PACIFIC RUBIALES ENERGY CORP.

Interim Consolidated Financial Statements

For the three months ended March 31, 2010 and 2009

(Unaudited)

(In United States dollars)

PACIFIC RUBIALES ENERGY CORP.
Interim Consolidated Balance Sheet
(Unaudited)

(In thousands of U.S. dollars)	As at March 31 2010	As at December 31 2009
ASSETS		
Current		
Cash and cash equivalents	$ 606,447	$ 398,849
Restricted cash	10,035	8,712
Accounts receivable	124,131	134,968
Inventories	38,707	38,996
Risk management assets (note 14 c)	10,659	-
Income tax receivable	-	5,116
Prepaid expenses	5,254	4,449
Future income tax	2,458	2,693
	797,691	593,783
Property, plant and equipment (note 3)	2,004,686	1,991,425
Intangible assets (note 9)	187,072	-
Restricted cash	-	2,059
Investments and other assets (note 4)	79,522	74,758
Goodwill	100,636	100,636
	$ 3,169,607	$ 2,762,661
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 278,494	$ 180,153
Risk management liability (note 14 e)	17,114	23,538
Income tax payable	42,850	2,685
Current portion of long-term debt (note 6)	14,032	13,128
Current portion of obligations under capital lease (note 7)	3,822	1,920
Future income tax	4,387	846
	360,699	222,270
Long-term debt (note 6)	437,014	442,159
Obligations under capital lease (note 7)	37,536	38,521
Convertible debentures (note 8)	173,261	165,611
Risk management liability (note 14 e)	1,380	1,720
Future income tax	386,200	382,625
Asset retirement obligation (note 5)	9,057	8,778
	1,405,147	1,261,684
SHAREHOLDERS' EQUITY		
Common shares (note 10 a)	1,612,699	1,364,687
Contributed surplus	107,666	136,934
Equity component of convertible debentures (note 8)	66,118	66,130
Accumulated other comprehensive income	12,855	229
Deficit	(34,878)	(67,003)
	1,764,460	1,500,977
	$ 3,169,607	$ 2,762,661

See accompanying notes to the consolidated financial statements

PACIFIC RUBIALES ENERGY CORP.
Interim Consolidated Statements of Operations
For the three months ended March 31,
(Unaudited)

(In thousands of U.S. dollars, except share and per share amounts)	**2010**	**2009**
Revenues		
Net sales	$ 380,523	$ 110,000
Cost of operations		
Operating	136,232	47,805
Underlift	(4,865)	(645)
Depletion, depreciation and amortization	64,836	43,303
	196,203	90,463
Earnings before undernoted	184,320	19,537
Expenses		
General and administrative	19,501	13,043
Stock-based compensation (note 10 b)	40,822	64
	60,323	13,107
Operating income	123,997	6,430
Other (expenses) income		
Foreign exchange (loss) gain	(31,749)	60,932
Income (loss) from equity investment (note 4)	36	(7)
Interest expense	(14,195)	(5,847)
Gain on risk management contracts (note 14 e)	5,018	5,546
Other expense	(1,658)	(10,675)
	(42,548)	49,949
Net income before income taxes	81,449	56,379
Income tax expense (recovery)		
Current	57,077	4,168
Future	(7,753)	(425)
	49,324	3,743
Net income	$ 32,125	$ 52,636
Net income per share (note 15)		
- Basic	$ 0.13	$ 0.25
- Diluted	$ 0.13	$ 0.25

See accompanying notes to the consolidated financial statements

PACIFIC RUBIALES ENERGY CORP.
Interim Consolidated Statements of Comprehensive Income
For the three months ended March 31,
(Unaudited)

(In thousands of U.S. Dollars)		**2010**		**2009**
Net Income	$	32,125	$	52,636
Other Comprehensive Income				
Unrealized foreign currency translation adjustment - net of nil tax (note 4)		4,590		-
Unrealized gain on cash flow hedges - net of nil tax (note 14 c)		8,036		-
		12,626		-
Comprehensive Income	$	44,751	$	52,636

