PACIFIC RUBIALES ENERGY CORP.

ANNUAL INFORMATION FORM

FOR THE YEAR ENDED

DECEMBER 31, 2008

DATED: APRIL 1, 2009

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ABBREVIATIONS AND DEFINITIONS

bbl	barrels	Mboe	thousand barrels of oil equivalent
bbl/d	barrels per day	Mcf	thousand cubic feet
Bcf	billion cubic feet	Mcf/d	thousand cubic feet per day
boe	barrels of oil equivalent	MMBtu	million British thermal units
boe/d	barrels of oil equivalent per day	MMcf	million cubic feet
Btu	British thermal units	MMcf/d	million cubic feet per day
km	kilometers	NGL	natural gas liquids
m	meters	psi	pounds per square inch
m^2	square meters	psia	pounds per square inch absolute
m^3	cubic meters	psig	pounds per square inch gauge
Mbbl	thousand barrels	Tcf	trillion cubic feet
MMbbl	million barrels	US$	United States dollars
		WI	working interest

NOTE: Disclosure provided herein in respect of boes may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent an economic value at the wellhead.

GLOSSARY OF TERMS

The following terms used but not otherwise defined in this Annual Information Form have the meanings set out below. Words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders.

Non-Technical Terms

"**AIF**" means this Annual Information Form dated April 1, 2009 in respect of the fiscal year ended December 31, 2008.

"**Amalgamation**" means the amalgamation of Pacific Stratus and a wholly-owned subsidiary of the Company pursuant to the Plan of Arrangement.

"**ANH**" means Agencia Nacional de Hidrocarburos, the governmental entity in the Republic of Colombia with responsibility for the granting of exploration and exploitation agreements with respect to hydrocarbons.

"**Arauca TEA**" means the Arauca Technical Evaluation Area.

"**Association Contract**" means a contract entered into with Ecopetrol, as amended, giving rights to the Company to explore and exploit Colombian state-owned hydrocarbons with participation rights for Ecopetrol, excluding those surface rights, easements and permits used, useful or held for use in connection with such contract.

"**BCCA**" means the *Business Corporations Act* (British Columbia) including the regulations promulgated thereunder, as amended.

"**Board of Directors**" means the board of directors of the Company.

"**Common Shares**" means the common shares in the capital of the Company.

"**Company**" means Pacific Rubiales Energy Corp.

"**Ecopetrol**" means Ecopetrol S.A., a company majority-owned by the state of Colombia and involved in the exploration and exploitation of hydrocarbons.

"**GMP**" means GMP Securities L.P.

"**Major**" means Major International Oil, S.A., a company duly incorporated under the laws of Panama and a direct wholly-owned subsidiary of the Company.

"**Mercantile**" means collectively, Mercantile Colombia Oil and Gas, a company duly incorporated under the laws of British Virgin Islands which is currently named "Interoil Colombia Exploration and Production", with a branch office duly incorporated in Colombia.

"**Meta**" means Meta Petroleum Corp., a company duly incorporated under the laws of Panama and an indirect wholly-owned subsidiary of the Company.

"**MME**" is the Colombian Ministry of Mines and Energy.

"**NI 51-101**" means National Instrument 51-101 "Statement of Reserves Data and Other Oil and Gas Information".

"**Pacific Stratus**" means Pacific Stratus Energy Ltd., the predecessor company to PSIE.

"**person**" includes an individual, body corporate, partnership, syndicate or other form of unincorporated entity.

"**Participation Risk Contract**" means a contract entered into with Ecopetrol giving rights to the Company to explore and exploit Colombian state-owned hydrocarbons with participation rights for Ecopetrol in the exploratory phase, and excluding those surface rights, easements and permits used, useful or held for use in connection with such contract.

"**Petrotech**" means Petrotech Engineering Ltd. of Burnaby, British Columbia, an independent petroleum engineering consulting firm.

"**PF One**" means PF One Limited, a company duly incorporated under the laws of the Cayman Islands.

"**Plan of Arrangement**" means the arrangement in which the Company effected the acquisition of Pacific Stratus.

"**PSIE**" means Pacific Stratus International Energy Ltd., the direct wholly-owned subsidiary of the Company, formed upon the Amalgamation and the successor company to Pacific Stratus.

"**Quifa**" means Quifa Petroleum Corp., a company duly incorporated under the laws of Panama and an indirect wholly-owned subsidiary of the Company.

"**RHL**" means Rubiales Holdings Corp., a company duly incorporated under the laws of Panama and a direct wholly-owned subsidiary of the Company.

"**Rubiales-Monterrey Pipeline**" means the proposed 235 kilometer, 24 inch pipeline between the Rubiales oil field and the Monterrey Station in Casanare, Colombia.

"**Rubiales oil field**" means the Company's producing oil field located within the Rubiales and Piriri concessions.

"**Shareholder**" means a holder of Common Shares.

"**Tethys**" means Tethys Petroleum Company Inc., a company duly incorporated under the laws of Panama and an indirect, wholly-owned subsidiary of the Company.

"**TSX**" means the Toronto Stock Exchange (including any predecessor exchange thereto).

"**Venture Exchange**" means the TSX Venture Exchange (including any predecessor exchange thereto).

Technical Terms

"**barrel**" means the volume unit of measure of liquid hydrocarbons equivalent to forty-two (42) U.S. gallons, corrected to standard conditions (a temperature of sixty degrees Fahrenheit (60˚F) and to one (1) atmosphere of absolute pressure).

"**Contracted Area**" is the surface and its projection in the subsoil of the boundaries of the block, on which the Company is authorized, by virtue of different contracts, to carry out exploration for and evaluation and exploitation of hydrocarbons which are the object thereof.

"**hydrocarbons**" are all the organic compounds mainly composed of the natural mixture of carbon and hydrogen, as well as of those substances which accompany them or are derived from them.

"**natural gas**" is the mixture of Hydrocarbons in a gaseous state, under standard conditions (a temperature of sixty degrees Fahrenheit (60º F) and one (1) atmosphere of absolute pressure), composed of the most volatile members of the paraffin series of Hydrocarbons.

"**reserves**" means estimated reserves of natural gas, natural gas liquids and crude oil.

"**STOOIP**" means Stock Tank Original Oil in Place, and represents the oil in place before commencement of production.

"**undeveloped reserves**" means reserves that are expected to be recovered from known accumulation where a significant expenditure is required to render them capable of production (e.g. in comparison to the costs of drilling a well). Such reserves must fully meet the requirements of the reserves classification to which they are assigned (proved or probable).

"**working interests**" means the percentage of participation within a specified area for the exploration and/or production of hydrocarbons.

"**workover**" means an operation carried out in the walls of a well after being completed to ensure, restore or improve production in a zone that is currently open for production in the well. Said operations will include, but are not limited to, well stimulation operations, excluding however any routine repair or maintenance work, drilling, sidetracking, deepening, completion, recompletion or retroplugging of a well.

FORWARD-LOOKING INFORMATION

Certain information in this AIF may constitute "forward-looking" information which involves known and unknown risks, uncertainties, and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. When used in this AIF, such information uses words such as "may", "will", "expect", "believe", "plan", "intend" and other similar terminology. This information reflects current expectations regarding future events and operating performance and speaks only as of the date of this AIF. Forward-looking information involves significant risks and uncertainties, should not be read as a guarantee of future performance or results, and will not necessarily be an accurate indication of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking information, including, but not limited to, the factors discussed under "Risk Factors". Although the forward-looking information contained in this AIF is based upon what management of the Company believes are reasonable assumptions, the Company cannot assure readers that actual results will be consistent with the forward-looking information. This forward-looking information is made as of the date of the AIF, and the Company assumes no obligation to update or revise it to reflect new events or circumstances.

In particular, this AIF contains, or incorporates by reference, forward-looking information pertaining to the following:

- drilling inventory, drilling plans and timing of drilling, re-completion and tie-in of wells;
- plans for facilities construction and completion and the timing and method of funding thereof;
- the performance characteristics of the Company's oil and natural gas properties;
- drilling, completion and facilities costs;
- results of various projects of the Company;
- timing of development of undeveloped reserves;
- the Company's oil and natural gas production levels;
- the performance and characteristics of the Company's oil and natural gas properties;
- the size of the Company's oil and natural gas reserves;
- projections of market prices and costs;
- supply and demand for oil and natural gas;
- expectations regarding the ability to raise capital and to continually add to reserves through acquisitions, exploration and development;
- treatment under governmental regulatory regimes and tax laws; and
- capital expenditure programs and the timing and method of financing thereof.

With respect to forward-looking information contained in this AIF, the Company has made assumptions regarding, among other things:

- future prices for oil and natural gas;
- future currency and interest rates;
- the Company's ability to generate sufficient cash flow from operations and access existing credit facilities and capital markets to meet its future obligations;
- the regulatory framework representing taxes and environmental matters in the countries in which the Company conducts its business; and
- the Company's ability to obtain qualified staff and equipment in a timely and cost-efficient manner to meet the Company's demand.

The actual results could differ materially from those anticipated in this forward-looking information as a result of the risk factors set forth below and elsewhere in this AIF:

- volatility in market prices for oil and natural gas;
- the ongoing world financial crisis and economic downturn;
- liabilities inherent in oil and gas operations;
- uncertainties associated with estimating oil and natural gas reserves;
- competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel;
- incorrect assessments of the value of acquisitions;
- geological, technical, drilling and processing problems;
- fluctuations in foreign exchange or interest rates and stock market volatility;
- changes in income tax laws or changes in tax laws and incentive programs relating to the oil and gas industry; and
- the other factors discussed under "Risk Factors".

Information relating to "reserves" or "resources" is deemed to be forward-looking information, as it involves the implied assessment, based on certain estimates and assumptions about the profitable production of the resources and reserves described.

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking information contained in this AIF is expressly qualified by this cautionary statement. The Company does not undertake any obligation to publicly update or revise any forward-looking information, other than as required by law.

GENERAL MATTERS

In this AIF, unless otherwise indicated, all dollar amounts are expressed in Canadian dollars and references to "$" are to Canadian dollars.

The industry and other statistical data presented in this AIF, except where otherwise noted, have been compiled from sources and participants which, although not independently verified by the Company, are considered by the Company to be reliable sources of information. References in this AIF to research reports or articles should not be construed as depicting the complete findings of the entire referenced report or article and such report or article is expressly not incorporated by reference into this AIF.

EXCHANGE RATE INFORMATION

United States Exchange Rate Information

The following table sets out (1) the rate of exchange for one Canadian dollar in U.S. dollars in effect at the end of each of the following periods, (2) the high and low rate of exchange during those periods, and (3) the average rate of exchange for those periods, each based on the noon spot rate as published by the Bank of Canada. On March 30, 2009 the noon nominal rate for one Canadian dollar in U.S. dollars as published by the Bank of Canada was CDN$1.00 = US$0.7943.

	High	Low	Average	End of Period
Years ended December 31,				
2008	1.0289	0.7711	0.9381	0.8166
2007	1.0905	0.8437	0.9348	1.0120
2006	0.9099	0.8528	0.8817	0.8581

Colombia Exchange Rate Information

The following table sets out (1) the rate of exchange for one Canadian dollar in Colombian pesos ("**COP**") in effect at the end of each of the following periods, (2) the high and low rate of exchange during those periods, and (3) the average rate of exchange for those periods, each based on the noon spot rate as published by the Bank of Canada. On March 30, 2009 the noon nominal rate for one Canadian dollar in Colombian pesos as published by the Bank of Canada was CDN$1.00 = COP2,040.82.

	High	Low	Average	End of Period
Years ended December 31,				
2008	2,096.4361	1,618.1230	1,836.9623	1,834.8624
2007	2,202.6432	1,769.9115	1,930.5019	2,040.8163
2006	2,358.4906	1,923.0769	2,075.9242	1,923.0769

INFORMATION CONCERNING THE COMPANY

Name, Address and Incorporation

The full corporate name of the Company is Pacific Rubiales Energy Corp. The head office of the Company is located at 220 Bay Street, Suite 1400, Toronto, Ontario M5J 2W4 and its records office is located at Suite 650 - 1188 West Georgia Street, Vancouver, British Columbia, V6E 4A2.

