 30,		
	2010	2009	Change	2010	2009	Change
Cash interest and standby charges	2,886	1,400	106%	6,673	3,342	100%
Accretion on convertible debentures	2,858	1,128	153%	5,394	3,270	69%
Amortization of deferred financing costs	351	130	170%	1,012	388	161%
Interest expense	6,095	2,658	129%	13,079	7,000	87%

Interest expense for the three and nine month periods ended September 30, 2010 was higher mainly due to higher standby fees associated with the Company's \$150 million secured bank facility (that closed on December 30, 2009) and convertible debentures expense in relation to the new bonds issued on August 25, 2010.

Foreign Exchange Loss

	Three months ended September 30,			Nine months ended September 30,		
	2010	2009	Change	2010	2009	Change
Foreign exchange loss	9,936	6,992	42%	15,409	10,307	50%

The Colombian peso appreciated six percent relative to the U.S. dollar in the third quarter of 2010 and resulted in a \$9.9 million dollar foreign exchange loss. The exchange rate changed from 1,916 at June 30, 2010 to 1,800 at September 30, 2010. For the nine months ended September 30, 2010, the Colombian peso appreciated 12 percent and resulted in a \$15.4 million loss. Changes in this exchange rate impact the Company's U.S. dollar denominated expenses and expenditures as approximately 70 percent of the Company's expenditures are incurred in Colombian pesos.

Depletion, Depreciation and Accretion ("DD&A") Expenses

	Three months ended September 30,			Nine months ended September 30,		
	2010	2009	Change	2010	2009	Change
DD&A expenses	66,885	36,256	84%	206,695	116,812	77%
\$ per bbl	22.25	18.56	20%	19.77	20.05	(1%)

DD&A expense in the third quarter of 2010 increased 84 percent due to a 52 percent production increase and a 20 percent increase in the per barrel depletion rate. On a per barrel basis, the depletion rate was higher mainly due to a significant exploration capital program. For the nine months ended September 30, 2010, DD&A expenses increase 77 percent mainly due to a 77 percent increase in production.

Tax Expense

	Three months ended September 30,			Nine months ended September 30,		
	2010	2009	Change	2010	2009	Change
Current income tax (recovery)	(732)	3,740	-	50,680	5,238	868%
Equity tax	553	505	10%	1,588	1,366	16%
Future income tax	15,460	3,343	362%	24,296	646	-
Taxes	15,281	7,588	101%	76,564	7,250	956%

The Company's pre-tax income is subject to the Colombian statutory income tax rate of 33 percent. Equity tax is based on equity capitalization levels in Colombia.

Petrominerales had effective tax rates of 30 and 28 percent, respectively, for the three and nine month periods ended September 30, 2010. The 2010 effective tax rates are lower than the Colombian statutory income tax rate of 33 percent largely as a result of enhanced tax deductions for the acquisition of certain capital assets. During the third quarter of 2010, current income tax was lower than 2009 due to the enhanced tax deductions for capital expenditures representing a larger percentage of taxable income and higher non-deductible expenses. For the nine months ended September 30, 2010, the Company recorded significantly higher current income tax due mainly to higher sales volumes.

Net Income

The increase in net income between the 2009 and 2010 three and nine month periods ended September 30 is primarily due to higher commodity prices and higher sales volumes from our exploration successes at Guatiquia, offset by higher royalties and depletion expenses. The following table summarizes the changes in net income and net income per share.

Reconciliation of Changes in Net Income	Three months ended September 30,		Nine months ended September 30,	
	(000's)	Per share, diluted	(000's)	Per share, diluted
Net income, 2009 period	26,224	0.26	48,935	0.49
Increase (decrease) due to:				
Sales volumes	64,455	0.63	236,342	2.27
Realized oil prices	33,202	0.33	207,153	1.99
Oil revenue from third party purchases	14,364	0.14	53,973	0.52
Royalties	(16,546)	(0.16)	(51,519)	(0.49)
Operating expenses	(7,275)	(0.07)	(30,469)	(0.29)
Transportation expenses	(13,606)	(0.13)	(37,206)	(0.36)
Oil purchases	(14,406)	(0.14)	(52,274)	(0.51)
General and administrative expenses	(3,632)	(0.04)	(8,252)	(0.08)
Acquisition expenses	(113)	(0.00)	(1,189)	(0.01)
DD&A	(30,629)	(0.30)	(89,883)	(0.86)
Taxes	(7,693)	(0.08)	(69,314)	(0.66)
Interest expense	(3,811)	(0.04)	(6,293)	(0.06)
Other ⁽¹⁾	(5,098)	(0.05)	(9,974)	(0.10)
Net income, 2010 period	35,436	0.35	190,030	1.85

⁽¹⁾ Other includes interest income, stock-based compensation expenses and foreign exchange (gain) loss.

Funds Flow from Operations

The increase in funds flow from operations between the 2009 and 2010 three and nine month periods ended September 30 is primarily due to higher commodity prices and higher sales volumes from our exploration successes at Guatiquia, slightly offset by higher royalties and transportation cost. The following table summarizes the changes in funds flow from operations.

Reconciliation of Changes in Funds Flow from Operations

	Three months ended September 30,		Nine months ended September 30,	
	(000's)	Per share, diluted	(000's)	Per share, diluted
Funds flow from operations, 2009 period	71,709	0.60	177,653	1.66
Increase (decrease) due to:				
Sales volumes	64,455	0.63	236,342	2.20
Realized oil prices	33,302	0.33	207,153	1.94
Oil revenue from third party purchases	14,264	0.14	53,973	0.50
Royalties	(16,546)	(0.16)	(51,519)	(0.48)
Operating expenses	(7,275)	(0.07)	(30,469)	(0.28)
Transportation expenses	(13,606)	(0.13)	(37,206)	(0.34)
Oil purchases	(14,406)	(0.14)	(52,274)	(0.48)
General and administrative expenses	(3,632)	(0.04)	(8,252)	(0.08)
Acquisition expenses	(113)	(0.00)	(1,189)	(0.01)
Foreign exchange	(2,442)	(0.02)	(2,983)	(0.02)
Interest	(1,704)	(0.02)	(1,060)	(0.01)
Taxes	4,424	0.05	(45,664)	(0.42)
Funds flow from operations, 2010 period	128,430	1.17	444,505	4.18

The following table shows the reconciliation of funds flow from operations to cash flow from operating activities for the periods noted:

	Three months ended September 30,			Nine months ended September 30,		
	2010	2009	Change	2010	2009	Change
Funds flow from operations: Non-GAAP	128,430	71,709	79%	444,505	177,653	150%
Changes in non-cash working capital	(1,124)	(6,250)	(82%)	(20,914)	(48,517)	(57%)
Cash flow from operating activities: GAAP	127,306	65,459	94%	423,591	129,136	228%

Three months ended September 30, 2010, Capital Expenditures	Drilling and completions	Facilities and infrastructure	Seismic	HSEC	Total
Corcel	24,041	24,061	2,411	726	51,239
Guatiquia	9,271	12,385	671	423	22,750
Neiva	13,867	3,377	232	357	17,833
Heavy oil	5,600	3,114	456	440	9,610
Exploration	253	6,261	611	863	7,988
Mapache	3,147	2,970	51	641	6,809
Peru & Antorcha	1,476	391	839	114	2,820
Orito	3	-	42	39	84
Total	57,658	52,559	5,313	3,603	119,133

Third quarter capital expenditures at Corcel included facilities costs at the Corcel central processing facility to increase fluid handling capacity, drilling and completion costs for a water disposal well, drilling costs for the Amarillo and Arion exploration wells, seismic costs related to the 2010 3D seismic acquisition program on the northwest and south east portions of the Block and civil construction and drilling costs related to the remaining 2010 drilling program. Guatiquia expenditures included drilling and completion costs of Candelilla-4, and facilities costs for the installation of flow lines and production facilities. Neiva expenditures included drilling six wells, completing four oil wells and performing eleven well optimizations. Heavy oil expenditures relate to drilling costs of Rio Ariari and Avellana exploration wells, as well as the initial civil work for the 2011 exploration drilling program. Exploration activity included civil construction costs associated with 2010 Central Llanos exploration program and seismic costs related to the 3D program acquired on Block 31. Mapache expenditures related mainly to drilling and completion costs associated with the Mapana-1 and Manzanillo-1 exploration wells and civil construction for the remaining exploration drilling program.