See accompanying notes to the consolidated financial statements

PACIFIC RUBIALES ENERGY CORP.
Interim Consolidated Statements of Changes in Shareholders' Equity
For the three months ended March 31,
(Unaudited)

(In thousands of U.S. Dollars)	**2010**	**2009**
Common shares		
Balance, beginning of period	$ 1,364,687	$ 1,187,925
Issued on exercise of warrants	223,079	213
Issued on exercise of options	24,889	198
Issued on conversion of convertible debentures (note 8)	44	-
Balance, end of period	1,612,699	1,188,336
Contributed surplus		
Balance, beginning of period	136,934	158,660
Exercise of warrants	(62,321)	-
Exercise of options	(7,769)	(146)
Stock-based compensation (note 10 b)	40,822	64
Balance, end of period	107,666	158,578
Equity component of convertible debentures		
Balance, beginning of period	66,130	66,130
Conversion to common shares (note 8)	(12)	-
Balance, end of period	66,118	66,130
Accumulated other comprehensive income		
Balance, beginning of period	229	229
Other comprehensive income	12,626	-
Balance, end of period	12,855	229
Retained earnings (deficit)		
Balance, beginning of period	(67,003)	86,571
Net income	32,125	52,636
Balance, end of period	(34,878)	139,207
Total shareholders' equity	$ 1,764,460	$ 1,552,480

See accompanying notes to the consolidated financial statements

PACIFIC RUBIALES ENERGY CORP.
Interim Consolidated Statements of Cash Flows
For the three months ended March 31,
(Unaudited)

(In thousands of U.S. dollars)	**2010**	**2009**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 32,125	$ 52,636
Items not affecting cash:		
Depletion, depreciation and amortization	64,836	43,303
Asset retirement obligation accretion (note 5)	279	482
Unrealized gain on risk management contracts	(8,900)	(5,546)
Stock-based compensation (note 10)	40,822	64
Future income tax	(7,753)	(425)
Unrealized foreign exchange loss (gain)	33,699	(60,932)
Other	(4,381)	1,966
Changes in non-cash working capital (note 12)	114,016	(9,428)
Net cash provided by operating activities	264,743	22,120
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to oil and gas properties and equipment	(43,617)	(100,823)
Additions to intangible assets (note 9)	(190,000)	-
Decrease in restricted cash	736	4,413
Other	-	96
Net cash used in investing activities	(232,881)	(96,314)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from long-term debt	4,851	25,293
Repayment of debt	(3,947)	(6,046)
Proceeds from the exercise of warrants and options	177,878	265
Net cash provided by financing activities	178,782	19,512
Effect of exchange rate changes on cash and cash equivalents	(3,046)	486
Change in cash and cash equivalents during the year	207,598	(54,196)
Cash and cash equivalents, beginning of the year	398,849	90,391
Cash and cash equivalents, end of the year	$ 606,447	$ 36,195
Cash and cash equivalents are comprised of:		
Cash	$ 554,910	$ 35,817
Short-term money market instruments	51,537	378
	$ 606,447	$ 36,195

Supplemental disclosure with respect to cash flows (note 12)

See accompanying notes to the consolidated financial statements

(U.S. $ thousands, except share and per share amounts or unless otherwise stated)

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Pacific Rubiales Energy Corp. (the "Company"), is a publicly traded oil and gas company engaged in the exploration, development and production of heavy crude oil and natural gas in Colombia and Peru.

These unaudited interim consolidated financial statements of the Company which include the accounts of the Company and its subsidiaries have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP"). The unaudited interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the audited consolidated financial statements for the fiscal year ended December 31, 2009, except as noted in note 2. The unaudited interim consolidated financial statements do not include all of the disclosures included in the annual audited consolidated financial statement and accordingly should be read in conjunction with the audited annual consolidated financial statements and the notes thereto in the Company's annual report for the year ended December 31, 2009.