The Company was incorporated under the laws of the Province of British Columbia on April 10, 1985 under the name Agincourt Explorations Inc. with an authorized capital of 10,000,000 common shares. On September 13, 1995, the name of the Company was changed to AGX Resources Corp. and its authorized capital was increased to 100,000,000 common shares. The Company was continued as a corporation of the Yukon Territories on May 22, 1996. On November 26, 1999, the Company consolidated its common

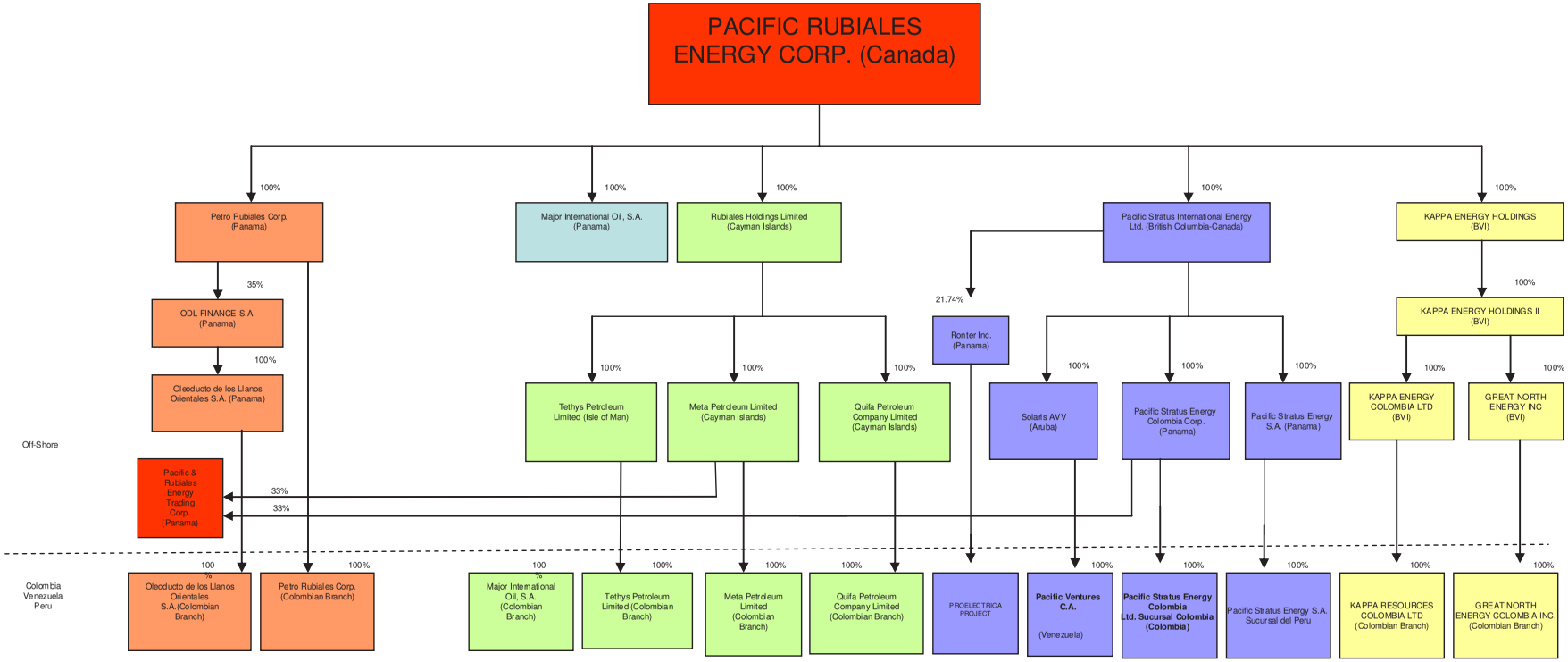
shares on the basis of one new share for four old shares and changed its name to Consolidated AGX Resources Corp. Effective March 9, 2007, the Company split its common shares on the basis of seven post-split shares for every one pre-split share by way of share dividend, push-out. The Company was continued back into the Province of British Columbia on July 9, 2007.

On July 13, 2007 in conjunction with the Company's acquisition of a 75% share interest in RHL completed on the same date (the "**RHL Acquisition**"), the Company changed its name to Petro Rubiales Energy Corp. The Company subsequently acquired the remaining 25% interest in RHL in November, 2007.

On January 23, 2008 the Company completed the acquisition of Pacific Stratus (the "**Pacific Acquisition**") and, in conjunction with the acquisition, the Company changed its name to Pacific Rubiales Energy Corp. The Pacific Acquisition was effected through the Amalgamation, pursuant to the Plan of Arrangement, under which Pacific Stratus shareholders received 9.5 Common Shares for every Pacific Stratus share held at closing. Warrants and options of Pacific Stratus were exchanged based upon the same ratio.

Intercorporate Relationships

The following chart illustrates the principal subsidiaries of the Company, together with the jurisdiction of incorporation of each company and the percentage of voting securities beneficially owned or over which control or direction is exercised by the Company as at December 31, 2008:


PACIFIC RUBIALES ENERGY CORP. (Canada)
100%
Petro Rubiales Corp. (Panama)
Major International Oil, S.A. (Panama)
Rubiales Holdings Limited (Cayman Islands)
Pacific Stratus International Energy Ltd. (British Columbia-Canada)
KAPPA ENERGY HOLDINGS (BVI)
35%
ODL FINANCE S.A. (Panama)
21.74%
Ronter Inc. (Panama)
KAPPA ENERGY HOLDINGS II (BVI)
Oleoducto de los Llanos Orientales S.A. (Panama)
Tethys Petroleum Limited (Isle of Man)
Meta Petroleum Limited (Cayman Islands)
Quifa Petroleum Company Limited (Cayman Islands)
Solaris AVV (Aruba)
Pacific Stratus Energy Colombia Corp. (Panama)
Pacific Stratus Energy S.A. (Panama)
KAPPA ENERGY COLOMBIA LTD (BVI)
GREAT NORTH ENERGY INC (BVI)
Off-Shore
Pacific & Rubiales Energy Trading Corp. (Panama)
33%
33%
Colombia
Venezuela
Peru
100 %
Oleoducto de los Llanos Orientales S.A.(Colombian Branch)
Petro Rubiales Corp. (Colombian Branch)
Major International Oil, S.A. (Colombian Branch)
Tethys Petroleum Limited (Colombian Branch)
Meta Petroleum Limited (Colombian Branch)
Quifa Petroleum Company Limited (Colombian Branch)
PROELECTRICA PROJECT
Pacific Ventures C.A. (Venezuela)
Pacific Stratus Energy Colombia Ltd. Sucursal Colombia (Colombia)
Pacific Stratus Energy S.A. Sucursal del Peru
KAPPA RESOURCES COLOMBIA LTD (Colombian Branch)
GREAT NORTH ENERGY COLOMBIA INC. (Colombian Branch)

GENERAL DEVELOPMENT OF THE BUSINESS

Historical Overview

Inception to May 2007

Since its inception and until the closing of the RHL Acquisition, the Company was in the business of exploration and development of mineral resource properties. During this period the Company held a 40% working interest in certain mineral claims located in the Batovi Diamond Province, State of Mato Grosso, Brazil. On April 4, 2007, the Company incorporated 0787522 B.C. Ltd. ("**Number Co.**") as a wholly-owned subsidiary of the Company and transferred its interest in the Batovi claims to Number Co. The Company had not yet determined whether the property contained ore reserves that were economically recoverable.

From May to December 2007

Pursuant to an agreement dated May 7, 2007 (the "**Major Agreement**") between the Company and Stern Management Corp. (a company organized and existing under the laws of the Republic of Panama, "**Stern**"), the Company acquired 500 shares (the "**Major Shares**") of Major held by Stern (the "**Major Acquisition**"), which represented all of the issued and outstanding shares of Major, for the purchase price of US$400,000 in cash. Major held the right to acquire a 50% interest in certain rights held by Pacific Stratus in connection with the Arauca TEA. Pursuant to the Major Agreement, the Company agreed to provide funding for the costs associated with the evaluation of the Arauca TEA. Closing of the Major Acquisition occurred on August 20, 2007.

Any rights and/or obligations arising as between Major and Pacific Stratus under the Major Acquisition are now the sole rights and/or obligations of the Company as a result of the Amalgamation and the assignment of all of the rights of Major in the Arauca TEA to Meta. See below under "Pacific Acquisition".

Pursuant to an agreement dated May 25, 2007 (the "**RHL Agreement**") between the Company, RHC Limited ("**RHC**") and PF One (collectively, the "**Selling Shareholders**"), the Company acquired 75% of the issued and outstanding shares of RHL (the "**RHL Shares**") for the purchase price of US$255 million (the "**RHL Acquisition Cost**"). RHL holds indirect interests in certain hydrocarbon properties in Colombia, pursuant to three contracts with Ecopetrol. Closing of the RHL Acquisition occurred on July 16, 2007 (the "**RHL Closing**").

The RHL Acquisition Cost was paid as US$245 million in cash to the Selling Shareholders and US$10 million in units issued to PF One, with each unit having the same terms as the units issuable on the Subscription Receipt Financing (as defined below).

The RHL Acquisition resulted in a change of business of the Company from a resource issuer to an oil and natural gas issuer. The Company is currently involved in the exploration, development and production of certain oil and natural gas interests, primarily located in Colombia. A business acquisition report dated September 28, 2007 describes in more detail the acquisition of RHL and has been filed with the various Canadian securities commissions and is available on SEDAR at www.sedar.com.

Financing for a portion of the RHL Acquisition Cost was provided through a bridge loan (the "**Bridge Loan**") from Endeavour Mining Capital Corp. ("**Endeavour Mining**") by way of agreement dated May 24, 2007. On July 16, 2007, the Company paid off the Bridge Loan and accrued interest thereon. As partial consideration for providing the Bridge Loan, Endeavour Mining was granted 4,000,000 warrants

of the Company, with each warrant entitling the holder to acquire one Common Share at a price of $1.05 until May 24, 2008.

Pursuant to a consulting agreement dated May 29, 2007 and amended July 9, 2007 with GMP and Endeavour Financial International Corporation ("**Endeavour Financial**"), the Company paid advisory fees in the amount of US$1,912,500 to each of GMP and Endeavour Financial on the RHL Closing for consulting services rendered in respect to the RHL Acquisition. These advisory fees were satisfied through the issuance of 4,858,000 units, with each unit having the same terms as the Units issued in the Subscription Receipt Financing.

On July 9, 2007, the Company transferred all of the shares of Number Co. to a trustee for the purpose of effecting a pro-rata distribution of such shares to the Company's shareholders of record on April 17, 2007. Number Co. held all of the Company's non-cash assets as at that date, consisting of the Company's 40% working interest in certain mineral claims located in the Batovi Diamond Province in the State of Mato Grosso, Brazil. The distribution was effected by way of return of paid-up capital.

In conjunction with the RHL Acquisition and the Major Acquisition, the Company completed a brokered financing, on a private placement basis, of subscription receipts (the "**Subscription Receipts**") at a price of $0.85 per Subscription Receipt (the "**Subscription Receipt Financing**") for gross proceeds of $440,002,500 in order to provide sufficient funds for the RHL Acquisition Cost, the Major Acquisition costs associated with the Arauca TEA, future acquisitions and working capital of the Company. The Subscription Receipt Financing closed on July 12, 2007. On closing of the Subscription Receipt Financing, the gross proceeds were placed into escrow with an escrow agent. Immediately prior to the RHL Closing, and subject to fulfillment of certain conditions, the gross proceeds were released from escrow and the Subscription Receipts were automatically exchanged into units of the Company (the "**Units**"). Each Unit consisted of one Common Share and one-half of one share purchase warrant (a "**RHL Warrant**"). Each whole RHL Warrant entitled the holder to acquire one additional Common Share (a "**RHL Warrant Share**").

On July 13, 2007, in conjunction with the RHL Acquisition, the Company changed its name to Petro Rubiales Energy Corp.

On October 19, 2007, the Company entered into an agreement with PF One to acquire the remaining 25% interest in RHL in consideration for the issuance of 85,000,000 Common Shares and the payment of US$10 million in cash. This acquisition closed December 4, 2007 and at that time RHL became a wholly-owned subsidiary of the Company. A business acquisition report dated February 12, 2008 describes in more detail the acquisition of the remaining 25% interest in RHL and is available on SEDAR at www.sedar.com.

From January 2008 to March 2009

Rubiales-Monterrey Pipeline

On January 2, 2008, the Company announced that it had signed a memorandum of understanding with Ecopetrol for the construction and operation of the Rubiales-Monterrey Pipeline, through a special purpose company, Oleducto de los Llanos Orientales S.A, ("**ODL**"), with a participation of 65% for Ecopetrol and 35% for Pacific Rubiales. On completion, the 235 km pipeline will have a capacity of 170,000 bbl/d and will connect the Rubiales oil field to the port of Coveñas through the Colombian pipeline system.

On March 12, 2009, the Company announced that ODL signed a debt facility agreement with Grupo Aval, a Colombian banking group led by Banco de Bogota for approximately US$200 million (to be disbursed in Colombian Pesos) to finance the construction of this pipeline. See "Pipelines". By the end of March 2009, construction of the project was 60% completed.

Pacific Acquisition

On January 23, 2008, the Company completed the Pacific Acquisition pursuant to an arrangement agreement (the "**Arrangement Agreement**") dated December 12, 2007, the amending agreement to the Arrangement Agreement (the "**Amending Agreement**") dated January 14, 2008 and the Plan of Arrangement. Pacific Stratus, which was renamed PSIE on closing of the transaction, is now a direct, wholly-owned subsidiary of the Company. The Pacific Acquisition was effected through the Amalgamation in which a newly formed wholly-owned subsidiary of the Company amalgamated with Pacific Stratus. The Plan of Arrangement was approved by the Pacific Stratus shareholders on January 17, 2008 and was approved by the Supreme Court of British Columbia on January 21, 2008. Under the Plan of Arrangement, Pacific Stratus shareholders received 9.5 Common Shares for every Pacific Stratus share held at closing. Warrants and options of Pacific Stratus were exchanged based upon the same ratio.

As of the completion date, the Company had approximately 1,189,477,838 pre-consolidation common shares, 321,810,838 pre-consolidation warrants, and 49,969,500 pre-consolidation incentive stock options issued and outstanding, of which approximately 475,508,943 pre-consolidation common shares, 30,946,250 pre-consolidation warrants and 35,824,500 pre-consolidation incentive stock options were issued to Pacific Stratus securityholders upon closing. On completion of the Arrangement, Pacific Stratus shareholders held approximately 38% of the total issued and outstanding shares of the Company. A business acquisition report dated August 22, 2008 describes the Pacific Acquisition in more detail and is available on SEDAR at www.sedar.com.