SUMMARY OF QUARTERLY RESULTS

	2010				2009			2008
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Financial (\$000s except where noted)								
Crude oil revenue	231,506	318,776	247,846	160,646	119,485	104,823	76,352	70,610
Funds flow from operations	128,430	175,989	140,086	106,171	71,709	64,098	41,846	57,813
Per share – basic (\$)	1.29	1.77	1.42	1.08	0.73	0.65	0.42	0.58
– diluted (\$)	1.17	1.68	1.33	1.03	0.71	0.63	0.42	0.56
Net income	35,436	81,218	73,376	51,211	26,224	15,323	7,388	20,278
Per share – basic (\$)	0.36	0.82	0.74	0.52	0.27	0.16	0.07	0.20
– diluted (\$)	0.35	0.78	0.71	0.51	0.26	0.15	0.07	0.20
Capital expenditures	119,132	112,697	111,792	81,983	53,998	79,527	65,371	46,861
Operations								
Operating netback (\$/bbl) ⁽¹⁾								
WTI benchmark price	76.15	78.06	79.08	76.19	68.19	59.79	43.08	59.08
Crude oil sales price ⁽²⁾	64.54	63.53	66.68	61.75	56.29	47.96	33.79	45.57
Royalties	9.09	6.35	7.37	6.76	5.52	4.30	3.67	3.90
Production expenses	7.63	6.25	6.71	7.62	8.02	6.76	5.92	6.45
Operating netback	47.82	50.93	52.60	47.37	42.75	36.90	24.20	35.22
Crude oil production (bopd)	32,667	44,203	38,199	24,555	21,546	21,548	21,771	15,344

⁽¹⁾ Non-GAAP measure. See “Non-GAAP Measures” section.

⁽²⁾ Net of transportation and excludes revenue from purchased oil.

Significant factors influencing quarterly results were:

- Since the third quarter of 2008, production has grown from 12,485 bopd to 32,667 bopd in Q3 2010, mainly due to drilling successes on the Corcel, Guatiquia and Neiva blocks.
- Between the end of the third quarter of 2008 and the third quarter of 2009, crude oil prices declined significantly, negatively affecting crude oil revenues, funds flow from operations and net income for those periods.
- Fourth quarter 2009 production increased mainly due to the Corcel-A2 side-track well.
- First and second quarter 2010 production increased mainly due to three Candelilla wells drilled on the Guatiquia Block.
- Third quarter 2010 production was affected by water handling capacity restrictions at Corcel and the temporary shut-in of Candelilla-1 for 22 days, which was slightly offset by new production brought on from Candelilla-4.

LIQUIDITY AND CAPITAL RESOURCES

Petrominerales’ 2010 capital program has been funded internally from operating cash flows. The remainder of the 2010 capital program is expected to be funded through a combination of existing cash balances and operating cash flows. At September 30, 2010, Petrominerales had a net working capital surplus of \$517.4 million and no outstanding bank debt. The Company believes it is well positioned financially with significant available credit capacity and assets that are providing strong production growth, operating netbacks and cash flows.

Petrominerales has a revolving reserve-based credit facility with a \$150 million borrowing base that is undrawn. The borrowing base is reviewed with the lender semi-annually. The Company also has \$631.7 million of convertible debentures outstanding of which \$81.7 million matures on December 6, 2010 and the remaining \$550 million on August 25, 2016. The December 2010 debentures are convertible into common shares of the Company at the option of the holder at a conversion price of \$27.3485 per share, subject to adjustment for dividends. The August 2016 debentures are convertible into common shares of the Company at the option of the holder at a conversion price of \$34.746 per share, subject to adjustment for dividends. Petrominerales also maintains local Colombian operating lines of credit of \$34.2 million that are primarily used to issue letters of credit to support exploration contracts. At September 30, 2010, letters of credit issued against the Colombian operating lines of credit totalled \$21.9 million. The Company is in compliance with the covenants contained in its credit facility and convertible debenture agreements. The credit facility contains financial covenants to maintain a ratio of bank debt to trailing twelve month earnings before interest, tax, depletion, depreciation and amortization under 3.0 times and to maintain a current ratio greater than 1.0 times (current assets divided by current liabilities less unused bank debt and the liability portion of convertible debentures). The convertible debentures have financial covenants to maintain a ratio of book value of equity to total assets of at least 30 percent and to limit the amount of security and encumbrances the Company has on the book value of total assets to 35 percent.

Petrominerales' assets provide significant funds flow from operations and are the Company's largest source of liquidity. The Company has a history of generating positive funds flow from operations, and recorded funds flow from operations of \$128.4 million in the third quarter of 2010.

Petrominerales initiated a quarterly dividend payment of Cdn \$0.125 per share starting with the second quarter of 2010. Petrominerales' strategy is to provide a reasonable dividend yield to shareholders while executing an accretive growth-oriented, exploration focused business plan.

Commitments

The following is a summary of the Company's contractual commitments as at September 30, 2010:

Type of Obligation	Total	< 1 Year	1-3 Years	Thereafter
Exploration contracts ⁽¹⁾ ⁽²⁾	\$ 64,100	\$ 43,900	\$ 20,200	\$ -
Transportation contract	2,040	2,040	-	-
Office lease	8,100	1,900	3,800	2,400
Total	\$ 74,240	\$ 47,840	\$ 24,000	\$ 2,400

⁽¹⁾ Pursuant to exploration contracts, the Company has work commitments totaling \$64.1 million to be completed during the next three years. The work commitments are normal course of business exploration activities that include property costs, acquisition and processing of seismic data and drilling exploration wells. The Company has issued letters of credit totaling \$23.3 million and pledged \$1.4 million in restricted cash to guarantee the obligations under these exploration contracts.

⁽²⁾ Following the Colombian Open Bid Round June 2010, Petrominerales was awarded Block 59 and Block 15. Our first phase work commitments on Block 59 will include spending \$24.2 million over three years to acquire 300 square kilometers of 3D seismic and drilling four exploration wells. Our first phase work commitments on Block 15 will include spending \$10.0 million over three years to acquire 100 square kilometers of 3D seismic and drilling two exploration wells. These commitments will be included once the contracts are signed.

Outstanding Share Data

The aggregate number of Petrominerales common shares, stock options, deferred common shares and incentive shares outstanding at November 2, 2010 was 108,094,487 (common shares – 99,893,500, stock options – 7,283,398, deferred common shares – 126,890, incentive shares – 790,699).

TRANSACTIONS WITH RELATED PARTIES

The Company is party to a Management Services Agreement with Petrobank providing for certain services, including corporate, legal, administration, financial, treasury, accounting, information technology, human resources support and office space for Petrominerales employees located in Calgary, Alberta. The monthly fee is based on a negotiated value for services provided and currently is Cdn\$150,000. Amounts paid to Petrobank under this agreement totalled \$0.4 million for the three months ended September 30, 2010 (2009 – \$0.4 million) and were recorded as general and administrative expense.

RISKS AND UNCERTAINTIES

There have been no significant changes in the three months ended September 30, 2010 to the risks and uncertainties identified in the MD&A for the year ended December 31, 2009.

Sensitivities

The Company's earnings and cash flow are sensitive to changes in the price of crude oil. The following factors demonstrate the expected impact on annualized before tax cash flow:

Change of:		(millions)
WTI	\$1.00/bbl WTI reference price (assuming 35,000 bopd)	\$10.8
Crude oil	1,000 bopd of production @ \$75/bbl WTI	\$18.7

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's financial statements are prepared in accordance with Canadian GAAP, which require management to make judgments, estimates and assumptions, which may have a significant impact on the financial statements. A summary of the Company's significant accounting policies can be found in Note 2 to the Company's 2009 consolidated financial statements. The following is a discussion of those accounting policies and estimates that are considered critical in the determination of the Company's financial results.