2. CHANGES IN AND ADOPTION OF ACCOUNTING POLICIES

a) Business Combinations/Consolidated Financial Statements/Non-Controlling Interests

In January 2009, the CICA issued Handbook Sections 1582, "Business Combinations" ("Section 1582"), 1601, "Consolidated Financial Statements" ("Section 1601") and 1602, "Non-controlling Interests" ("Section 1602"). Section 1582 replaces CICA Handbook Section 1581, "Business Combinations", and establishes standards for the accounting for business combinations that are equivalent to the business combination accounting standard under IFRS. Section 1582 is applicable prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011, with early adoption permitted. Section 1601 together with Section 1602 replaces CICA Handbook Section 1600, "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements and Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. Sections 1601 and 1602 are applicable for interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011, with early adoption permitted. An entity must adopt Section 1582, 1601 and 1602 at the same time. The Company has adopted these standards effective January 1, 2010 and the adoption did not have a material impact on the results of operations or financial position.

b) Intangible assets

Intangible assets are recorded at their fair value on the date of acquisition. Intangible assets with finite useful lives are amortized over their useful lives. The Company does not have intangible assets that have an infinite life and would not be subject to amortization. The Company applies an impairment test to the carrying value of the intangible asset to ensure that such costs do not exceed the estimated amount ultimately recoverable. Any reduction in the carrying value, as a result of the impairment test, is included in depletion, depreciation and amortization expense. The intangible asset is amortized based on the usage of the 160 million barrel capacity over the term of the agreement.

3. PROPERTY, PLANT AND EQUIPMENT

	March 31, 2010		
	Cost	Accumulated DD & A	Net Book Value
Oil and gas properties and equipment	$ 2,326,585	$ 370,128	$ 1,956,457
Corporate and other	20,652	8,867	11,785
Power generation unit under capital lease	38,783	2,339	36,444
	$ 2,386,020	$ 381,334	$ 2,004,686

(U.S. $ thousands, except share and per share amounts or unless otherwise stated)

3. PROPERTY, PLANT AND EQUIPMENT (continued)

	December 31, 2009		
	Cost	Accumulated DD & A	Net Book Value
Oil and gas properties and equipment	$ 2,251,675	$ 309,725	$ 1,941,950
Corporate and other	20,393	8,092	12,301
Power generation unit under capital lease	38,783	1,609	37,174
	$ 2,310,851	$ 319,426	$ 1,991,425

$998 million (December 31, 2009 – $1.07 billion) in future capital expenditures has been included in the calculation of depletion, depreciation and amortization. The cost of oil and gas properties and equipment was reduced by the tax benefit of $106.6 million (December 31, 2009 - $100.3 million) arising from the 30% (40% before 2010) special tax deduction on qualified expenditures in Colombia.

During 2009 the Company entered into a power generation arrangement to supply electricity to three of its oil fields in Colombia. The arrangement is accounted for as a capital lease. Under this accounting treatment, the Company has recorded its proportionate share of the leased asset and obligation. The asset is amortized using the unit of production method over the term of the lease. Amortization expense of $2.3 million (March 31, 2009 - $nil) related to the leased property is charged to depletion, depreciation and amortization as at March 31, 2010.

Included in oil and gas properties and equipment is $210.6 million (December 31, 2009 – $191 million) of unproved properties that were excluded from the depletion, depreciation and amortization calculation.

4. INVESTMENTS AND OTHER ASSETS

The investments and other assets consist of the following:

	ODL (1)	Ronter (2)	Other	Total
As at December 31, 2009	$ 64,245	$ 9,943	$ 570	$ 74,758
Acquisition (disposition)	-	-	138	138
Income (loss) from equity investment	(138)	174	-	36
Foreign currency translation	4,590	-	-	4,590
As at March 31, 2010	$ 68,697	$ 10,117	$ 708	$ 79,522

(1) The investment represents a 35% interest in ODL Finance S.A. (“ODL”), a special purpose Panamanian company with a Colombian branch that has constructed an oil pipeline for the transportation of heavy crude oil produced out of the Rubiales field. The remaining 65% interest is owned by Ecopetrol S.A., the national oil company of Colombia. The investment is accounted for using the equity method and the Company’s share of net income or loss is included as income (loss) from equity investment.