Proelectrica Investment

In June, 2008 the Company announced that it had acquired a 21.7% indirect interest in Promotora de Energia Electrica de Cartagena & Cia, S.C.A. E.S.P ("**Proelectrica**"), a private, Cartagena, Colombian-based 90 megawatt electrical utility. The Company acquired an interest in Proelectrica through two equity investments totaling US$8.7 million in Ronter Inc., a private Panamanian company which owns 100% of the shares of Proelectrica. Proelectrica is paid a premium as a peak demand energy supplier to the fast growing Cartagena area, making it an attractive investment. The Company has entered into several take or pay gas sales and transport agreements to supply gas from the La Creciente natural gas field to Proelectrica's gas-fired plant.

Port Investment

In July, 2008 the Company acquired from ELE Financial S.A., an option to purchase two lots of land in Cartagena with the intent to build a gas compression plant for export purposes on one of the lots. The second lot is intended to be used for the construction of an oil products terminal. The total transaction cost for the lots is $11 million, of which the Company advanced $6 million to Lando Industrial Park S.A. ("**Lando**"). The balance of the purchase price is payable on the date that Lando and the Company execute the public deeds for the sale of the lots. As of the date of this AIF, title on these two plots of land has not yet passed.

Kappa Acquisition and Offering of Convertible Debentures

On September 3, 2008, the Company acquired 100% of Kappa Energy Holdings Ltd ("**Kappa**") for US$170.4 million cash and acquisition costs of US$2.7 million (the "**Kappa Acquisition**") pursuant to a purchase and sale agreement dated July 4, 2008 (the "**Kappa Agreement**") among the Company and each shareholder of Kappa. Kappa is a Colombian oil and gas exploration and production company which holds exploration and production licenses in Colombia, where it has been operating since 1997. Kappa has gross acreage of 522,153 acres, consisting of nine leased blocks in the Catatumbo, Lower, Middle and Upper Magdalena and Llanos basins of Colombia with the following net working interests: Abanico (25% in the production area and 30.5% working interests in the remaining exploration areas), Alhucema (50%), Arrendajo (32.5%), Cerrito (average 81%), Chipalo (100%), Cicuco (94% for gas and oil), Guásimo (100%), Buganviles (49%) and Las Quinchas (50%).

Financing for the Kappa Acquisition was provided through an offering of $220 million principal amount of 8% convertible unsecured subordinated debentures (the "**Debentures**"), due August 29, 2013 and convertible into common shares of the Company at $13 per share. A syndicate of underwriters, led by GMP, purchased the Debentures pursuant to an underwriting agreement dated August 7, 2008 (the "**Underwriting Agreement**") and exercised an over-allotment option to purchase an additional $20 million principal amount of Debentures at the same offering price. Excess funds from the offering of Debentures have been committed to the general working capital requirements of the Company. The Debentures were issued under a debenture indenture (the "**Debenture Indenture**") dated August 28, 2008 between the Company and Equity Transfer & Trust Company.

Petrotech Report

On March 3, 2009 the Company announced that it had received from Petrotech a Statement of Reserves Data and Other Oil and Gas Information for all of the Company's assets (the "Petrotech Report"), which estimated gross working interest proved plus probable (2P) reserves to be 247 MMbbl of oil equivalent, representing an increase of approximately 9 per cent over the quantities estimated by Petrotech in December 2007. The gross working interest proved (1P) reserves have been estimated at 204 MMbbl from the 136 MMbbl reported in December 2007, representing an increase of 50 per cent. The Petrotech Report was prepared for the company using assumptions and methodology guidelines outlined in the Canadian Oil and Gas Evaluation Handbook and in accordance with NI 51-101. The following table summarizes selected reserves information of the Company:

2007 Reserves valued at WTI: US$90/barrel
2008 Reserves valued at WTI: US$40/barrel

Reserve Category[1]	Reserves at Dec. 31, 2007 100%[1] (MMboe)	Reserves at Dec. 31, 2007 Gross[2] (MMboe)	Reserves at Dec. 31, 2008 100%[1] (MMboe)	Reserves at Dec. 31, 2008 Gross[2] (MMboe)
Proved (P1)	214	136	374	204
Probable (P2)	159	84	89	43
Total Proved + Probable (P1+P2)	374	221	463	247

Notes:

(1) Refers to the totality of the reserve in the blocks.
(2) "Gross" refers to the company's reserves before deduction of royalties.
(3) Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

The reserve estimates in this AIF are based on forecast prices (based on WTI oil price futures traded on the New York Mercantile Exchange) and costs and are estimates only. The increase in size and certainty of the reserves occurred even with a US$50/barrel decrease in the WTI price used to evaluate them, as compared to the 2007 report. Actual reserves on the Company's properties may be greater or less than those calculated. Under the National Instrument 51-101 guidelines, proved reserves are reserves that have a 90% chance of being exceeded at the reported level.

Proved reserves, by definition, are conservative. Nine times out of ten actual reserves will be greater than the proved estimate. Proved plus probable reserves are defined as those reserves that have a 50% probability of being exceeded at the reported level. They are the best estimate, or the most realistic case. It is equally likely that the actual reserves will be higher or lower than the estimate.

DESCRIPTION OF THE BUSINESS

Summary

The Company, which commenced generating revenues on July 16, 2007 with the RHL Closing, is involved in the exploration, development and production of certain oil and natural gas interests, primarily located in the Republic of Colombia but also located in the Republic of Peru. The Company strives to enhance shareholder value through the acquisition, exploration and development of highly prospective oil and gas exploration areas. As part of its business strategy, the Company continues to analyze various projects to diversify its portfolio, principally in Latin America but also worldwide.

Oil and Gas Production

During 2008, the Company was one of the most dynamic exploration and production company operating in Colombia, showing the highest growth in operated hydrocarbon production of any company in the country. In total, the Company increased production in 2008 by 36,571 boe/d from all the fields it operates, including both oil and natural gas. This growth in operated production came about through acquisitions (8,673 boe/d) and development of assets (27,898 boe/d).

Heavy Oil - Rubiales Oil Field

The Rubiales oil field is presently the Company’s main asset and Colombia’s fastest growing production field. During 2008, gross production at the Rubiales oil field averaged 36,831 bbl/d. Gross average oil production almost doubled, from an average in January 2008 of 24,784 bbl/d, to an average in December, 2008 of 47,817 bbl/d.

As of the date of this AIF, the Rubiales oil field produces heavy oil (~12.5° API) and has gross daily production in excess of 58,000 bbl/d, with a net production of 21,021 bbl/d. The net production is trucked to the Guaduas production facility for dilution to 18.5° API where the blended product is transported by pipeline system to the export terminal port of Coveñas on the Caribbean coast, as part of the Vasconia crude stream (25° API Colombian commercial grade).

During 2008, Meta became one of the largest operators drilling horizontal wells in Colombia. In total during 2008, 71 wells were drilled, 35 of which were horizontal wells (5 water injector wells and 30 producing horizontal wells) and 36 were vertical wells (2 exploratory wells, 19 appraisal wells and 15 vertical producer wells). Of the 19 appraisal wells, 17 were completed as producing oil wells in 2008.

After an aggressive step-out drilling campaign, STOOIP increased from 3,202 MMbbl in February, 2008 to 4,181 MMbbl in December, 2008. A workover campaign was also performed, which increased the productivity of the 13 wells selected for workover by more than 50%.

In 2008, the capacity of the Company's production facilities increased from 30,000 bbl/d to 60,000 bbl/d. The increase in oil production was achieved by, among other things, incorporating new technologies into the production process and improved coordination with the operations team at the Rubiales oil field.

The Company enlarged its central processing facility by installing one additional storage tank with 100,000 bbl capacity, for a total storage capacity at the field of 212,000 bbl. Loading facilities were also enlarged from 38,000 bbl/d to 60,000 bbl/d, which facilitates transportation of production from the Rubiales oil field by truck.

Light and Medium Oil

With the acquisition of Pacific Stratus and Kappa, the Company acquired important working interests in nine light and medium crude oil blocks: Rio Ceiba, Guaduas, Puli, Moriche, Abanico, Chipalo, Las Quinchas, Guásimo and Buganviles. Gross production from those assets amounted to 6,455 bbl/d (net 2,400 bbl/d) by December 2008.

Natural Gas

With the acquisition of Pacific Stratus, the Company acquired the La Creciente natural gas field, which began production and generating revenues in January 2008. The production from the La Creciente natural gas field steadily increased during 2008 to 41.9 MMcf/d by December 2008. During 2008, the La Creciente natural gas field produced an average of approximately 32.7 MMcf/d.

The Company also acquired an 80% working interest in the Cerrito block in connection with the Kappa Acquisition. The Cerrito block is located in eastern Colombia and produced an average of 640 Mcf/d during 2008.

Exploration

The Company has 34 exploration and production blocks: 31 in Colombia and 3 in Peru. In 2008, the Company conducted exploration activities in most of the blocks. The Company drilled 10 new wells and carried activity in 2 two more wells from 2007. The Company also acquired 355 km of 2D seismic and 290 km^2 of 3D seismic.

Exploratory Wells

In 2008, the Company concentrated its exploration efforts in the Llanos and Lower Magdalena Valley basins, with activity in 10 out of the total 12 wells which resulted in 9 discoveries.

In the Llanos basin, the Rub-51, Rub-52, Rub-53, Rub-147 and Quifa-5 wells were successful. In the Lower Magdalena Valley, four exploratory wells reached the Ciénaga de Oro Formation, which is the main target reservoir for this basin. Two wells discovered gas at La Creciente: LCA-2st3 and LCD-1. Net proved plus probable (2P) reserves of 57.2 Bcf of natural gas were booked for the LCD-1 well for 2007, which was drilled during 2007 but completed and tested in 2008. An additional discovery resulted from the drilling of the Lisa-1 well in the Guásimo block of the Upper Magdalena Valley.

The total capital expenditure for these 12 wells was $57.9 million, which included the drilling of 10 new wells and the completion of two wells carried over from 2007. As a result of this activity, the total certified and proved producing new additional reserves net to the Company reached 14.83 million boe and the total certified probable new additional reserves net to the Company reached 9.39 million boe for total proved plus probable (2P) new additional certified reserves of 24.23 million boe.

Exploration Indexes

Total exploration expenditures during 2008 were approximately $71.7 million. Taking into account the addition to the Company's proved plus probable (2P) reserves of 24.23 million boe, the Company's discovery cost was approximately US$3/boe. The Company's net production during 2008 was 7.5 million boe, comprised of 5.5 MMbbl of liquid hydrocarbons and approximately 2 million boe from natural gas at the La Creciente natural gas field. Since the reserves added as a result of exploration are 24.23 million boe, then the net reserve growth from exploration alone was 16.71 million boe and the Reserves Replacement Ratio (the rate at which production was replaced by new discoveries) can be estimated at 3.22 boe discovered per every boe produced. Also, the successful results at nine out of the twelve wells drilled in 2008 gives the Company an Exploration Success Ratio (the percentage of exploratory wells that result in the discovery of a recoverable amount of hydrocarbons) of 75%.

Specialized Skill and Knowledge

Operations in the oil and natural gas industry mean that the Company requires professionals with skills and knowledge in diverse fields of expertise. In the course of its exploration, development and production, the Company requires the expertise of drilling engineers, exploration geophysicists and geologists, petrophysicists, petroleum engineers, petroleum geologists, and well-site mud specialists.

Competitive Conditions

The oil and natural gas industry is inherently competitive. The Company faces competition in the areas of finance, technical facilities, and acquisition of assets. While the Company has been successful in its ability to acquire properties from other organizations in the industry, there is no assurance that it will continue to do so. Nonetheless, the management of the Company believes that it will be able to compete successfully with local and foreign competitors in Colombia and elsewhere in Latin America. See "Risk Factors - Competition".

Environmental Protection

The oil and natural gas industry in Colombia and Peru is subject to environmental laws and regulations under various governmental legislation. Compliance with such obligations and requirements can mean significant expenditures and/or may constrain the Company's operation in the country. Breach of environmental obligations could lead to suspension or revocation of requisite environmental licenses and permits, civil liability for damages caused and the possible fines and penalties, all of which may significantly and negatively impact the Company's position and competitiveness. See below at "Risk Factors".

Employees

As at March 25, 2009, the Company has 9 employees at its head office in Toronto, Canada, and approximately 670 employees at its project offices in Lima, Bogota, and its field offices throughout Colombia.

Foreign Operations

The Company's revenues are generated through the sale of hydrocarbons; all of the Company's hydrocarbon production activity is located in Colombia and all of the Company's exploration properties are located in Colombia and Peru. The Company has an interest in 34 blocks in total, comprised of 31 blocks in Colombia and 3 in Peru.

Social or Environmental Policies

The Company has established guidelines and management systems to comply with the laws and regulations of Colombia and other countries in which it operates. In addition, several of the Company's subsidiaries have obtained, or are in the process of obtaining, ISO 14001 certification in connection with their operations. The Company has dedicated employees responsible for all matters affecting the environment and local municipalities. While the Company endeavours to meet all of its environmental obligations, it cannot guarantee that it has and will be in compliance at all times. Nonetheless, management believes that operations are in substantial compliance with all material Colombian environmental laws and regulations. See "Risk Factors - Environmental Factors".