Capital Assets — Full Cost Accounting

The Company follows the full cost method of accounting and alternatively, could follow the successful efforts method of accounting whereby all costs related to non-productive wells are expensed in the period in which they are incurred.

Under the full cost method of accounting, capitalized costs are subject to a country-by-country cost centre impairment test. Under the successful efforts method of accounting, the costs are aggregated on a property-by-property basis and the carrying value of each property is subject to an impairment test. These policies may result in a different carrying value for capital assets and a different net income. The full cost method is the method most commonly followed by Petrominerales' peer group of companies.

Under full cost accounting, a limit is placed on the carrying value of the net capitalized costs in each cost centre in order to test impairment. Impairment exists when the carrying value of developed properties of a cost centre exceeds the estimated undiscounted future net cash flows associated with the cost centre's proved reserves. Costs relating to undeveloped properties are subject to individual impairment assessments until it can be determined whether or not proved reserves exist. If impairment is determined to exist, the costs carried on the balance sheet in excess of the discounted future net cash flows associated with the cost centre's proved plus probable reserves are charged to income.

Reserve Estimates

Reserve estimates can have a significant impact on net income and the carrying value of capital assets. The process of estimating reserves requires significant judgment based on available geological, geophysical, engineering, and economic data, projected rates of production, estimated commodity price forecasts and the timing of future expenditures, all of which are subject to interpretation and uncertainty. Reserve estimates impact net income through depletion expense and the application of impairment tests. Revisions or changes in reserve estimates can have either a positive or a negative impact on net income and can impact the carrying amount of capital assets.

Creditors also use reserve estimates to assess the allowable borrowing base under secured credit facilities. Changes to the reserve estimates can result in borrowing base increases or decreases, which could impact the Company's financial position.

Future Income Taxes

The Company recognizes a future income tax liability based on estimates of temporary differences between the book and tax value of its assets. An estimate is also used for both the timing and tax rate upon reversal of the temporary differences. Actual differences and the timing of reversals may differ from estimates, impacting the future income tax balance and net income.

Contingencies

In the normal course of operations, Petrominerales has disputes with industry participants for which the Company currently cannot determine the ultimate result. Petrominerales records costs as they are incurred or become determinable. Management believes the resolution of these matters would not have a material adverse effect on the Company's consolidated financial position or results from operations.

CHANGES IN ACCOUNTING POLICIES

International Financial Reporting Standards

In February 2008, the AcSB confirmed the convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS") will be required for interim and annual financial statements effective for fiscal years beginning on or after January 1, 2011, including comparatives for 2010 and an opening balance sheet at January 1, 2010 showing the changes from Canadian GAAP to IFRS.

IFRS uses a conceptual framework similar to Canadian GAAP, but prescribes certain differences for recognition, measurement and disclosure principles which are outlined below under "*Potential Impacts of IFRS Adoption*".

Petrominerales commenced its IFRS Conversion Project in late 2008 by completing an initial scoping phase, and has established a project plan and project team, which includes key finance staff, management, external advisors and audit committee.

The Company's project plan broken out by accounting policies and procedures, financial statement preparation, training and communication, business impacts, IT systems and control environment is as follows:

Key Activity	Milestones	Status
Accounting policies and procedures:		
<ul style="list-style-type: none"> Identify differences between Canadian GAAP and IFRS Revise and finalize accounting policies under IFRS Identify potential adjustments to initial and subsequent IFRS financial statements Develop IFRS-compliant financial statements, including transition period disclosures 	<ul style="list-style-type: none"> Approval of IFRS policies and opening balance sheet by senior management Senior management approval and audit committee review of policy decisions Revised accounting policy and procedures manuals in place by changeover date 	<ul style="list-style-type: none"> Accounting policy alternatives have been analyzed key accounting policy decisions are currently being reviewed by management Analysis to support finalization of opening balance sheet adjustments is underway
Financial statement preparation:		
<ul style="list-style-type: none"> Prepare first-time adoption reconciliation required under IFRS 1 Prepare financial statements and note disclosures in compliance with IFRS Quantify the effects of converting to IFRS 	<ul style="list-style-type: none"> Senior management approval and audit committee review of pro forma financial statements 	<ul style="list-style-type: none"> Draft opening balance sheet and transition note disclosure in progress The Company is in the process of determining transition year impacts of IFRS IFRS compliant financial statements and notes are in progress
Training and communication:		
<ul style="list-style-type: none"> Develop and deliver targeted IFRS training to employees and management Ensure internal and external stakeholders receive ongoing appropriate communications Provide Company-specific training on revised policies and procedures to affected personnel 	<ul style="list-style-type: none"> Training to be provided to relevant employees prior to changeover date Impacts of converting to IFRS communicated prior to changeover 	<ul style="list-style-type: none"> Key employees involved with implementation have completed sufficient and ongoing training throughout the year Quarterly disclosure of project status in MD&A
Business Impacts:		
<ul style="list-style-type: none"> Identify impacts of conversion on contracts including financial covenants and compensation arrangements Identify impacts of conversion on taxation 	<ul style="list-style-type: none"> Impacts of contracts identified Taxation impacts identified 	<ul style="list-style-type: none"> Adoption of IFRS is not expected to have a significant impact on current material contracts Analysis of taxation impacts is currently underway

IT Systems:		
<ul style="list-style-type: none"> Identify changes required to IT systems and implement solutions Implement as solution for capturing financial information under Canadian GAAP and IFRS during the year of transition to IFRS 	<ul style="list-style-type: none"> Necessary changes to IT systems implemented by changeover date Solution for capturing financial information under multiple sets of accounting principles implemented 	<ul style="list-style-type: none"> Required changes to IT systems are identified and tracked as IFRS work progresses Consultants have been engaged to assist in transitioning current system to accommodate IFRS
Control Environment:		
<ul style="list-style-type: none"> For all changes to policies and procedures identified, assess effectiveness of internal controls over financial reporting (“ICFR”) and disclosure controls and procedures (“DC&P”) and implement any necessary changes Design and implement internal controls over the IFRS changeover process 	<ul style="list-style-type: none"> Internal controls over IFRS changeover process in place and tested prior to changeover 	<ul style="list-style-type: none"> Relevant internal controls are being assessed as work progresses Specific controls have been established in relation to the IFRS changeover process

Significant differences that have been identified between Canadian GAAP and IFRS that will impact Petrominerales are: property, plant and equipment, exploration and evaluation assets, depletion and depreciation, impairment testing, share based payments and decommissioning liabilities as well as increased disclosure requirements. The majority of adjustments required on transition to IFRS will be made retrospectively against opening retained earnings at the date of transition. Certain IFRS standards may be modified, and as a result, the impact may be different than Petrominerales’ current expectations. The project team is currently determining the financial statement impact of these standards. The impact on the consolidated financial statements is not reasonably determinable at this time.

First-time Adoption of IFRSs (“IFRS 1)

The transition to IFRS requires the Company to apply IFRS 1, which prescribes requirements for preparing IFRS-compliant financial statements in the first reporting period after the changeover date (January 1, 2010). IFRS 1 includes a requirement for retrospective application of each IFRS as if they were always in effect. IFRS 1 also mandates certain exemptions for retrospective application and provides optional exemptions from retrospective application to ease the transition to IFRS in the transition year. The most significant IFRS 1 exemptions that are expected to apply to the Company upon adoption are summarized in the following table:

Area of IFRSs	Summary of Exemption Available
Property, Plant and Equipment	<ul style="list-style-type: none"> The Company may elect to report items of property, plant and equipment, in its opening balance sheet on transition date at deemed cost instead of the actual cost that would be determined under IFRS. The deemed cost of an item may be either its fair value at the date of transition to IFRS or an amount determined by a previous revaluation under Canadian GAAP (as long as that amount was close to either its fair value, cost or adjusted cost). The exemption can be applied on an asset-by-asset basis. Oil and gas assets that were part of the full cost pool and determined to be development or producing assets are able to be allocated to Cash Generating Units (CGU’s) on date of transition pro rata using reserve values or volumes, subject to an impairment test on date of transition.
Share-Based Payments	<ul style="list-style-type: none"> The Company may elect to not apply IFRS 2, “Share-Based Payments”, to equity instruments which vested before the Company’s date of transition to IFRS. The Company may also elect not to apply IFRS 2 to liabilities arising from share-based payment transactions which settled before the date of transition to IFRS.

	<ul style="list-style-type: none"> • It is expected that the Company will not apply IFRS 2 to equity instruments granted which vested before the Company's date of transition to IFRS. The Company will also elect to not apply IFRS 2 to liabilities arising from share-based payment transactions which settled before the date of transition to IFRS
Decommissioning Liabilities	<ul style="list-style-type: none"> • In accounting for changes in obligations to dismantle, remove and restore items of property, plant and equipment, the guidance in IFRSs requires changes in such obligations to be added to or deducted from the cost of the asset to which it relates. The adjusted depreciable amount of the asset is then depreciated prospectively over its remaining useful life. Rather than recalculating the effect of all such changes throughout the life of the obligation, the Company may elect to measure the liability and the related depreciation effects at the date of transition to IFRS • The Company intends to elect to measure any decommissioning liabilities and the related depreciation effects at the date of transition to IFRS

Expected Areas of Significance

The key areas where we expect accounting policies may differ and where accounting policy decisions are necessary that may impact the Company's consolidated financial statements are set out in the following table. Note that this does not include impact of transition policy choices made under IFRS 1, described above.

Accounting Policy Area	Impact of Policy Adoption
Impairment of Assets ("IAS 36")	<ul style="list-style-type: none"> • IFRS uses the concept of cash generating units to accumulate asset carrying costs to test and measure impairment. IFRS will require impairment testing to be performed at the cash generating unit level, which is lower than the current cost center level. In addition, IAS 36 uses a one-step approach for testing and measuring asset impairments, with asset carrying values being compared to the higher of: value-in-use and fair value less costs to sell. Value in use is defined as the amount equal to the present value of future cash flows expected to be derived from the asset. In the absence of an active market, fair value less costs to sell may also be determined using discounted cash flows. The use of discounted cash flows under IFRS to test and measure asset impairment differs from Canadian GAAP, which uses undiscounted cash flows to test and measure impairment. This may result in more frequent write-downs in the carrying amounts of assets under IFRS because the asset carrying amounts previously supported under Canadian GAAP were based on undiscounted cash flows. However, under IAS 36, impairment losses that were previously recognized may be reversed where circumstances change such that the impairment is reduced. This differs from Canadian GAAP, which prohibits the reversal of previously recognized impairment losses • The Company does not expect to recognize impairment on its assets on the IFRS opening balance sheet.
Exploration and Evaluation Expenditures ("IFRS 6")	<ul style="list-style-type: none"> • Oil and gas companies are required to account for exploration and evaluation expenditures in accordance with IFRS 6, which permits a number of accounting policy choices. For example, this standard addresses the recognition, measurement, presentation and disclosure requirements for costs incurred in the exploration phase. Unlike Canadian GAAP, IFRS requires the identification and presentation of exploration and evaluation expenditures to be separated from developed and producing assets. In addition, Petrominerales will be required to perform an impairment test on exploration and evaluation expenditures when there is a determination that the expenditures have resulted in a technically feasible and commercially viable project. At that time, the expenditures would be tested for impairment, and then transferred to the developed and producing assets category
Property, Plant, and Equipment ("IAS 16")	<ul style="list-style-type: none"> • IFRS and Canadian GAAP contain the same basic principles of accounting for property, plant and equipment. However IAS 16 requires costs recognized as property plant and equipment to be allocated to the significant parts of the asset and to amortize each significant component separately. This is a departure from Canadian GAAP for full cost oil and gas companies, and may increase the number of components to be amortized separately, and could impact the amount of amortization expense. Under IAS 16, companies have the choice to account for property, plant and

	<p>equipment under the cost model, or the revaluation model.</p> <ul style="list-style-type: none"> • It is expected that Petrominerales will choose and apply the cost model to account for its property, plant and equipment after transition to IFRS.
Borrowing Costs	<ul style="list-style-type: none"> • IFRS requires the capitalization of borrowing costs that are associated with the construction and development of certain assets. Under Canadian GAAP, Petrominerales expenses all borrowing costs. Analysis of this standard is currently underway to determine a methodology and quantify the amount of borrowing costs that will be capitalized under IFRS. Under IFRS certain borrowing costs may be capitalized to the balance sheet and not expensed as currently reported by Petrominerales • No impact expected on transition

REGULATORY POLICIES

Certification of Disclosures in Interim Filings

In accordance with Multilateral Instrument 52-109 of the Canadian Securities Administrators, the Company quarterly issues a “Certification of Interim Filings” (“Certification”). The Certification requires certifying officers to state that they are responsible for establishing and maintaining disclosure controls and procedures (“DC&P”) and internal control over financial reporting (“ICFR”).

The Certification requires certifying officers to state that they designed DC&P, or caused it to be designed under their supervision, to provide reasonable assurance that: (i) material information relating to Petrominerales is made known to the certifying officers by others; (ii) information required to be disclosed by Petrominerales in reports filed with, or submitted to, securities regulatory authorities is recorded, processed, summarized and reported within the time periods specified under Canadian securities legislation. In addition, the Certification requires certifying officers to state that they have designed ICFR, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes.

During the quarter ended September 30, 2010, there has been no change in the Company’s ICFR that has materially affected, or is reasonably likely to materially affect, the Company’s ICFR. The Company has continually had in place systems relating to DC&P and ICFR and will continue to monitor such procedures as the Company’s business evolves.

OUTLOOK

In addition to the plans discussed in this MD&A, please see the Company’s third quarter 2010 Operational Update.

CONSOLIDATED BALANCE SHEETS

(Unaudited, thousands of United States dollars)

As at	September 30, 2010	December 31, 2009
Assets		
Current assets		
Cash and cash equivalents	\$ 668,308	\$ 61,600
Restricted cash (Note 3)	1,454	1,375
Accounts receivable (Note 10)	130,261	47,530
Income taxes receivable	-	8,462
Crude oil inventory	3,946	1,376
	803,969	120,343
Other assets (Note 4)	26,108	26,594
Capital assets	745,069	573,179
Goodwill (Note 5)	5,015	-
Total assets	\$ 1,580,161	\$ 720,116
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 181,336	\$ 106,834
Income taxes payable	24,506	-
Convertible debentures	80,702	76,829
	286,544	183,663
Future income tax liabilities	73,065	34,724
Asset retirement obligations	10,726	6,748
Convertible debentures (Note 6)	437,626	-
	807,961	225,135
Commitments and contingencies (Note 13)		
Shareholders' equity		
Convertible debentures (Note 6)	107,623	10,407
Common shares (Note 7)	205,312	197,709
Contributed surplus (Note 7)	13,906	7,328
Accumulated other comprehensive income (Note 7)	16,024	16,024
Retained earnings	429,335	263,513
	772,200	494,981
Total liabilities and shareholders' equity	\$ 1,580,161	\$ 720,116

Subsequent Event (Note 14)

See accompanying notes to these consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

(Unaudited, thousands of United States dollars, except per share amounts)