The Company has instituted social programs, specific to the areas in which it operates, which are carried out by employees on staff in Colombia. The Company's social workers attend in the various municipalities where it operates to determine a community's needs and formulates the Company's programs to the requirements of a particular area. The Company has been involved in the provision of educational and health supplies, building schools and funding hospitals, and sponsors other local, cultural, sporting and other organizations and events.

OIL AND NATURAL GAS CONTRACTS AND PROPERTIES

The following describes the Company's principal oil and gas contracts, properties and areas under evaluation as of December 31, 2008. Readers are cautioned that any estimates of reserves and future net revenue for individual properties disclosed in this AIF may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.

Producing Properties

The Company holds indirect interests in certain hydrocarbon producing properties through its wholly-owned subsidiaries, RHL, PSIE and Kappa, pursuant to certain agreements with Ecopetrol and the ANH described below.

Rubiales and Piriri Contracts

The Company holds an interest in the Rubiales and Piriri contracts pursuant to a 40% interest in a Participation Risk Contract and a 50% interest in an Association Contract, such contracts known as the Rubiales Contract and the Piriri Contract, respectively.

The Rubiales oil field, which is the Company's main oil asset, is located within the Rubiales and Piriri contracts in the south-eastern portion of the Llanos Basin (Department of Meta) of Colombia which is

also known as the Guyana Shelf. The Llanos Basin is one of a series of hydrocarbon producing basins paralleling the eastern margin of the Andes Mountains from Colombia to Argentina. These features obtained their current configuration during the Tertiary period and are associated with the Andean mountain formation. Oil accumulation is concentrated in the sandstones of the Lower Tertiary Basal Carbonera formation (Eocene – Oligocene) within a general depth of 2,400 feet to 2,900 feet measured depth (732 to 884 m). These reservoirs lie unconformably on the Paleozoic basement. They underlie an Oligocene sequence of inter-bedded fluvial to marginal marine sandstone, shale, limestone and coal. The structure of the Rubiales oil field has been defined as a monocline gently dipping in the northwest direction with an average dip angle of one to two degrees.

The Rubiales and Piriri Contracts expire in June 2016.

Abanico Contract

The Company holds a 25% interest in an Association Contract (the "**Abanico Contract**") relating to the Abanico oil field. The Abanico oil field is located within the Upper Magdalena Basin (Department of Tolima) of Colombia. The Upper Magdalena Basin is one of a series of hydrocarbon producing basins located within Colombia's eastern and central mountain ranges. These features obtained their current configuration during the Tertiary period and are associated with the Andean mountain formation. Oil accumulation is concentrated in the sandstones of the Cretaceous Guadalupe formation within a general depth of 2,800 feet to 3,200 feet measured depth (853 to 975 m). These reservoirs lie unconformably below the sealing Tertiary shales. The Abanico oil field is a stratigraphic trap, consisting on a truncated monocline gently dipping in the northwest direction with an average dip angle of close to fifteen degrees.

The Abanico Contract is in its production phase and will be valid without further work commitments until 2024.

Las Quinchas Contract

The Company holds a 50% interest in an Association Contract (the "**Las Quinchas Contract**") relating to the heavy oil Arce field which has three producing wells. The Company has also drilled two appraisal wells and one development well and it has acquired close to 45 km^2 of 3D seismic in the Acacia Este heavy oil field.

The Las Quinchas Contract is in its exploitation phase and will be valid without further work commitments until October 2024. A final area relinquishment will take place in 2010, after which the Company will retain only producing fields and protection areas as determined under the Las Quinchas Contract.

Chipalo Contract

The Company holds a 100% interest in an Association Contract (the "**Chipalo Contract**") relating to the Samarkanda oil field. The Chipalo Contract is in its exploitation phase and will be valid without further work commitments until February 2026. A final area relinquishment will take place in 2010, after which the Company will retain only producing fields and protection areas as determined under the Chipalo Contract.

Cerrito Contract

The Company holds a 81% interest in an Association Contract (the "**Cerrito Contract**") pursuant to which it operates the Cerrito gas field. As of March 2009, the Cerrito gas field produces 0.6 MMcf/d. The

Cerrito Contract is in its exploitation phase and will be valid without further work commitments until July 2035.

In October 2008, the Company executed a memorandum of understanding (the "**Cerrito MOU**") with Alange, Corp., under which the Company agreed to assign to Alange, Corp. its interest in the Cerrito Contract for US$7.5 million. The Cerrito MOU is subject to regulatory approvals; until such approvals are obtained, Alange, Corp. must bear the costs of the Cerrito operation and is entitled to any profits obtained from such operation.

Puli-B Contract

The Company holds a 50% participating interest in the Puli-7 well, located in the northern Upper Magdalena Valley Basin of Colombia, under an Association Contract (the "**Puli-B Contract**"). Interoil Colombia Exploration and Production, the Colombian branch of Mercantile, is the operator of the Puli-7 well.

The well has gross production of 200-220 boe/d with potential to increase to 300 (200 net) boe/d after a production-stimulating fracturing workover. The Company believes that the production rate can stabilize around 300 (200 net) boe/d, as has been the case in the nearby Puli-3 well. The Puli-B Contract expires in February 2012.

Dindal and Rio Seco Contracts (Guaduas Field)

The Company holds a 90.6% working interest in two Association Contracts (the "**Dindal Contract**" and the "**Rio Seco Contract**") relating to the Guaduas field. The remaining 9.4% working interest belongs to Cimarrona LLC.

The Guaduas field, which covers 30,665 acres in the Middle Magdalena Valley approximately 100km northwest of Bogota, is located on the west flank of the Guaduas syncline. To date, 21 wells have been drilled with nine producing oil wells, one water disposal well, and one gas injector currently operating. The wells produce through a combination of electrical submersible pumps and gas lift. Produced gas is used for fuel, reinjected, or flared. Produced water is re-injected for disposal. A review of gas-oil ratio performance indicates that gas breakthrough has occurred in a number of producing wells.

In 2007, PSIE conducted an analysis to increase its return on investment in the Guaduas field. In November 2007, the PF1 production facilities at the field were adapted to receive, blend and pump up to 5,600 bbl/d. In April 2008 a new blending facility (PF2) was completed, which increased the blending and pumping capacity up to 40,000 bbl/d and allowed the Company to export 100% of its share of the Rubiales heavy oil production, thereby obtaining an increase in net back.

The Dindal Contract expires in March 2021 and the Rio Seco Contract expires in August 2023.

Caguan Contract

The Company holds an interest in the Rio Ceibas field, located in the Caguan block, pursuant to the Caguan Contract. The drilling of the Rio Ceibas 1 and 2 wells at the beginning of 1988 established the discovery of a hydrocarbon field, and production began in 1994. Most development and drilling activity took place between 1997 and 1999, with a secondary recovery project beginning in 1999. There are currently 70 active wells: 50 oil producers, 19 water injection wells, and 1 gas injectors. The Rio Ceibas field's crude oil production is marketed by Ecopetrol, and is exported to the Caribbean and the United States Gulf Coast.

The Company has a 27.27% working interest in the Caguan Contract. The operator is Petrobras with a working interest of 22.73%. Ecopetrol elected to back-in to the Rio Ceibas field and has the remaining 50% working interest. The contract on this block expires on December 31, 2011. The Company believes that obtaining a 10-year extension to 2021 from Ecopetrol may be possible.

The Rio Ceibas field, located in the northeastern part of the Neiva sub-basin of the Upper Magdalena Valley Basin, covers 1,674 acres in the Upper Magdalena Valley approximately 200 km southwest of Bogota. The block includes a field development area and a surrounding exploration area that covers a total of 1,674 acres. The basin is structurally complex due to its multiple evolutionary stages. The basin is characterized as a backarc basin in the Cretaceous and a foreland basin in the early Tertiary.

Historical accumulated production at the Rio Ceibas field is 19 MMbbl, and net proved producing reserves after royalties as at December 31, 2008 at Rio Ceibas stand at 0.406 MMbbl.

La Creciente Contract

PSIE, the Company's wholly owned subsidiary, holds a 100% interest in an agreement (the "**La Creciente Contract**") with the ANH relating to the La Creciente natural gas field, located in the Lower Magdalena Basin, Colombia. The La Creciente Contract, which expires in August 2034, encompasses: (i) five exploration phases totaling 65 months; (ii) 2 to 4 years for an evaluation phase; and (iii) a 24 year exploitation phase, with the exploitation phase extendable for an additional 10 years or its economic limit.

Late in December 2007 the production facilities at the La Creciente natural gas field were officially certified by the MME and as a result, at the beginning of 2008, PSIE began delivering 35 MMcf of gas per day to the Guepaje-Sincelejo main pipeline.

The Company is focused on developing a commercial strategy with respect to the La Creciente Contract. For this reason, the Company organized a natural gas auction in December 2008, which was ultimately cancelled due to the uncertain market conditions and volatility in oil and gas pricing. As a result, the Company entered into bilateral negotiations with interested bidders for the natural gas volumes on offer, and the Company entered into certain take or pay contracts, and interruptible contracts, adding up to a total of 65 MMcf/d for the period 2009 to 2013.

Exploration activity in the lower Magdalena Basin during 2008 was concentrated in La Creciente block and included the drilling of the LC-E1 and LC-J1 wells and the completion of drilling the LC-A2st3 and LC-D1 wells.

The LC-E1 well reached a total measured depth of 11,939 feet and encountered the top of the Ciénaga de Oro Formation at 11,478 feet measured depth with a basement at 11,828 feet measured depth. The logging-while-drilling resistivity and gamma ray logs indicated that the Ciénaga de Oro Formation consisted of shale lithologies without reservoir characteristics. The results of the vertical seismic profile indicate that the structure at prospect E was paleo-high during the Ciénaga de Oro deposition and the reservoir sandstones did not reach the crest of the structure.

Drilling on the LC-A2st3 well was finished in 2008 and was completed in the Ciénaga de Oro formation. It reached a total depth of 12,685,648 feet measured depth or 10,039,972 feet true vertical depth subsea ("**TVDSS**"). The top of the reservoir was encountered at 10,355,354 feet TVDSS, 51 feet higher than LCA-1, and with a basement at 10,843 TVDSS. The petrophysical evaluation indicated a water gas contact at 10,531 TVDSS, 176 feet below the top of the reservoir for a total of 155 feet of net reservoir sandstones, with a net to gross ratio of 82%, and an average porosity of 16.7%. The well was tested

during 2008 with different chokes and presented a stable production of gas with a potential of 35 MMcf/d with a ½"choke. The well produced 583 MMcf during 2008. The pressure regime measured confirmed that the well is draining its production from its second compartment, as defined in the seismic data at prospect A. The certified reserves associated to this discovery reached 29.3 Bcf of proved producing reserves and 16.6 MMcf of probable reserves for a total of 45.9 MMcf. The barrels of oil equivalency of these reserves are: 4.88 MMbbl of proved reserves and 2.77 MMbbl of proved reserves amounting to proved + probable reserves of 7.65 MMbbl.

The LC-D1 well reached total depth of 11,450 feet measured depth or 10,711 TVDSS. The Ciénaga de Oro reservoir consisted of 483 feet of coarse to fine grained sandstones. The petrophysical evaluation indicated: (i) a water gas contact at a measured depth of 10,869 feet (10,131 TVDSS), 32 feet below the top of the Ciénaga de Oro formation; (i) 28 feet of net reservoir sandstones; (ii) net to gross ratio of 86%, average porosity of 18.1%; and (iii) average water saturation of 38.8%. The well was tested in 2008 for an extended period and is currently producing 18 MMcf of gas per day and 50 bbl of water per day. The reserves associated with this discovery were certified for 2007 at 46.3 Bcf of proved producing reserves and 10.9 MMcf of probable reserves for a total proved + probable reserves of 57.2 MMcf. The barrel of oil equivalency for these reserves amounts to 7.72 MMbbl for proved reserves and 1.82 MMbbl of probable reserves for a total proved + probable reserves of 9.54 MMbbl.

Exploration Properties

Ecopetrol Contracts

The Company holds indirect interests in certain exploration properties through its wholly-owned subsidiaries, RHL, PSIE and Kappa, pursuant to certain agreements with Ecopetrol described below.

Quifa Contract

The Company holds a 60% interest in an agreement (the "**Quifa Contract**"), relating to a property known as the Quifa Block. The Quifa Block is still in the exploration stage. Minimum exploration commitments during the following three exploration years include seismic studies and drilling three wells, at an estimated cost of US$5.7 million. The Quifa Block consists of an area of 234,254 km^2 surrounding the Rubiales oil field, located in the Puerto Gaitan area, within the Meta department in Colombia.

On March 24, 2008 the Company announced the completion of its 200 km 2D seismic acquisition program. Following interpretation of the results from the seismic program the Company identified four prospects, known as D, E, H and I. The Company drilled prospects D and E only. Prospect D was drilled within the Rubiales block and resulted in a discovery of reserves. The total certified reserves assigned to prospect D were calculated at 1.68 MMbbl. The Quifa-5 well was drilled on prospect E during November 2008. The well found the top of the basal sandstones at a depth of 2,246 feet true vertical depth sub-sea ("**TVDSS**") or 2,991 feet measured depth) and the oil-water contact at 2,311 feet TVDSS (3,056 feet measured depth), resulting in an oil column of 65 feet at the well. Preliminary petrophysical evaluation of the data at the well indicated a net pay zone of 25 feet with porosities over 32%. The Quifa-5 well was completed successfully as a vertical producer on December 6, 2008. Subsequently, various configurations of testing indicates an average daily rate of 300 bbl/d (~13.4° API), slightly higher than the 12.5° API produced at the Rubiales oil field. The net certified proved + probable reserves assigned to the well were calculated at 2.6 MMbbl.