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Revenues				
Oil	\$ 231,506	\$ 119,485	\$ 798,128	\$ 300,660
Royalties	(27,339)	(10,793)	(77,755)	(26,236)
	204,167	108,692	720,373	274,424
Expenses				
Production	22,953	15,678	70,727	40,258
Transportation	23,102	9,496	69,417	32,211
Purchased oil	14,406	-	52,274	-
General and administrative	6,649	2,749	16,752	8,232
Acquisition costs (Note 5)	113	-	1,189	-
Foreign exchange loss	9,936	6,992	15,409	10,307
Interest (Note 8)	6,095	2,658	13,079	7,000
Stock-based compensation (Note 7)	3,311	1,051	8,237	3,419
Depletion, depreciation and accretion	66,885	36,256	206,695	116,812
	153,450	74,880	453,779	218,239
Income before taxes	50,717	33,812	266,594	56,185
Equity and current income taxes	(179)	4,245	52,268	6,604
Future income taxes	15,460	3,343	24,296	646
Net income	35,436	26,224	190,030	48,935
Retained earnings, beginning of period	406,416	187,201	263,513	177,800
Cash dividends paid or declared (Note 7)	(12,517)	-	(24,208)	-
Repurchase of common shares	-	(1,123)	-	(14,433)
Retained earnings, end of period	\$ 429,335	\$ 212,302	\$ 429,335	\$ 212,302
Basic earnings per share (Note 7)	\$ 0.36	\$ 0.27	\$ 1.92	\$ 0.50
Diluted earnings per share (Note 7)	\$ 0.35	\$ 0.26	\$ 1.85	\$ 0.49

See accompanying notes to these consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited, thousands of United States dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Net income	\$ 35,436	\$ 26,224	\$ 190,030	\$ 48,935
Other comprehensive income	-	-	-	-
Comprehensive income	\$ 35,436	\$ 26,224	\$ 190,030	\$ 48,935

CONSOLIDATED STATEMENTS OF CASH FLOW

(Unaudited, thousands of United States dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Operating Activities				
Net income	\$ 35,436	\$ 26,224	\$ 190,030	\$ 48,935
Depletion, depreciation and accretion	66,885	36,256	206,695	116,812
Stock-based compensation	3,311	1,051	8,237	3,419
Unrealized foreign exchange loss	3,448	2,946	5,671	3,552
Amortization of other assets	1,032	761	4,183	1,019
Accretion on convertible debentures	2,858	1,128	5,393	3,270
Future income taxes	15,460	3,343	24,296	646
	128,430	71,709	444,505	177,653
Changes in non-cash working capital (Note 11)	(1,124)	(6,250)	(20,914)	(48,517)
	127,306	65,459	423,591	129,136
Financing Activities				
Dividends	(12,517)	-	(24,208)	-
Repurchase of common shares (Note 7)	-	(1,352)	-	(18,324)
Issuance of common shares (Note 7)	1,844	1,304	5,944	2,750
Financing costs	(107)	(9)	(120)	(219)
Issuance of bank debt	-	15,000	-	25,000
Issuance of convertible debentures, net of costs (Note 6)	533,323	-	533,323	-
Changes in non-cash working capital (Note 11)	484	-	12,175	-
	523,027	14,943	527,114	9,207
Investing Activities				
Expenditures on capital assets	(119,133)	(53,998)	(343,622)	(198,896)
Expenditures on other assets	(1,119)	(6,793)	(3,586)	(19,314)
Changes in restricted cash	-	2,071	(78)	3,080
Acquisition of PanAndean (Note 5)	-	-	(28,796)	-
Changes in non-cash working capital (Note 11)	(22,708)	(25,702)	32,085	6,758
	(142,960)	(84,422)	(343,997)	(208,372)
Net change in cash and cash equivalents	507,373	(4,020)	606,708	(70,029)
Cash and cash equivalents, beginning of period	160,935	16,165	61,600	82,174
Cash and cash equivalents, end of period	\$ 668,308	\$ 12,145	\$ 668,308	\$ 12,145
Cash and cash equivalents consist of:				
Cash	\$ 13,358	\$ 1,025	\$ 13,358	\$ 1,025
Cash equivalents	\$ 654,950	\$ 11,120	\$ 654,950	\$ 11,120
Other cash flow information:				
Cash taxes paid	\$ 1,056	\$ 1,001	\$ 2,091	\$ 1,905
Cash interest paid	\$ 1,216	\$ 818	\$ 4,854	\$ 3,150
Cash interest received	\$ 262	\$ 81	\$ 341	\$ 333

See accompanying notes to these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2010 and 2009

(Unaudited, all tabular amounts are expressed in thousands of United States dollars, except share amounts or as otherwise noted)

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The interim consolidated financial statements for Petrominerales Ltd. (“Petrominerales” or the “Company”) as at and for the three and nine months ended September 30, 2010 should be read in conjunction with the audited consolidated financial statements as at and for the year ended December 31, 2009. The notes to these interim consolidated financial statements do not conform in all respects to the note disclosure requirements of generally accepted accounting policies (“GAAP”) for annual consolidated financial statements. These interim consolidated financial statements are prepared using the same accounting policies and methods of computation as disclosed in the annual consolidated financial statements as at and for the year ended December 31, 2009. The disclosures provided within are incremental to those included with the annual financial statements.

NOTE 2 – CHANGES IN ACCOUNTING POLICIES

Recent and Pending Accounting Pronouncements

The Accounting Standards Board has confirmed the convergence of Canadian GAAP with International Financial Reporting Standards (“IFRS”) will be effective January 1, 2011. The Company has developed a project plan in order to ensure successful implementation within the required timeframe. The impact on the Company’s consolidated financial statements is not reasonably determinable at this time. Key information will be disclosed as it becomes available during the transition period.

NOTE 3 – BANK DEBT AND RESTRICTED CASH

At September 30, 2010, the Company had an undrawn \$150 million secured credit facility. The facility is secured against certain assets of the Company, is reviewed semi-annually with the lender and matures on December 30, 2013.

The Company also has lines of credit available in Colombia totalling \$34.2 million. Advances under the facility are collateralized by a promissory note provided by the Company.

At September 30, 2010, the Company had letters of credit totalling \$23.3 million outstanding to guarantee work commitments under exploration blocks. Letters of credit issued against the Colombian operating line of credit, totalling \$21.9 million at September 30, 2010, reduce the amounts available under the facility. The Company had restricted cash of \$1.4 million (2009 – \$1.4 million) relating to cash deposited as collateral for a letter of credit.

NOTE 4 – OTHER ASSETS

	Prepaid Pipeline Tariffs	Deferred Charges	Total Other Assets
Balance at December 31, 2009	\$ 21,174	\$ 5,420	\$ 26,594
Additions	3,576	121	3,697
Less: amortization	(3,170)	(1,013)	(4,183)
Balance at September 30, 2010	\$ 21,580	\$ 4,528	\$ 26,108

Prepaid pipeline tariffs consist of costs incurred on the construction of the Monterrey crude oil offloading facility. The costs incurred are being amortized using the unit-of-production method based on the barrels of oil delivered to the facility.

NOTE 5 – ACQUISITION OF PANANDEAN

On April 14, 2010, Petrominerales acquired 100 percent of the issued and outstanding common shares of PanAndean Resources plc (“PanAndean”) for \$29.6 million in cash by way of Scheme of Arrangement under U.K. Law. At the acquisition date, PanAndean was a public company listed on the AIM exchange with exploration stage properties in Colombia and Peru. This acquisition was completed to facilitate Petrominerales’ strategy to increase its presence in Peru and build on existing acreage in the Ucayali Basin. As such, goodwill consists largely of the strategic benefit that increased presence in the Ucayali Basin of Peru will bring to the Company. None of the goodwill recognized is expected to be deductible for income tax purposes. The consolidated statement of operations includes PanAndean’s results of operations since April 14, 2010, these amounts have not been disclosed separately as it is impracticable to do so. Petrominerales incurred \$1.3 million of costs related to the acquisition that have been expensed in the statement of operations.

This transaction has been accounted for using the purchase method whereby the assets acquired and the liabilities assumed are recorded at fair values. The following table summarizes the recognizable assets acquired and consideration transferred pursuant to the acquisition:

Consideration paid net of cash acquired	Amount
Cash paid	\$ 29,554
Cash acquired	(758)
Total consideration paid net of cash acquired	\$ 28,796

Assets acquired and liabilities assumed	Amount
Financial assets	\$ 516
Property, plant and equipment	31,957
Goodwill	5,015
Financial liabilities	(318)
Future income tax liability	(8,374)
Total net assets acquired	\$ 28,796

The above amounts are estimates made by management based on information available at the time these interim financial statements were prepared. Amendments may be made to these amounts as values subject to estimates are finalized.

NOTE 6 – CONVERTIBLE DEBENTURES

2010 Convertible Debentures

The Company has \$81.7 million of convertible debentures outstanding that mature on December 6, 2010. The debentures are convertible into common shares of the Company at the option of the holder at a conversion price of \$27.3485 per share, subject to adjustment for dividends.

2016 Convertible Debentures

On August 25, 2010, Petrominerales issued US\$550 million of convertible debentures maturing on August 25, 2016. The debentures are convertible into common shares of Petrominerales at a conversion price of US\$34.746 per debenture, subject to adjustment for dividends, and have an annual coupon rate of 2.625%. In addition, the bondholders have a onetime put option right of prepayment of the debentures at 100 per cent of the par value plus accrued interest on August 25, 2013. The bondholders must exercise their put option within a 30 day period between June 10 and July 10, 2013. Upon conversion, a total of 15,828,978 common shares may be issued, however the Company has an option to repay the debentures in cash. The debentures have been classified as a liability net of the fair value of the conversion feature, or call option, which has been classified as shareholders' equity. On issuance, \$436.1 million was classified as a liability and the remaining \$97.2 million was classified as equity. The liability portion will accrete up to the principal balance at maturity. Accretion and the interest paid are expensed as interest expense in the consolidated statement of operations. If the debentures are converted into common shares, the relative portion of the value of the conversion feature under shareholders' equity will be reclassified to common share capital along with the principal amounts converted. The following table summarizes the liability component of the convertible debentures at September 30, 2010:

Liability component of debenture at issuance – August 25	\$	436,106
Accumulated accretion		1,520
Balance at September 30, 2010	\$	437,626

NOTE 7 – SHARE CAPITAL

Common Shares

The Company has authorized capital of 200,000,000 common shares, with a par value of \$1.00 per common share.

Changes in Common Shares Outstanding	Number	Amount
Balance at December 31, 2009	98,610,917	\$ 197,709
Exercise of stock options	1,196,488	5,943
Exercise of deferred common shares	25,625	1
Exercise of incentive shares	1,250	-
Share issuance for dividends attributable to exercised deferred common shares	123	3
Transfer from contributed surplus related to stock options exercised	-	1,656
Balance at September 30, 2010	99,834,403	\$ 205,312

Dividends

On June 10, 2010, the Company initiated a quarterly dividend of Cdn\$0.125 per common share. The dividends relating to the second and third quarter of 2010 was paid on July 15, 2010 and October 15, 2010 respectively.

Contributed Surplus

Changes in Contributed Surplus	Amount
Balance at December 31, 2009	\$ 7,328
Stock-based compensation	8,237
Transfer to common shares related to stock options exercised	(1,656)
Share issuance for dividends attributable to exercised deferred common shares	(3)
Balance at September 30, 2010	\$ 13,906

Accumulated Other Comprehensive Income

There has been no change to accumulated other comprehensive income as at and for the three and nine months ended September 30, 2010.

Stock Options

The Company has established a stock option plan for directors, officers, employees and consultants. The plan allows for the issuance of up to 10 percent of the outstanding shares of the Company, less common shares reserved under other Company stock-based compensation plans such as the deferred common share and incentive share plans. The exercise price can be no less than the market price of the Company's stock on the date of the grant. Stock option terms are determined by the Company's Board of Directors but typically, options vest evenly over a period of four years from the date of grant and expire between five and 10 years after the date of grant.

Changes in Stock Options Outstanding	Stock Options	Weighted-Average Exercise Price (Cdn\$)
Balance at December 31, 2009	6,046,182	7.98
Granted	2,638,675	27.19
Exercised	(1,196,488)	5.10
Forfeited	(114,656)	12.90
Balance at September 30, 2010	7,373,713	15.24

Deferred Common Shares

The Company has established a deferred common share plan whereby the Company may grant deferred common shares to its directors, officers and employees. The plan allows holders to receive one common share upon the vesting and payment of Cdn\$0.05 per share. The deferred common shares vest after three years or upon the recipient leaving the Company, and expire 10 years from the date of grant. Up to 0.5 million deferred common shares have been approved for issuance under this plan.

Changes in Deferred Common Shares Outstanding	Number
Balance at December 31, 2009	97,844
Granted	59,171
Exercised	(25,625)
Balance at September 30, 2010	131,390

Incentive Shares

The Company has established an incentive share plan for directors, officers and employees. The plan allows the holder to receive one common share upon the vesting and payment of Cdn\$0.05 per share exercise price. The terms of the incentive shares granted are determined by the Company's Board of Directors but typically, incentive shares vest evenly over a period of four years from the date of grant and expire between five and 10 years after the date of grant.

Changes in Incentive Shares Outstanding	Number
Balance at December 31, 2009	34,130
Granted	750,031
Exercised	(1,250)
Forfeited	(5,940)
Balance at September 30, 2010	776,971

Stock-Based Compensation

Stock-based compensation has been recorded based on the fair values of stock options, deferred common shares and incentive shares granted. These fair values have been estimated on their respective grant dates using the Black-Scholes option-pricing model with the following assumptions:

Nine months ended September 30,	2010	2009
Risk free interest rate	2.25%	2.25%
Dividend yield	2%	0%
Expected life – options (years)	3.0 – 4.0	3.0 - 4.0
Expected life – deferred common shares (years)	8.0	8.0
Expected life – incentive shares (years)	3.3 – 4.0	-
Expected volatility	32.5%	37.5%
Fair value of stock options granted	\$ 7.04	\$ 3.09
Fair value of deferred common shares granted	\$ 27.63	\$ 8.75
Fair value of incentive shares granted	\$ 24.74	\$ -

Earnings Per Share

The following tables summarize the net income and weighted average number of common shares used in calculating basic and diluted earnings per share.

Three months ended September 30,	2010	2009
Net income adjustments		
Net income, basic and diluted	\$ 35,436	\$ 26,224
Weighted average common share adjustments		
Weighted average common shares outstanding, basic	99,540,449	97,896,326
Effect of stock options, deferred common shares and incentive shares	2,620,643	1,783,046
Effect of convertible debentures	_(1)	_(1)
Weighted average common shares outstanding, diluted	102,161,092	99,679,372

Nine months ended September 30,	2010	2009
Net income adjustments		
Net income, basic	\$ 190,029	\$ 48,935
Interest expense on convertible debentures	2,944	-
Net income, diluted	\$ 192,973	\$ 48,935
Weighted average common share adjustments		
Weighted average common shares outstanding, basic	99,154,871	98,382,326
Effect of stock options, deferred common shares and incentive shares	3,088,861	1,285,902
Effect of convertible debentures	2,029,380	_(1)
Weighted average common shares outstanding, diluted	104,273,112	99,668,228

⁽¹⁾ Convertible debentures were anti-dilutive for the three months ended September 30, 2010 and for the three and nine month periods ended September 30, 2009.

NOTE 8 – INTEREST EXPENSE

Interest expense consists of:

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Cash interest and standby charges	\$ 2,886	\$ 1,400	\$ 6,673	\$ 3,342
Accretion on convertible debentures	2,858	1,128	5,394	3,270
Amortization of deferred financing costs	351	130	1,012	388
Interest expense	\$ 6,095	\$ 2,658	\$ 13,079	\$ 7,000

NOTE 9 – CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base in order to provide flexibility in the future development of the business and maintain investor, creditor and market confidence.

The Company manages its capital structure and makes adjustments in response to changes in economic conditions and the risk characteristics of the underlying assets. The Company considers its capital structure to include common share capital, convertible debentures, bank debt and net working capital surplus (a non-GAAP measure defined as current assets less accounts payable, accrued liabilities and income taxes payable). In order to maintain or adjust the capital structure, from time to time the Company may issue common shares or other securities, sell assets or adjust its capital spending to manage current and projected debt levels.

	September 30, 2010	December 31, 2009
Bank debt ⁽¹⁾	\$ -	\$ -
Net working capital surplus	\$ 517,425	\$ 13,509
Convertible debentures (matures December 2010) ⁽²⁾	\$ 81,700	\$ 81,700
Convertible debentures (matures August 2016) ⁽³⁾	\$ 550,000	\$ -
Common share capital	\$ 205,312	\$ 197,709

⁽¹⁾ Petrominerales has a revolving credit facility with a \$150 million borrowing base that is undrawn and a Colombian operating line of credit of \$34.2 million.