Pursuant to the Quifa Contract, capital costs and operational expenses must be borne 70% by the Company and 30% by Ecopetrol. Eventual production after payment of legal royalties will be distributed 60% to the Company and 40% to Ecopetrol. The Quifa Contract expires in 2031.

Cicuco Contract

The Company holds a 94% interest in an agreement (the "**Cicuco Contract**"), currently in its first exploration phase expected to be completed by December 2009. The area covered by the Cicuco Contract contains various old and inactive discoveries and some exploration prospects that the Company is evaluating.

Buganviles Contract

The Company holds a 49.375% interest in an agreement (the "**Buganviles Contract**"), currently in its last exploration phase expected to be completed by June 2009. The area covered by the Buganviles Contract contains the Delta oil discovery, and some exploration prospects that the Company is evaluating.

ANH Contracts

Pursuant to agreements with ANH, the Company holds indirect interests through its wholly-owned subsidiaries in certain exploration properties in Colombia described in more detail below.

Moriche Block

The Company holds an 80% working interest in and is the operator of the Moriche block. By drilling the Mauritia West-1 well in November, 2008, the Company has fulfilled, subject to ANH approval, the first phase of the additional work program under the Moriche Contract. The Mauritia West-1 well resulted dry. The Moriche Contract expires in February 20, 2035.

Guama

On March 14, 2007, PSIE announced that the ANH had awarded it a 100% interest in the 87,465 hectare Guama block located in the Lower Magdalena Valley Basin in the north of Colombia. The obligations for the first 18-month phase of this contract included the reprocessing of 300 km of 2D seismic and the acquisition of 200 km of 2D seismic. During 2007, these commitments were satisfied by the acquisition of 255 km of 2D seismic and the reprocessing of an additional 300 km of 2D seismic. US$3.5 million was expended on this phase.

SSJN3

The Company has a 100% working interest in the SSJN3 block. This block has an area of 256,718 hectares and is located 70 km north of the La Creciente natural gas field. The first exploration phase includes the acquisition of 500 km of 2D seismic and the drilling of one exploratory well, for a total investment of US$23 million.

SSJN7

The SSJN7 block was awarded to a joint venture pursuant to which the Company and ONGC Videsh Limited hold an equal interest, with the Company acting as operator. The block has an area of 270,702 hectares and is adjacent to the La Creciente natural gas field to the west. The first exploration phase requires an investment of US$23 million, expected to be spent on the acquisition of 550 km of 2D seismic and the drilling of one exploratory well.

CR1

The CR1 block was awarded to a joint venture pursuant to which PSIE holds a 60% interest and Petrobras Colombia Limited holds a 40% interest, with the Company acting as operator. The block, with an area of 124,394 hectares, is located in the northernmost part of the Cesar-Rancheria Basin in the La Guajira Peninsula on the boundary with Venezuela. This area is highly prospective because it represents the western extension of the Maracaibo Basin into the Colombian territory. The first exploration phase requires an investment of US$12 million, to be spent on the acquisition of 250 km of 2D seismic and the drilling of one exploratory well.

Jagüeyes Block

On April 8th, 2008, Tethys entered into an agreement (the "**Jagüeyes Contract**") with the ANH for the Jagüeyes block, which is located in the Casanare Department of Colombia. The Jagüeyes block, with an area of 21,500 hectares, is surrounded by producing oil fields and provides easy access. The Company's work commitment for this block during the current first phase was completed in February 2009 with the acquisition of 112 km^2 of 3d seismic for a net investment of US$5.2 million during 2008.

Alicante Contract

In July, 2008, the Company executed a farm-in agreement with Ecopetrol to jointly develop the Alicante block in the Llanos Orientales Basin of Colombia, pursuant to which Ecopetrol has agreed to farm-out 55% of its working interest rights, as well as its operating responsibilities in the Alicante block to the Company. Working commitments under this agreement include seismic acquisition commenced during the third quarter of 2008 with a total investment for 2008 of US$4.1 million. If the results of such seismic acquisition show a viable prospect for drilling, then one exploratory well must be drilled in the second half of 2009.

CPO-1 Contract

The Company has a 100% working interest in the CPO-1 block, which has an area of 61,776 hectares and is located 80 km north of the Rubiales oil field. The 36 month-long first exploration phase requires a minimum investment of US$9.6 million, which is expected be spent on the acquisition of 200 km of 2D seismic and the drilling of one exploratory well.

CPO-12 Contract

This block was awarded to a joint venture formed by an indirect wholly-owned subsidiary of the Company as operator (40%), CEPCOLSA (30%) and Talisman Colombia Oil and Gas Ltd. (30%). The block has an area of 286,827 hectares located to the southwest of the Rubiales oil field. During the first exploration phase, the consortium has agreed to invest in the acquisition of 850 km of seismic and the drilling of three exploratory wells, for a total amount of US$35 million.

CPO-14 Contract

This block was awarded to a joint venture formed by an indirect wholly-owned subsidiary of the Company as operator (62.5%) and CEPCOLSA (37.5%). This block has an area of 209,488 hectares and is located to the southeast of the Rubiales oil field. The first exploration phase requires a minimum investment of US$32 million, to be spent on acquiring 850 km of 2D seismic and drilling three exploratory wells.

Topoyaco Contract

In July 2008, the Company executed a memorandum of understanding (the "**Topoyaco MOU**") with Alange, Corp. under which the Company acquired a 50% participating interest in the Topoyaco block. The Topoyaco MOU is subject to all necessary approvals from the ANH and the successful assignment of certain rights to Alange, Corp.

As consideration for a participating interest in the Topoyaco block, the Company agreed to pay Alange, Corp. US$15.5 million, US$8 million of which was paid in cash upon execution of the Topoyaco MOU and US$7.5 million of which was offset against the obligations of Alange, Corp. in connection with the Cerrito MOU. See "Cerrito Contract" above.

Guásimo Contract

The Company has a 100% working interest in the Guásimo Block. The block has an area of 2,557 hectares and is located 20 km southwest of the Abanico oil field. The Company discovered a new oil field after drilling the exploratory well Lisa–1 in December 2008. The well found the top of the reservoir, the Guadalupe Formation, at a depth of 4,726 feet measured depth, or 4,020 TVDSS. The petrophysical evaluation of the well logs indicated a total thickness of 64 feet and a net oil-pay zone of 30 feet with an average fracture-porosity of 16%. After a preliminary test, where the well produced oil batches of 24.5° API, the company decided to fracture the reservoir and it is now conducting an extended production test. The extended test indicated a stable production of 50 bbl/d of oil of 25° API. With the Lisa-1 discovery well the contract has entered into the exploitation phase and will be valid through December 2032 without further work commitments for exploration.

Alhucema Contract

The Company has a 50% working interest. The block has an area of 66,672 hectares and is located in the Middle Magdalena Basin. The contract is in its third exploration phase (to be completed by June 2009) and the Company will acquire at least 50 km of 2D seismic to satisfy the corresponding work commitments.

Arrendajo Contract

The Company has a 32.5% working interest. The block has an area of 31,607 hectares and is located in the Llanos Basin. The contract is in its fourth exploration phase (to be completed by September 2009) and the Company expects to drill an exploratory well in early 2009 to satisfy the corresponding work commitments.

Arauca Contract

On May 3, 2007, the ANH granted the Company a technical evaluation area over an area of approximately 300,000 hectares in the Arauca Department, Llanos Basin, Colombia (the "**Arauca Contract**"). The exploratory costs required under the Arauca Contract are estimated at $10.5 million. The Arauca Contract consists of 301,377 hectares, 60 km east of the Caño Limón field, south of the Colombian-Venezuela borders and 60 km from the oil-delivery point to the pipeline Caño Limón-Coveñas.

Tacacho Block

In January 2008, the Company executed the Tacacho Technical Evaluation Agreement. The Tacacho block measures approximately 598,959 hectares and is located in the foreland basin of the Putumayo mountain range, in the Eastern Cordillera of Colombia.

Work commitments comprise a minimum investment of US$3 million to reprocess 640 km of 2D seismic, 4,400 km of aero-magnetogravimetric survey and the acquisition of 100 km of new 2D seismic.

CPE-1 Contract

In July, 2008, the Company was awarded a 100% interest in block CPE-1 in the offering organized by the ANH of certain heavy oil evaluation and exploration blocks for the Llanos Basin of Colombia (the "**Heavy Oil Round**"). Block CPE-1 has an area of 989,963 hectares and is located in the northern part of the basin on the border with Venezuela, east of the Caño Limon Oil Field. It is also located at the eastern limit of the Arauca TEA, where the Company is already performing exploration activities. The total investment for the block will be US$31.1 million.

CPE-6 Contract

In July, 2008, an agreement in respect of the CPE-6 block was awarded to a joint venture made up of the Company (50%) and Talisman (Colombia) Oil & Gas Ltd. (50%), with the Company as operator, as part of the Heavy Oil Round. The CPE-6 block has an area of 608,247 hectares and is located to the southwest of the Rubiales oil field and the Quifa Block. The total investment for this block will be US$49.4 million.

Properties in Peru

In July 2007, PSIE was awarded blocks 135, 137 and 138 offered by Perupetro in the 2007 bidding program. These blocks total 1,883,553 hectares and are located in the prolific Marañon Basin, to the south of the producing Ecuadorian Napo and Colombian Putumayo Basins. The commitments for the first exploration phase include regional studies and seismic acquisition. Upon the successful completion of phase one, the Company has the option to continue the exploration program with additional seismic acquisition and drilling one well for each block.

PIPELINES

Rubiales-Monterrey Pipeline

The Company also has a 35% interest in Oleducto de los Llanos Orientales S.A, ("**ODL**") a special purpose company established for building the Rubiales-Monterrey Pipeline between the Rubiales oil field and the Monterrey Station in Casanare, which is an integral part of Colombia's oil transport system and is connected with the Oleoducto Central S.A. ("**OCENSA**"). The remaining 65% interest in ODL is held by Ecopetrol. The interests of the Company and Ecopetrol in ODL are held through direct equity participation in ODL Finance S.A., a special purpose company established for financing of the Rubiales-Monterrey Pipeline.

On September 2, 2008, the Company announced that ODL had entered into a construction contract with a consortium composed of Spiecapag S.A. and Ismocol de Colombia S.A. The contract has a lump sum fixed price of $190 million and does not include construction of the pumping station at the Rubiales oil field. Total ODL capital commitments for this project are expected to exceed US$530 million (excludes

US$ 30 million interest expenses) . It is expected that the Rubiales-Monterrey Pipeline will start operation in the third quarter of 2009.

On March 12, 2009, the Company announced that ODL had closed on a debt facility for approximately US$200 million, equivalent to COP$520,000,000,000 in Colombian Pesos. The loan was provided by Grupo Aval, a Colombian banking group led by Banco de Bogota. The facility has an interest rate of DTF (the Colombian base rate for fixed rate deposits over 3 months) + 5%, a maturity of 5 years with a 1 year grace period and blended quarterly payments. The loan is non-recourse to the Company and Ecopetrol, as sponsors.

Other Pipeline Interests

The Company has a 90.6% interest in the Guaduas-La Dorada pipeline ("**OGD**") and minority interests in two trunk oil pipelines, Oleoducto de Colombia ("**ODC**") and Oleoducto Alto Magdalena ("**OAM**") with 110,000 bbl/d capacity. The OGD is a 10" pipeline that runs 63 km from the production facilities at Guaduas field to the OAM pipeline at La Dorada with a capacity of 40,000 bbl/d. The ODC pipeline runs 481 km from Vasconia to the Coveñas terminal and has a 24" diameter pipeline with a capacity of up to 210,000 bbl/d.

RISK FACTORS

The business and operations of the Company will be subject to a number of risks. The Company considers the risks set out below to be the most significant to potential investors in the Company, but not all of the risks associated with an investment in securities of the Company. If any of these risks materialize into actual events or circumstances or other possible additional risks and uncertainties of which the Company is currently unaware or which it considers not to be material in relation to the Company's business, actually occur, the Company's assets, liabilities, financial condition, results of operations (including future results of operations), business and business prospects, are likely to be materially and adversely affected. In such circumstances, the price of the Company's securities could decline and investors may lose all or part of their investment.

Fluctuating Prices

Oil and gas prices will have a direct impact on the Company's earnings and are subject to volatile price fluctuations. The Company's revenues are expected to be in large part derived from the extraction and sale of oil and natural gas. The price of oil will be affected by numerous factors beyond the Company's control, including international economic and political trends, expectations of inflation, war, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and increased production due to new extraction developments and improved extraction and production methods. Any substantial decline in the prices of oil or natural gas could have a material adverse effect on the Company and the level of its oil and natural gas reserves.

Prices varied considerably throughout 2008 and since August 2008 the price of oil has decreased significantly, concurrent with the downturn in the global economy. Decreases in oil and natural gas prices typically result in a reduction of the Company's net production revenue and may change the economics of producing from some wells which could result in a reduction in the volume of the Company's reserves. Any further substantial declines in the prices of crude oil or natural gas could also result in delay or cancellation of existing or future drilling, development or construction programs or the curtailment of production. All of these factors could result in a material decrease in the Company's net production revenue, cash flows and profitability causing a reduction in its oil and gas acquisition and development activities. In addition, bank borrowings available to the Company will in part be determined

by the Company's borrowing base. A sustained material decline in prices from historical average prices could further reduce such borrowing base, therefore reducing the bank credit available and could require that a portion of its bank debt, if any, be repaid.

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

Cash Flows and Additional Funding Requirements

Although, since the RHL Acquisition, the Company has significant revenues from operations, a significant percentage of funds available to the Company for its acquisition and development projects have in the past been derived from the issuance of equity. Although the Company presently has sufficient financial resources and has been successful in the past in obtaining equity and debt financing to undertake its currently planned exploration and development programs, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. The current financial crisis has resulted in severe economic uncertainty and resulting illiquidity in capital markets which increases the risk that additional financing will only be available on terms and conditions unacceptable to the Company or not at all.

Global Financial Conditions

Current global financial conditions have been subject to increased volatility and numerous commercial and financial enterprises have either gone into bankruptcy or creditor protection or have had to be rescued by governmental authorities. Access to public financing has been negatively impacted by sub-prime mortgage defaults in the United States, the liquidity crisis affecting the asset-backed commercial paper and collateralized debt obligation markets, massive investment losses by banks with resultant recapitalization efforts and a deterioration in the global economy.

Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially.

Banks have been adversely affected by the worldwide economic crisis and have severely curtailed existing liquidity lines, increased pricing and introduced new and tighter borrowing restrictions to corporate borrowers, with extremely limited access to new facilities or for new borrowers. These factors could negatively impact the Company's ability to access liquidity needed for the Company's business in the longer term.

Petroleum and natural gas prices are expected to remain volatile for the near future as a result of market uncertainties over the supply and demand of these commodities due to the current state of the world economies, OPEC actions and the ongoing global credit and liquidity concerns.

These factors may impact the Company's ability to obtain equity, debt or bank financing on terms commercially reasonable to the Company, or at all. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. If these increased levels of volatility and market turmoil continue, the Company's

operations could be adversely impacted and the trading price of the Company's securities could continue to be adversely affected.

In addition, certain of our customers could be unable to pay us, in the event they are unable to access the capital markets to fund their business operations.

Exploration and Development

The exploration and development of oil and natural gas deposits involve a number of uncertainties that even thorough evaluation, experience and knowledge of the industry cannot eliminate. It is impossible to guarantee that the exploration programs on the Company's properties will generate economically recoverable reserves. The commercial viability of a new hydrocarbon pool is dependent upon a number of factors which are inherent to reserves, such as the content and the proximity of infrastructure, as well as oil and natural gas prices which are subject to considerable volatility, regulatory issues such as price regulation, taxes, royalties, land tax, import and export of oil and natural gas, and environmental protection issues. The individual impact generated by these factors cannot be predicted with any certainty but, once combined, may result in non-economical reserves. The Company will remain subject to normal risks inherent to the oil and natural gas industry such as unusual and unexpected geological changes in the parameters and variables of the petroleum system and operations.

Operating Hazards and Risks

Exploration for natural resources involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of natural resources, any of which could result in work stoppages, damage to persons or property and possible environmental damage. Although the Company may obtain liability insurance in an amount which is expected to be adequate, the nature of these risks is such that liabilities might exceed policy limits, the liabilities and hazards might not be insurable, or the Company might not elect to insure itself against such liabilities due to high premium costs or other reasons, in which event the Company could incur significant costs that could have a material adverse effect upon its financial condition.

Reserve Estimates

Despite the fact that the Company has reviewed the estimates related to the potential reserve evaluation and probabilities attached thereto and it is of the opinion that the methods used to appraise its estimates are adequate, these figures remain estimates, even though they have been calculated or validated by independent appraisers. The reserves disclosed by the Company should not be interpreted as assurances of property life or of the profitability of current or future operations given that there are numerous uncertainties inherent in the estimation of economically recoverable oil and natural gas reserves.

Transportation Costs

Disruption in or increased costs of transportation services could make oil and natural gas a less competitive source of energy or could make the Company's oil and natural gas less competitive than other sources. The industry depends on rail, trucking, ocean-going vessel, pipeline facilities, and barge transportation to deliver shipments, and transportation costs are a significant component of the total cost of supplying oil and natural gas; currently, the Company trucks much of its production from the Rubiales oil field, its primary source of revenue. Disruptions of these transportation services because of weather-related problems, strikes, lockouts, delays or other events could temporarily impair the ability to supply

oil and natural gas to customers and may result in lost sales. In addition, increases in transportation costs, or changes in transportation costs for oil and natural gas produced by competitors, could adversely affect profitability. To the extent such increases are sustained, the Company could experience losses and may decide to discontinue certain operations forcing the Company to incur closure and/or care and maintenance costs, as the case may be. Additionally, lack of access to transportation may hinder the expansion of production at some of the Company's properties and the Company may be required to use more expensive transportation alternatives.

Disruptions in Production

Other factors affecting the production and sale of oil and natural gas that could result in decreases in profitability include: (i) expiration or termination of leases, permits or licenses, or sales price re-determinations or suspension of deliveries; (ii) future litigation; (iii) the timing and amount of insurance recoveries; (iv) work stoppages or other labor difficulties; (v) worker vacation schedules and related maintenance activities; and (vi) changes in the market and general economic conditions. Weather conditions, equipment replacement or repair, fires, amounts of rock and other natural materials and other geological conditions can have a significant impact on operating results.

Political Risk

The Company's projects are located in Colombia and Peru and consequently the Company will be subject to certain risks, including currency fluctuations and possible political or economic instability. Exploration and production activities may be affected in varying degrees by political stability and government regulations relating to the industry. Colombia is home to South America's largest and longest running insurgency, and over the past two decades has experienced significant social upheaval and criminal activity relating to drug trafficking. While the situation has improved dramatically in recent years, there can be no guarantee that the situation will not again deteriorate. Any increase in kidnapping and/or terrorist activity in Colombia generally may disrupt supply chains and discourage qualified individuals from being involved with the Company's operations. Additionally, the perception that matters have not improved in Colombia may hinder the Company's ability to access capital in a timely or cost effective manner. Any changes in regulations or shifts in political attitudes are beyond the control of the Company and may adversely affect its business. Exploration may be affected in varying degrees by government regulations with respect to restrictions on future exploitation and production, price controls, export controls, foreign exchange controls, income taxes, expropriation of property, environmental legislation and site safety.

The Company's operations may also be adversely affected by laws and policies of Canada affecting foreign trade, taxation and investment. In the event of a dispute arising in connection with the Company's foreign operations, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of the courts of Canada or enforcing Canadian judgments in such other jurisdictions. The Company may also be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. Accordingly, the Company's exploration, development and production activities in the foreign jurisdictions in which it operates could be substantially affected by factors beyond the Company's control, any of which could have a material adverse effect on the Company.

Environmental Factors

All phases of the Company's operations are subject to environmental regulation in Colombia.

Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The exploration, development and production activities of the Company will require certain permits and licenses from various governmental authorities and such operations are and will be governed by laws and regulations governing exploration, development and production, labor standards, occupational health, waste disposal, toxic substances, land use, environmental protection, safety and other matters. Companies engaged in exploration activities generally experience increased costs and delays as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that all licenses and permits which the Company may require to carry out exploration and development of its projects will be obtainable on reasonable terms or on a timely basis, or that such laws and regulations would not have an adverse effect on any project that the Company may undertake.

Title Matters

The acquisition of title to oil and natural gas properties in Colombia is a detailed and time consuming process. The Company's properties may be subject to unforeseen title claims. While the Company will diligently investigate title to all property and will follow usual industry practice in obtaining satisfactory title opinions and, to the best of the Company's knowledge, title to all of the Company's properties is in good standing, this should not be construed as a guarantee of title. Title to the properties may be affected by undisclosed and undetected defects.

Dependence on Management

The Company strongly depends on the business and technical expertise of its management team and there is little possibility that this dependence will decrease in the near term.

Changes in Legislation

The oil and natural gas industry in Colombia is subject to extensive controls and regulations imposed by various levels of government. All current legislation is a matter of public record and the Company will be unable to predict what additional legislation or amendments may be enacted. Amendments to current laws, regulations and permits governing operations and activities of oil and natural gas companies, including environmental laws and regulations which are evolving in Colombia, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in expenditures and costs, affect the Company's ability to expand or transfer existing operations or require the Company to abandon or delay the development of new oil and natural gas properties.

Repatriation of Earnings

Currently there are no restrictions on the repatriation from Colombia of earnings to foreign entities. However, there can be no assurance that restrictions on repatriation of earnings from Colombia will not be imposed in the future.

Integration of Pacific Stratus and Kappa

The Company recently completed the Pacific Acquisition and the Kappa Acquisition. The future success of the Company will depend to some extent on the success of management of the Company in integrating the operations, technologies and personnel of Pacific Stratus and Kappa now that each has been acquired. The failure of the Company to achieve such integration could result in the failure of the Company to realize some or all of the anticipated benefits of the Pacific Acquisition and the Kappa Acquisition, and could impair the results of operations, profitability and financial results of the Company. In addition, the overall integration of the operations, technologies and personnel of Pacific Stratus and Kappa into the Company may result in unanticipated operational problems, expenses, liabilities and diversion of management's attention.

Enforcement of Civil Liabilities

Substantially all of the assets of the Company will be located outside of Canada and certain of the directors and officers of the Company will be resident outside of Canada. As a result, it may be difficult or impossible to enforce judgments granted by a court in Canada against the assets of the Company or the directors and officers of the Company residing outside of Canada.

Competition

The oil and natural gas industry is competitive in all its phases. The Company will compete with many companies and individuals that have substantially greater financial and technical resources than the Company in the search for, and the acquisition of, properties as well as for the recruitment and retention of qualified employees. The Company's ability to increase its interests in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select, acquire and develop suitable properties or prospects.

Dividends

Any payments of dividends on the common shares of the Company will be dependent upon the financial requirements of the Company to finance future growth, the financial condition of the Company and other factors which the Company's Board of Directors may consider appropriate in the circumstance. It is unlikely that the Company will pay dividends in the immediate or foreseeable future.

RESERVES DATA AND OTHER INFORMATION

The Company's reserves were evaluated by Petrotech, an independent petroleum engineering consulting firm, effective December 31, 2008, in accordance with NI 51-101. Petrotech is an independent qualified reserves evaluator appointed pursuant to NI 51-101. The Petrotech evaluation report is dated December 31, 2008 with a preparation date of March 31, 2009.

The Company's Statement of Reserves Data and Other Oil and Gas Information on Form 51-101F1, the Report on Reserves Data by Independent Qualified Reserves Evaluator on Form 51-101F2, and the Report of Management and Directors on Oil and Gas Disclosure on Form 51-101F3 all dated effective March 31, 2009 have been filed on SEDAR at www.sedar.com and are incorporated by reference in this AIF.

DESCRIPTION OF CAPITAL STRUCTURE

The authorized capital of the Company consists of an unlimited number of Common Shares without par value and an unlimited number of preferred shares ("**Preferred Shares**") without par value. Effective upon the opening of the market on May 9, 2008, the Company consolidated its outstanding common shares, common share purchase warrants (other than its common share purchase warrants listed on the TSX) and employee stock options on a one-for-six basis (the "**Share Consolidation**"). There was no change in the Company's trading symbol on the TSX as a result of the consolidation. Effective upon the opening of the market on June 3, 2008, the common share purchase warrants listed on the TSX were consolidated on a one-for-six basis. Following the consolidation, each common share purchase warrant entitles the holder thereof to acquire one Common Share at an exercise price equal to six times its original exercise price. No fractional warrants were issued upon the consolidation, with any fractional warrants resulting from the consolidation rounded up to the next whole number of warrants.

As at March 27, 2009 there are 210,747,299 Common Shares issued and outstanding as fully paid and non-assessable. No Preferred Shares of the Company are outstanding or have been issued. As at March 27, 2009 there are 44,651,889 warrants of the Company outstanding.

Common Shares

Subject to the rights of the holders of Preferred Shares, the holders of Common Shares are entitled to dividends if, as and when declared by the Board of Directors, to one vote per Common Share at meetings of the Shareholders and upon liquidation, dissolution or winding-up, to share equally in such assets of the Company as are distributable to the holders of Common Shares.

Preferred Shares

The Preferred Shares may be issued in one or more series and, with respect to the payment of dividends and the distribution of assets in the event that the Company is liquidated, dissolved or wound-up, rank prior to the Common Shares. The Board of Directors have the authority to issue Preferred Shares in series and determine the price, number, designation, rights, privileges, restrictions and conditions, including dividend rights, redemption rights, conversion rights and voting rights, of each series without any further vote or action by Shareholders. The holders of Preferred Shares do not have pre-emptive rights to subscribe for any issue of securities of the Company. At this time, the Company has no plans to issue any Preferred Shares.

Warrants

The following table describes the outstanding warrants of the Company as at March 27, 2009:

Number of Warrants Outstanding and Exercisable	Exercise Price	Expiry Date
44,311,220[(1)]	$7.80[(2)]	July 12, 2012
340,502[(3)]	$0.60[(4)]	April 18, 2009

Notes:

(1) The RHL Warrants were issued in respect of the private placement of 517,650,000 Subscription Receipts on July 12, 2007, which were automatically exchanged into Units consisting of one Common Share and one-half of one warrant upon the closing of the RHL Acquisition.

(2) Effective June 3, 2008, and in conjunction with the Share Consolidation, the Company consolidated the RHL Warrants on a 1:6 basis, with the result that each consolidated warrant now entitles its holder to acquire one share of the Company at a price of $7.80.