⁽²⁾ The debentures mature December 6, 2010, are convertible into common shares at \$27.3485 per share and have an annual coupon of 3.375 percent, payable semi-annually in cash or common shares.

⁽³⁾ The debentures mature August 25, 2016, are convertible into common shares or their cash equivalent at \$34.746 per share and have an annual coupon of 2.625 percent, payable semi-annually in cash or common shares.

The Company monitors leverage and adjusts its capital structure based on the ratio of net debt to annualized cash flow. This ratio is calculated as net debt, a non-GAAP measure the Company defines as outstanding bank debt plus the principal amount of convertible debentures, unless considered likely to be converted to equity, and working capital deficiency, divided by cash flow from operations before changes in non-cash working capital for the most recent calendar quarter, annualized. At September 30, 2010, net debt was negative since the Company had a working capital surplus. Petrominerales uses the ratio of net debt to cash flow as a key indicator of the Company's leverage and to monitor the strength of the balance sheet. In order to facilitate the management of this ratio, the Company prepares annual budgets, which are updated as necessary depending on varying factors including current and forecast crude oil prices, changes in capital structure, execution of the Company's business plan and general industry conditions. The annual budget is approved by the Board of Directors and updates are prepared and reviewed as required. The Company is in compliance with the

covenants contained in its convertible debenture and credit facility agreements. The Credit facility has financial covenants to maintain a ratio of bank debt to trailing twelve month earnings before interest, tax, depletion, depreciation and amortization under 3.0 times and to maintain a current ratio greater than 1.0 times (current assets divided by current liabilities less unused bank debt and the liability portion of convertible debentures).

The convertible debentures have financial covenants to maintain a ratio of equity to total assets of at least 30 percent and to limit the amount of security and encumbrances the Company has on its total assets to 35 percent of total assets.

Petrominerales initiated a quarterly dividend payment of Cdn \$0.125 per share starting with the second quarter of 2010. Petrominerales' strategy is to provide a reasonable dividend yield to shareholders while executing an accretive growth-oriented, exploration focused business plan.

NOTE 10 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk and market risk. This note presents information about the Company's exposure to each of the above risks, and the Company's objectives, policies and processes for measuring and managing risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's financial risk management framework and monitors risk management activities. The Company identifies and analyzes the risks faced by the Company and may utilize financial instruments to mitigate these risks.

Credit Risk

Crude oil production is sold, as determined by market based prices adjusted for quality differentials, to five main counterparties. The majority of crude oil production is sold to Ecopetrol, the Colombian state oil company. Typically, the Company's maximum credit exposure to customers is up to two months' sales revenue except for the production month of December where November sales and part of December sales from the Company's main oil purchaser are received before the end of the year. The Company does not anticipate non-performance by any of the counterparties. In addition, the Company reduced its credit risk to certain counterparties through credit insurance.

Accounts Receivable Breakdown	September 30, 2010	December 31, 2009
Crude oil customers	\$ 117,101	\$ 37,712
Other receivables	13,160	9,818
Total	\$ 130,261	\$ 47,530

Receivables from crude oil customers are normally collected approximately 45 days after the month of production. The Company's policy to mitigate credit risk associated with these balances is to establish marketing relationships with large purchasers negotiate early payment, obtain credit guarantees and or credit insurance. The Company historically has not experienced any collection issues with its crude oil customers.

Cash and cash equivalents consist of cash bank balances and short term deposits maturing in less than 90 days. The Company manages the credit exposure related to short term investments by selecting counterparties based on credit ratings and monitors all investments to ensure a stable return, avoiding complex investment vehicles with higher risk such as asset backed commercial paper.

The carrying amount of accounts receivable, cash and cash equivalents and restricted cash represent the maximum credit exposure. The Company does not have an allowance for doubtful accounts as at September 30, 2010, and did not provide for any doubtful accounts nor was it required to write-off any receivables during the period ended September 30, 2010.

Aged Accounts Receivable	September 30, 2010	December 31, 2009
Not past due (less than 45 days)	\$ 124,812	\$ 45,652
Past due 0-30 days	53	77
Past due 31-120 days	5,396	1,801
Total	\$ 130,261	\$ 47,530

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, within reasonable means, sufficient liquidity to meet its liabilities when due, under both normal and unusual conditions, without incurring unacceptable losses or jeopardizing the Company's business objectives. At September 30, 2010, the Company had cash balances of \$668.3 million that provide significant liquidity.

The Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. Crude oil production is monitored daily to provide current cash flow estimates and the Company utilizes authorizations for expenditures on projects to manage capital expenditures. To facilitate the capital expenditure program, the Company has a revolving reserve-based credit facility, as outlined in Note 3, which is reviewed at least semi-annually by the lender. The Company also attempts to match its payment cycle with collection of crude oil revenues. Currently, the Company is not borrowed against the credit facility as existing cash balances and production levels have been providing adequate funds to execute the Company's capital expenditure program and pay for any other expenses.

The following are the contractual maturities of financial liabilities as at September 30, 2010:

Financial Liability	Total	< 1 Year	1-2 Years	Thereafter
Accounts payable and accrued liabilities	\$ 181,336	\$ 181,336	\$ -	\$ -
Income taxes payable	24,506	24,506	-	-
Convertible debentures – principal	631,700	81,700	-	550,000
Total	\$ 837,542	\$ 287,542	\$ -	\$ 550,000

Market Risk

Market risk is the risk that changes in market factors, such as foreign exchange rates, commodity prices, and interest rates will affect the Company's cash flows, net income, liquidity or the value of financial instruments. The objective of market risk management is to mitigate market risk exposures where considered appropriate and maximize returns.

The Company may utilize derivative instruments to manage market risk. The Board of Directors periodically reviews the results of all risk management activities and all outstanding positions.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign currency exchange rates. The Company is exposed to foreign currency fluctuations as certain expenditures are denominated in Colombian pesos and Canadian dollars. As at September 30, 2010, if the U.S. dollar had appreciated five percent against the Colombian peso with all other variables held constant, net income and other comprehensive income for the three month period would have been \$8.0 million higher (2009 – \$3.0 million higher), due primarily to peso denominated accounts payable and accrued liabilities, and future income tax liabilities.

The Company had no forward exchange rate contracts in place as at or during the nine months ended September 30, 2010.

Commodity Price Risk

Commodity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in commodity prices. Significant changes in commodity prices can also impact the Company's borrowing base under its secured credit facility. Lower commodity prices can also reduce the Company's ability to raise capital. Commodity prices for crude oil are impacted by world economic events that dictate the levels of supply and demand. From time to time the Company may attempt to mitigate commodity price risk through the use of financial derivatives. The Company's policy is to only enter into commodity contracts considered appropriate to a maximum of 50 percent of forecasted production volumes.

The Company did not have any risk management contracts outstanding as at or during the third quarter of 2010 and 2009.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate cash flow risk on floating interest rate bank debt, to the extent it is drawn, due to fluctuations in market interest rates and interest rate price risk on fixed rate convertible debentures. The remainder of the Company's financial assets and liabilities are not exposed to interest rate risk. The Company's sensitivity to interest rates is currently immaterial.

The Company had no interest rate swap or financial contracts in place as at or during the nine months ended September 30, 2010.

Fair Value of Financial Instruments

The Company's financial instruments are classified as cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities, bank debt and convertible debentures on the balance sheet. The carrying value and fair value of these financial instruments at September 30, 2010 is disclosed below by financial instrument category, as well as any related gain and interest expense for the nine months ended September 30, 2010:

Financial Instrument	Carrying Value	Fair Value	Interest Expense
<i>Assets Held For Trading</i>			
Cash and cash equivalents ⁽¹⁾	668,308	668,308	-
Restricted cash	1,454	1,454	-
<i>Loans and Receivables</i>			
Accounts receivable	130,261	130,261	-
<i>Other Liabilities</i>			
Accounts payable and accrued liabilities	181,336	181,336	-
Bank debt	-	-	4,595 ⁽²⁾
Convertible debentures	518,328	625,288 ⁽³⁾	9,032 ⁽⁴⁾

⁽¹⁾ The effective yield on cash equivalents at September 30, 2010 was 0.30 percent (December 31, 2009 – 0.24 percent).