(3) Warrants issued pursuant to a non-brokered private placement of 21,000,000 units at $0.0575/unit (post-split) on April 18, 2007 (the "Post Split Warrants"). Each unit consisted of one common share and one transferable warrant to purchase an additional Common Share at $0.10.

(4) Effective May 9, 2008, and in conjunction with the Share Consolidation, the Company consolidated its warrants (other than the RHL Warrants) on a 1:6 basis, with the result that each consolidated warrant now entitles its holder to acquire one share of the Company at a price of $0.60.

Convertible Debentures

On August 28, 2008 the Company announced that it had closed an offering of $220 million principal amount of Debentures at a price of $1,000 per Debenture, due August 29, 2013. A syndicate of underwriters also exercised an over-allotment option to purchase an additional $20 million principal amount of Debentures at the same offering price. Each Debenture is convertible into Common Shares at the option of the holder at any time prior to the close of business on August 29, 2013 at a conversion price of $13 per Common Share, being a conversion rate of 76.9231 Common Shares per $1,000 principal amount of Debenture, subject to adjustment in certain events.

Dividends

The Company has not declared or paid a dividend in its history. Other than pursuant to the TSX's policies, there are no restrictions on the Company that would prevent it from paying a dividend. However, the Board of Directors of the Company intends to retain future earnings for reinvestment in the Company's business and, therefore, has no current intention to pay dividends on its Common Shares in the foreseeable future. The Company's dividend policy will be reviewed from time to time in the context of its earnings, financial condition and other relevant factors.

Shareholder Rights Plan

On March 9, 2008, the Board of Directors approved a shareholder protection rights plan agreement (the "**2009 Rights Plan**"). The purpose of the 2009 Rights Plan is to encourage an offeror either to make a Permitted Bid (as defined in the 2009 Rights Plan), without approval of the Board of Directors, having terms and conditions designed to meet the objectives of the 2009 Rights Plan, or to negotiate the terms of the offer with the Board of Directors. Failure to do either creates the potential for substantial dilution of the offeror's position.

The TSX has accepted notice for filing of the 2009 Rights Plan, subject to standard conditions including ratification of the 2009 Rights Plan by shareholders of the Company. The 2009 Rights Plan must be confirmed by shareholders within six months of its effective date. The Company currently plans to seek shareholder approval of the rights plan at its next annual and special meeting (the "**Meeting**"). To continue a shareholder rights plan for the Company beyond the termination of the Meeting, a resolution in respect of the 2009 Rights Plan must be passed by a majority of the votes cast by Independent Shareholders (as defined in the 2009 Rights Plan) who vote in respect thereof.

The 2009 Rights Plan has been implemented by way of an agreement dated March 9, 2009 between the Company and Equity Transfer & Trust Company as rights agent. A copy of the 2009 Rights Plan has been filed and is available on SEDAR at www.sedar.com.

MARKET FOR SECURITIES

Trading Price and Volume

The Common Shares are listed on the TSX under the trading symbol "PRE". The closing price of the Common Shares on March 27, 2009 was $4.94. The Common Shares were formerly listed on the Venture Exchange; the Company graduated to the TSX on February 6, 2008. On September 17, 2008, the Company changed its trading symbol from "PEG" to "PRE".

The following table sets out the high and low trading of the Common Shares for the periods indicated, as reported by the Venture Exchange and the TSX, as applicable.

Period (2008)	High	Low	Trading Volume
December	3.34	1.93	10,515,987
November	5.36	1.86	19,175,421
October	6.65	3.27	24,200,330
September	8.25	6.00	16,178,381
August	10.51	8.99	37,612,159
July	13.40	9.21	37,625,949
June	13.65	9.93	39,816,222
May(1)	12.51	1.43	282,973,024
April	1.55	1.33	202,288,533
March	1.63	1.34	523,014,742
February(2)	1.40	1.18	173,411,369
January	1.49	1.10	147,812,963

Notes:

(1) Effective May 9, 2008, the Company consolidated its Common Shares on a 1:6 basis.

(2) On February 6, 2008, the Company listed its Common Shares on the TSX. Prior to that date, the Common Shares were listed on the Venture Exchange.

The RHL Warrants are listed on the TSX under the trading symbol "PRE.WT", and commenced trading on November 13, 2007. As at March 27, 2009, there are 44,311,220 RHL Warrants outstanding, which expire July 12, 2012, and which have an exercise price of $7.80. Each RHL Warrant Share is exchangeable into one Common Share upon payment of the exercise price to the Company. The closing price of the RHL Warrants on March 27, 2009 was $1.080.

The following table sets out the high and low trading of the RHL Warrants for the periods indicated as reported by the Venture Exchange and the TSX, as applicable.

Period (2008)	High	Low	Trading Volume
December	0.65	0.25	1,361,739
November	1.15	0.25	2,770,514
October	1.90	0.59	3,042,049
September	3.02	1.75	1,830,936

Period (2008)	High	Low	Trading Volume
August	5.00	3.71	4,012,612
July	7.60	4.00	1,645,460
June	7.50	0.80	5,457,635
May	1.21	0.58	16,913,939
April	0.70	0.50	6,102,943
March	0.79	0.50	21,533,312
February	0.60	0.45	7,942,971
January	0.68	0.40	9,036,036

Notes:

(1) Effective May 8, 2009, the Company announced that in conjunction with the Share Consolidation and until such time as the TSX approved a similar consolidation of the RHL Warrants, each RHL Warrant would entitle a holder to acquire $^1/_6$ of a Common Share. Effective June 3, 2008, the Company consolidated the RHL Warrants on a 1:6 basis, with the result that each consolidated warrant now entitles its holder to acquire one share of the Company at a price of $7.80.

(2) On February 6, 2008, the Company listed the RHL Warrants on the TSX. Prior to that date, the RHL Warrants were listed on the Venture Exchange.

The Debentures are listed on the TSX under the trading symbol "PRE.DB", and commenced trading on August 28, 2008. The following table sets out the high and low trading of the Debentures for the periods indicated as reported by the TSX.

Period (2008)	High	Low	Trading Volume
December	70.50	55.00	66,880
November	78.02	62.50	27,470
October	93.00	70.00	213,230
September	99.94	90.00	101,900

Prior Sales

There are no securities of the Company that were issued but not listed on a marketplace during the most recently completed financial year of the Company, other than the following:

Date of Sale	Type of Security	Number of Securities	Exercise/Conversion Price	Expiry Date
February 11, 2008	Stock Options	9,024,998[(1)]	$7.38[(1)]	February 11, 2013
April 16, 2008	Stock Options	9,583[(2)]	$8.46[(2)]	April 16, 2013
October 23, 2008	Stock Options	4,695,863	$4.70	October 23, 2013

Notes:

(1) Net of exercises during the year. On February 11, 2008, 61,215,000 options were granted at an exercise price of $1.23. Effective May 8, 2008, the options of the Company were consolidated on a 1:6 basis and exercise prices of such options adjusted accordingly. Post-consolidation numbers are provided in the chart above.

(2) On April 16, 2008, 57,500 options were granted at an exercise price of $1.41. Effective May 8, 2008, the options of the Company were consolidated on a 1:6 basis and exercise prices of such options adjusted accordingly. Post-consolidation numbers are provided in the chart above.

Escrowed Securities

There are currently no Common Shares held in escrow.

DIRECTORS AND OFFICERS

Directors and Officers of the Company

As of March 27, 2009, the directors and executive officers of the Company (as a group) owned, or exerted direction or control over, a total of 33,764,051 Common Shares, representing 16.02% of the Company's total outstanding Common Shares.

The following table sets forth the name and municipality of residence of each director and executive officer of the Company, as well as such individual's position within the Company, principal occupation within the five (5) preceding years and number of Common Shares of the Company beneficially owned by each such director or executive officer. Information as to residence, principal occupation and Common shares owned is based upon information furnished by the person concerned and is as at the date of this AIF.

Name, Municipality of Residence and Current Position with the Company	Director Since	Principal Occupation	Common Shares Owned[1]
Serafino Iacono[2] Firenze, Italy Co-Chairman	January 23, 2008	Co-Chairman of the Board of the Company since January 23, 2008; Co-Chairman of the Board of Pacific Stratus from August 21, 2006 to January 23, 2008. Chief Executive Officer of Bolivar Gold Ltd., a gold producer, from February 2003 to February 2006.	455,515
Miguel de la Campa[2][4][5] Caracas, Venezuela Co-Chairman	January 23, 2008	Co-Chairman of the Board of the Company since January 23, 2008; Co-Chairman of the Board of Pacific Stratus from August 21, 2006 to January 23, 2008. President and Chief Operating Officer of Bolivar Gold Ltd., a gold producer, from February 2003 to February 2006.	200,001
Ronald Pantin[2] Caracas, Venezuela Chief Executive Officer, Director	May 22, 2007	Chief Executive Officer of the Company since May 2007. President of Enron Venezuela from May 2000 to March 2002.	25,250
José Francisco Arata[2][6] Caracas, Venezuela President, Director	January 23, 2008	President of the Company since January 23, 2008; Chief Executive Officer and director of Pacific Stratus from August 21, 2006 to January 23, 2008; and Executive Vice President, Exploration of Bolivar Gold Ltd. from July 1997 to February 2006.	344,765
German Efromovich[3] São Paulo, Brazil Director	June 16, 2007	Entrepreneur and director of Synergy Group of Companies, which is involved in ship and drilling rig leasing and manufacturing, oil production and aviation.	16,283,530[7]

Name, Municipality of Residence and Current Position with the Company	Director Since	Principal Occupation	Common Shares Owned[1]
Neil Woodyer[4] Monaco Director	February 22, 2008	Chief Executive Officer of Endeavour Financial.	Nil
Augusto Lopez[5] Bogota, Colombia Director	April 30, 2008	Managing Partner of Latino Americana de Consultores de Negocios, a consulting firm. Chairman of Mercurius Ventures, a risk capital management firm.	Nil
Miguel Rodriguez[3][4][6] Caracas, Venezuela Director	April 30, 2008	Business Consultant. Professor of Economics, Instituto de Estudios Superiores de Administración (IESA), Caracas, from 1984-2006. Dean, Faculty of Economics and Social Sciences, Universidad Santa María, from 2002-2004. Chairman Astra Fund (Davos Group) from 2005-2006, Chairman Incofin, Inc. (Davos Group) from 1997-2006, and President of MRConsultores and Incofin, Inc., 1995-2006.	4,167
Jose Efromovich[3] São Paulo, Brazil Director	April 30, 2008	Senior Executive, Synergy Group of Companies, which is involved in ship and drilling rig leasing and manufacturing, oil production and aviation.	16,283,530[7]
John Zaozirny [5][6] Alberta, Canada Director	June 18, 2007	Vice-chairman of Canaccord Capital Corporation, and Corporate Director.	16,667
Carlos Perez Caracas, Venezuela Chief Financial Officer	N/A	Chief Financial Officer of the Company since June 18, 2007. Vice President of Petrolago, S.A. from August 2002 to June 2007.	16,000
Peter Volk Toronto, Ontario Canada General Counsel, Secretary	N/A	General Counsel and Secretary of the Company since January 23, 2008. Previously General Counsel and Secretary of Pacific Stratus from October 26, 2004 to January 23, 2008. General Counsel and Secretary of Bolivar Gold Corp., a gold producer, from July 1997 to February 2006.	22,250
Eduardo Lima Panama City, Panama Senior Vice President, Projects Development	N/A	Senior Vice President, Projects Development of the Company since January 23, 2008. Senior Vice President Business Development of the Company from June 2007 to January 2008. President of Servicom-e S.A. from October 2005 to May 2007. Technical Vice President of Vengas (Enron Venezuela) from December 2000 to June 2003.	51,334
Luis Andres Rojas Caracas, Venezuela Senior Vice President, Production	N/A	Senior Vice President, Production of the Company since January 23 2008. Chief Operating Officer of the Company from May 2007 to January 2008. Senior Consultant of Consultores Energicos Venezolanos from June 2004 to May 2007. President of PDVSA Itevep from September 2002	30,250

Name, Municipality of Residence and Current Position with the Company	Director Since	Principal Occupation	Common Shares Owned[1]
		to January 2003.	
Nelson Lee Markham, Ontario, Canada Senior Vice President, Financial	N/A	Senior Vice President, Financial since January 23, 2008. Chief Financial Officer of Medoro Resources Ltd. since October 16, 2006. Director of Finance of SMTL Manufacturing from January 2006 to June 2006. Corporate Controller of Cygnal Tech from August 2002 to November 2005.	Nil
Marino Ostos Caracas, Venezuela Senior Vice President, New Business	N/A	Senior Vice President, New Business of the Company since January 23, 2008. Chief Operating Officer of Pacific Stratus from August 2006 to October 2007. President Colombian Operations of Pacific Stratus from May 2006 to May 2007. President and Chief Executive Officer of Pacific Stratus from October 2004 to August 2006. Principal of Estudios de Ingenieria Geologica LITOS C.A. from December 1999 to October 2004.	Nil
Jairo Lugo Caracas, Venezuela Senior Vice President, Exploration	N/A	Senior Vice President, Exploration of the Company since January 23, 2008. Executive Vice President, Exploration of Pacific Stratus from October, 2004 to January, 2008. Director of Exploration of Arauca Energy Group from April, 2003 to October, 2004. Exploration coordinator for PDVSA 2000-2002, G&G Manager for PDVSA-CVP 1998-2000, and various exploration geologist positions from 1990-1998 for PDVSA.	4,875
Daniel Loureiro Caracas, Venezuela Senior Vice President, Geosciences	N/A	Senior Vice President, Geosciences of the Company since January 23, 2008. Corporate Vice President, New Business of Pacific Stratus from September 2005 to January, 2008. New Business Manager of Estudios de Ingenieria Geologica LITOS C.A. from April, 2003 to September, 2005.	3,917
Luis Pacheco Caracas, Venezuela Senior Vice President, Planning		Senior Vice President, Planning of the Company since 2008. Dr. Pacheco has over 27 years of experience in the energy industry, including 17 years in the Venezuelan oil industry. While in PDVSA, he held a number of senior positions including Managing Director of BITOR and Executive Director for Corporate Planning. He holds a Ph.D. degree in Mechanical Engineering from the Imperial College, University of London (1981). Prior to joining the company he was special advisor on strategy and energy to the Presidency of CANTV (2005-2007). For a number of years Dr. Pacheco lectured at Uiversidad Simon Bolivar and he is presently Visiting Lecturer at the Instituto de Estudios Superiores de Administracion (IESA) and UNIANDES.	22,000

Notes:

(1) Common Shares beneficially owned, or controlled or directed, directly or indirectly, or over which control or direction is exercised.