⁽²⁾ Included in interest expense on the statement of operations. The amount includes stand-by charges and the amortization of deferred financing costs of \$1.0 million in relation to the Company's bank debt.

⁽³⁾ The fair value of the convertible debentures debt and equity components are difficult to measure reliably due to lack of active trading information. The Company estimated the fair value of the convertible debentures based on recent market transactions. The principal amount of the convertible debentures at September 30, 2010 was \$631.7 million.

⁽⁴⁾ Included in interest expense on the statement of operations. The non-cash interest expense relating to the accretion of the initial discount and transaction costs are included in accretion on convertible debentures on the statement of cash flow. The effective yield of the short and long term convertible debentures is 9.7 and 7.3 percent respectively.

The Company's financial instruments have been assessed on the fair value hierarchy described above. Cash and cash equivalents are classified as Level 1 and convertible debentures as Level 2. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy level.

Bank debt bears interest at a floating rate and accordingly the fair value approximates the carrying value. Due to the short term nature of cash and cash equivalents, restricted cash, accounts receivable and accounts payable and accrued liabilities, their carrying values approximate their fair values.

NOTE 11 – CHANGES IN NON-CASH WORKING CAPITAL

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Change in:				
Accounts receivable	\$ 34,287	\$ (8,280)	\$ (82,731)	\$ (65,304)
Accounts payable and accrued liabilities	(55,622)	(23,362)	74,502	24,546
Income tax payable	(1,871)	-	24,506	-
Income tax receivable	-	-	8,462	-
Acquisitions non cash movement	-	-	198	-
Crude oil inventory	(270)	(763)	(2,570)	(2,263)
Depletion related to crude oil inventory and other assets	128	453	979	1,262
	\$ (23,348)	\$ (31,952)	\$23,346	\$ (41,759)
Changes relating to:				
Attributable to operating activities	\$ (1,124)	\$ (6,250)	\$ (20,914)	\$ (48,517)
Attributable to financing activities	\$ 484	-	\$ 12,175	\$ -
Attributable to investing activities	\$ (22,708)	\$ (25,702)	\$ 32,085	\$ 6,758

NOTE 12 – RELATED PARTY TRANSACTIONS

The Company is party to a Management Services Agreement with Petrobank providing for certain services, including administration, legal, financial, treasury, accounting, information technology, human resources support and office space for Petrominerales employees located in Calgary, Alberta. The monthly fee is based on a negotiated value for services provided and currently is Cdn\$150,000. Amounts paid to Petrobank under this agreement totalled \$1.2 million for the nine months ended September 30, 2010 (2009 – \$0.9 million) and were recorded as general and administrative expense.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Commitments

The following is a summary of the Company's contractual commitments as at September 30, 2010:

Type of Obligation	Total	< 1 Year	1-3 Years	Thereafter
Exploration contracts ^{(1) (2)}	\$ 64,100	\$ 43,900	\$ 20,200	\$ -
Transportation contract	2,040	2,040	-	-
Office lease	8,100	1,900	3,800	2,400
Total	\$ 74,240	\$ 47,840	\$ 24,000	\$ 2,400

⁽¹⁾ Pursuant to exploration contracts, the Company has work commitments totaling \$64.1 million to be completed during the next three years. The work commitments are normal course of business exploration activities that include property costs, acquisition and processing of seismic data and drilling exploration wells. The Company has issued letters of credit totaling \$23.3 million and pledged \$1.4 million in restricted cash to guarantee the obligations under these exploration contracts.

⁽²⁾ Following the Colombian Open Bid Round 2010, Petrominerales was awarded Block 59 and Block 15. Our first phase work commitments on Block 59 will include spending \$24.2 million over three years to acquire 300 square kilometers of 3D seismic and drilling four exploration wells. Our first phase work commitments on Block 15 will include spending \$10.0 million over three years to acquire 100 square kilometers of 3D seismic and drilling two exploration wells. These additional commitments will be added to the schedule once the contracts are signed.

Contingencies

In the normal course of operations, Petrominerales has disputes with industry participants for which the Company currently cannot determine the ultimate result. Petrominerales records costs as they are incurred or become determinable. Management believes the resolution of these matters would not have a material adverse effect on the Company's consolidated financial position or results from operations.

Petrominerales currently has a dispute with the Colombian Agencia Nacional de Hidrocarburos (National Hydrocarbon Agency) ("ANH") related to the interpretation of the Corcel Block exploration contract ("Corcel Contract") entered into between Petrominerales and the ANH on June 2, 2005.

In the third quarter of 2010, royalties increased 153 percent primarily due to 52 percent higher production combined with the start of high price participation payments on Candelilla production. In August 2010, production from the Candelilla exploitation area exceeded five million barrels which triggered the application of the high price participation payment. As a result, royalties on a per barrel basis increased 65 percent, and as percentage of realized oil prices increased to 14 percent.

Petrominerales currently has a dispute with the ANH related to the interpretation of the Corcel Block exploration contract ("Corcel Contract") entered into between Petrominerales and the ANH on June 2, 2005. The Corcel Contract requires a high price participation payment to be paid by Petrominerales to the ANH once an exploitation area has cumulatively produced more than five million barrels of oil, determined before the deduction of royalties. The high price participation payment is paid at 30 percent of the price received above certain threshold prices, based on the oil quality produced.

The ANH has indicated their view that exploitation areas under the Corcel Contract should be combined for the purposes of determining when the high price participation payment is payable. As combined production from the Corcel-A, Corcel-C, and Corcel-D exploitation areas has exceeded five million barrels of oil, the ANH asserts that Petrominerales is required to pay the high price participation payment with respect to production from Corcel-A, Corcel-C, and Corcel-D from January 2010 onwards and on a go-forward basis for all of Petrominerales' exploitation areas combined in the Corcel Block. Based on their view, the ANH has requested additional payments aggregating to \$25.0 million to date. As at September 30, 2010, the Corcel-A, Corcel-C and Corcel-D exploitation areas have individually produced 4.6, 3.6 and 2.2 million barrels, respectively. Individually, none of Petrominerales' exploitation areas on the Corcel Block have cumulatively produced more than five million barrels of oil.

Petrominerales disagrees with the ANH interpretation and views the Corcel Contract as providing that payment of the high price participation payment is required once each exploitation area has cumulatively produced more than five million barrels of oil.

The dispute is currently in a conflict resolution process as provided for in the Corcel Contract. Petrominerales believes that the resolution of this dispute will be in favour of the Company, and accordingly, no additional royalty provision has been made in these financial statements.

NOTE 14 – SUBSEQUENT EVENT

On October 13, 2010 the Petrominerales agreed to acquire an additional 25 percent interest from Veraz Petroleum Ltd. (“Veraz”) in Block 126 in east central Peru. Under the terms of the agreement, Petrominerales will pay consideration to Veraz including a cash payment and carry for expenditures incurred through the upcoming drilling program on Block 126 totaling USD \$6.75 million. Additionally, a bonus of up to USD \$8.0 million is payable based on reaching certain aggregate production levels on Block 126. Petrominerales also granted Veraz a 20% working interest in Block 161 in the Ucayali Basin and Block 141 in the Titicaca Basin, both of which were acquired by Petrominerales through its acquisition of Pan Andean Resources plc in April 2010.

CORPORATE INFORMATION

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Director

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Droebak, Norway
Director

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

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John (Jack) F. Scott
Chief Operating Officer

Kelly D. Sledz
Chief Financial Officer

Erik Lyngberg
Senior Vice President Exploration

Allen Knight
Vice President New Ventures

Alastair Macdonald
Corporate Secretary and Director

Andrea Hatzinikolas
Assistant Corporate Secretary and General Counsel

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