(2) Member of the Executive Committee.

(3) Member of the Audit Committee.

(4) Member of the Compensation Committee.

(5) Member of the Nominating and Governance Committee.

(6) Member of the Reserves Committee.

(7) A total of 16,283,530 Common Shares are held by PF One, a company in which German Efromovich and Jose Efromovich each hold a controlling interest.

Corporate Cease Trade Orders

Except as disclosed below, no director or executive officer of the Company, is, or within the ten years prior to the date hereof, has been a director, chief executive officer or chief financial officer of any company that was the subject of a cease trade order or similar order or an order that denied the relevant company access to any exemptions under securities legislation for a period of more than 30 consecutive days, while such director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer of the company being the subject of such order, or that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer in the company being the subject of such order and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer of the subject company.

Serafino Iacono, a director of the Company, Miguel de la Campa, a director of the Company and Peter Volk, the General Counsel and Secretary of the Company, as directors and/or officers of Chivor Emerald Company Limited, are subject to cease trade orders of the Ontario Securities Commission dated June 15, 2000 due to the failure to file financial statements within prescribed time periods. These statements were not filed due to Chivor Emerald Company Limited's lack of funds to pay for an audit of such financial statements.

Corporate Bankruptcies

No director or executive officer, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, is or within ten years prior to the date hereof, has been a director or executive officer of any company, that while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Penalties or Sanctions

No director or executive officer of the Company, and no shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

Personal Bankruptcies

No director or executive officer of the Company, and no shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, nor any personal holding

company of any such person, has, during the ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or has been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his, her or its assets.

Conflicts of Interest

There are potential conflicts of interest to which the directors or officers of the Company may be subject in connection with the operations of the Company. All of the directors and officers are engaged in and will continue to be engaged in corporations or businesses which may be in competition with the business of the Company. Accordingly, situations may arise where the directors and officers will be in direct competition with the Company. Conflicts, if any, will be subject to the procedures and remedies as provided under the BCCA.

The Company's directors and officers may serve as directors or officers of other companies or have significant shareholdings in other resource companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. If such conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. From time to time several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for the participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the Company making the assignment. In accordance with the laws of the province of British Columbia, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

Currently, Miguel de la Campa, Serafino Iacono and Jose Francisco Arata, each of whom are directors of the Company, and Peter Volk, who is an officer of the Company, are officers and/or directors of Medoro Resources Ltd., a TSX Venture-listed gold exploration company. Miguel de la Campa, Serafino Iacono and Jose Francisco Arata directly or indirectly own shares in, or provide investment advice to shareholders of, Blue Pacific Assets Corp., which rents office space to the Company. In addition, Neil Woodyer is a director and officer of Endeavour Financial, a public company which, among other things, provides financial advisory services to the resource sector, and an officer of Yamiri Gold and Energy Inc., a publicly-traded precious metals and uranium exploitation company. Additionally, John Zaozirny is a director of Canaccord Capital Corporation which, among other things, provides financial advisory services to the resource sector.

LEGAL PROCEEDINGS

From time to time, the Company is the subject of litigation arising out of the Company's operations. Damages claimed under such litigation may be material or may be indeterminate and the outcome of such litigation may materially impact the Company's financial condition or results of operations. While the Company assesses the merits of each lawsuit and defends itself accordingly, the Company may be required to incur significant expenses or devote significant resources to defend itself against such litigation. These claims (if any) are not currently expected to have a material impact on the Company's financial position.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed herein, management of the Company does not have any material interest in any transactions or any proposed transactions which has materially affected or will materially affect the Company or any of its subsidiaries.

Pursuant to agreements dated May 25, 2007 and October 19, 2007 the Company acquired RHL from RHC and PF One. PF One is a company controlled by German Efromovich and his brother Jose Efromovich. German Efromovich was appointed to the board of directors of the Company at the closing of the RHL Acquisition and Jose Efromovich was elected to the board at the annual and special meeting of the Company on April 30, 2008. Business acquisition reports dated September 28, 2007 and February 12, 2008 describe in more detail the RHL Acquisition and the acquisition of the remaining 25% of RHL, respectively, and are available on SEDAR at www.sedar.com.

Employment Contracts

All of the Company's officers (in total, 13 persons) have employment contracts with the Company (the "**Employment Agreements**") that provide for termination payments in certain circumstances. An amount equal to two times the officer's annual salary is payable in the event that the officer is terminated without cause, and each officer is entitled to terminate his employment with the Company and receive a payment in an amount equal to three times the officer's annual salary if: (a) there is a "change of control" of the Company; and (b) a specified "trigger event" occurs. The officer has a period of 120 days from the occurrence of the trigger event to exercise his termination right under the Employment Agreement.

A "change of control" under the Employment Agreements includes the occurrence of any of the following events: (a) the acquisition of a 50% voting interest in the Company by a shareholder of the Company; (b) the completion of a consolidation, merger, amalgamation or statutory arrangement between the Company and another person (other than a subsidiary of the Company) pursuant to which all or part of the outstanding voting shares of the Company are changed in any way, reclassified or converted into, exchanged or otherwise acquired for shares or other securities of the Company or any other person or for cash or any other property; (c) the sale by the Company of property or assets, (i) aggregating more than 50% of the consolidated assets of the Company and its subsidiaries as at the end of the most recently completed financial year of the Company, or (ii) which during the most recently completed financial year of the Company generated, or during the then current financial year of the Company are expected to generate, more than 50% of the consolidated operating income or cash flow of the Company, to any other person or persons (other than the Company or one or more of its subsidiaries); and (iv) a change in the composition of the Board of Directors, which occurs at a single meeting of the shareholders of the Company or a succession of meetings occurring within six months of each other, whereby individuals who were members of the Board of Directors immediately prior to such meeting or succession of meetings, as applicable, cease to constitute a majority of the Board of Directors.

A "trigger event" under the Employment Agreements prior to their amendment included the occurrence of any of the following events: (i) a change (other than a promotion) in the officer's position or duties, responsibilities, title or office with the Company; (ii) a reduction in the officer's salary, benefits or any other form of remuneration; (iii) a failure by the Company to continue in effect any benefit, bonus, profit sharing, incentive, remuneration or compensation plan, stock ownership or purchase plan, pension plan or retirement plan in which the officer is participating or entitled to participate; (iv) a change in the municipality in which the officer is regularly required to carry out the terms of his employment; (v) a failure by the Company to maintain the officer's prior paid vacation entitlement; (vi) the Company or its subsidiaries taking any action to deprive the officer of any material fringe benefit (not previously listed);

(vii) there is a material breach by the Company of any provision of the Employment Agreement; (viii) the officer determines in good faith that the officer's status in the Company is diminished or the officer is being effectively prevented from carrying out his duties or responsibilities; (ix) the successor, if any, fails to effectively assume the Company's obligations under the Employment Agreement; or (x) any two of Serafino Iacono, Miguel de la Campa, Ronald Pantin and Jose Francisco Arata cease to be directors of the Company.

Other than pursuant to the Employment Agreements, there is no compensatory plan, contract or arrangement where an officer is entitled to receive more than $100,000 from the Company or its subsidiaries, including periodic payments or installments, in the event of (a) the resignation, retirement or any other termination of the officer's employment with the Company or its subsidiaries; (b) a change of control of the Company or any of its subsidiaries; or (c) a change in the officer's responsibilities following a change in control.

Five members of management of the Company, in addition to the officers, also have employment agreements with the Company containing change of control provisions (including trigger events) similar to those contained in the Employment Agreements that would result in change of control payments ranging from the equivalent of six months' to two years' salary.

TRANSFER AGENT AND REGISTRAR

Equity Transfer & Trust Company, 200 University Ave., Suite 400, Toronto, Ontario, M5H 4H1, is the transfer agent and registrar for the Common Shares and warrants of the Company.

MATERIAL CONTRACTS

The Company did not enter into any material contracts during the most recently completed financial year, and has not entered into any material contract since January 1, 2002 and before the most recently completed financial year that is still in effect, other than material contracts entered into in the ordinary course of business that are not required to be filed under National Instrument 51-102 – *Continuous Disclosure Obligations* and the contracts set forth below:

(a) the Amending Agreement dated January 14, 2008 between Petro Rubiales Energy Corp. and Pacific Stratus Energy Ltd.;

(b) the Amended and Restated Warrant Indenture dated July 12, 2007 between Petro Rubiales Energy Corp. and Pacific Corporate Trust Company;

(c) the Underwriting Agreement dated August 7, 2008; and

(d) the Debenture Indenture dated August 7, 2008.

INTERESTS OF EXPERTS

The auditors of the Company are Ernst & Young LLP, Chartered Accounts, Vancouver, British Columbia. Ernst & Young LLP are independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia. Ernst & Young LLP were first appointed auditors of the Company on August 8, 2007.

As of the date hereof, neither the independent petroleum expert, Petrotech nor the designated professional (John Yu) of Petrotech, directly or indirectly owned any of the outstanding Common Shares or other

securities of the Company. No director, officer or employee of Petrotech is to be or has been elected, appointed or employed by the Company.

AUDIT COMMITTEE INFORMATION

The Audit Committee's Charter

The full text of the Company's Audit Committee Charter is appended to the Company's Management Information Circular dated March 28, 2008 which is filed on SEDAR at www.sedar.com.

Composition of the Audit Committee and Relevant Education and Experience

The Audit Committee is comprised of three directors of the Company, German Efromovich, Jose Efromovich and Miguel Rodriguez. All of the members of the audit committee are independent and financially literate for purposes of Multilateral Instrument 52-110 – Audit Committees. Each has a minimum of 30 years' business experience and each has held or currently holds executive positions that required oversight and understanding of the accounting principles underlying the preparation of the Company's financial statements.

Mr. German Efromovich, a mechanical engineer by training, is the head of the Synergy Group of Companies, which holds interests in aviation, oil and gas, medical products and others. An entrepreneur involved in numerous countries since 1977, Mr. Efromovich has extensive experience in reading and evaluation of financial statements, and as such, is aware of the controls and other procedures necessary for financial control and reporting.

Mr. Jose Efromovich is a senior executive with the Synergy Group of Companies, which is involved in ship and drilling rig leasing and manufacturing, oil production and aviation. Mr. Efromovich has the ability to read and understand financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

Mr. Rodriguez holds a doctorate degree in economics from Yale University, and has taught economics at various post-secondary institutions. Mr. Rodriguez has served as the President of the Central Bank of Venezuela, Minister of Economics and Planning of Venezuela, and headed the negotiations restructuring US$20 billion of Venezuelan external debt under the Brady Plan. Internationally, he has acted as the Governor to the Interamerican Development Bank and the World Bank, and Governor to the International Monetary Fund.

Audit Committee Oversight

The Audit Committee is mandated to monitor audit functions, the preparation of financial statements, review press releases on financial results, review other regulatory documents as required, and meet with outside auditors independently of management.

Pre-Approval Policies and Procedures

The Audit Committee requires the Company to obtain Audit Committee approval for any non-audit services exceeding immaterial amounts. The Audit Committee has pre-approved certain limited non-audit services under prescribed limits; for all services above these limits, specific committee consideration and approval is required.

External Auditor Service Fees (By Category)

The following are the aggregate fees incurred by the Company for services provided by its external auditors during fiscal 2007 and 2008:

		2008	2007
1.	Audit Fees	US$1,328,199	US$402,466
2.	Audit Related Fees[1]	398,756	478,539
3.	Tax Fees	211,597	78,000
4.	All Other Fees	Nil	Nil
	Total	**US$1,938,552**	**US$959,505**

Note:

(1) Audit related fees relate to services in connection with financings, filing statement, audits and accounting consultations in connection with business acquisition reports and purchase price allocation as well as merger and acquisition due diligence.

ADDITIONAL INFORMATION

Additional information about the Company, including, but not limited to, directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under the Company's stock option plan is contained in the management information circular of the Company dated March 28, 2008. Additional financial information is provided in the audited annual financial statements and management's discussion and analysis for the year ended December 31, 2008 and the unaudited interim financial statements. This information other pertinent information regarding the Company can be found on SEDAR at www.sedar.com.