ODL’s functional currency is the Colombian peso and is accounted for as a self-sustaining operation as at March 31, 2010. The currency translation adjustment upon conversion to US dollars has been recorded in other comprehensive income as at March 31, 2010. As at December 31, 2009 ODL was accounted for as an integrated operation. ODL’s operations became self-sustaining when the pipeline was fully operational upon the completion of phase two of the construction of the pipeline.

The Company has ship or pay contracts with ODL for the transportation of crude oil from the Rubiales field to Colombia´s oil transportation system, for a total commitment of $464 million over a seven-year period.

(2) The investment in Ronter Inc. (“Ronter”) represents a 21.7% indirect interest in Promotora de Energia Electrica de Cartagena & Cia, S.C.A. ESP (“Proelectrica”). Proelectrica is a private, Cartagena, Colombia-based 90 megawatt electrical utility peak demand supplier to the local Cartagena utility. This investment is accounted for using the equity method and the Company’s share of Proelectrica’s net income or loss is included as income (loss) from equity investment.

(U.S. $ thousands, except share and per share amounts or unless otherwise stated)

5. ASSET RETIREMENT OBLIGATION

The amount required to settle the future asset retirement obligation was estimated by management based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim those wells and facilities and estimated timing of the costs to be incurred in future periods. The Company has estimated its total asset retirement obligations to be $9.1 million (December 31, 2009 - $8.8 million) based on a total undiscounted future liability of $39.4 million as of March 31, 2010 and December 31, 2009, and annual inflation rates ranging from 3.2% to 6.0% until the time the liability is settled. The obligation is expected to be settled at the end of the useful lives of the underlying assets determined by the expiration date on concession agreements which is expected to be incurred subsequent to 2016. The obligation has been discounted using credit-adjusted risk-free interest rates ranging from 12% to 15% as of March 31, 2010 and December 31, 2009.

Changes to the asset retirement obligation during the period were:

	March 31 2010	March 31 2009
Balance, beginning of the period	$ 8,778	$ 14,671
Accretion expense	279	482
Balance, end of the period	$ 9,057	$ 15,153

6. LONG-TERM DEBT

	Maturity	Currency	Interest Rate	March 31, 2010	December 31, 2009
Prommisory note (1)	September, 2010	COP	10.48%	$ 1,459	$ 1,205
Prommisory note (1)	December 24, 2010	COP	10.00%	-	7,338
Prommisory note (1)	November 30, 2010	COP	9.70%	-	3,812
Prommisory note (1)	March 30, 2010	COP	9.70%	-	773
Prommisory note (1)	May 17, 2010	COP	4.75%	11,796	-
Prommisory note (1)	July 03, 2010	COP	4.43%	777	-
Senior notes	(2)	USD	8.75%	437,014	442,159
				$ 451,046	$ 455,287
Current portion				$ 14,032	$ 13,128
Long-term debt				437,014	442,159
				$ 451,046	$ 455,287
Convertible debenture (note 8)				173,261	165,611
				$ 624,307	$ 620,898

(1) Unsecured, repayable in equal monthly instalments.

(2) The Company has outstanding senior notes with an aggregate principal amount of $450 million and maturity dates of November 10, 2014 (33.3%), November 10, 2015 (33.3%), and November 10, 2016 (33.4%). The interest rate on the notes is 8.75%, payable on May 10 and November 10 of each year, beginning on May 10, 2010. The notes may be redeemed in whole (but not in part) at any time at the discretion of the Company with a redemption price equal to the greater of (1) 100% of the principal amount of the notes to be redeemed, and (2) the sum of the present values of the remaining scheduled payments of principal and interest discounted to the date of redemption on a semi-annual basis at the applicable treasury rate plus 75 basis points, in each case plus accrued and unpaid interest on the outstanding principal amount. The notes are senior unsecured and will rank equal in right of payment with all of the Company's existing and future senior unsecured debt. The notes are on the Official List of the Luxembourg Stock Exchange and trade on the Euro MTF. Under the terms of the notes, the Company is required to maintain (1) an interest coverage ratio of greater than 2.5; and (2) a debt to EBITDA ratio of less than 3.5. The covenants would not apply during any period of time if the notes have an investment grade rating from at least two rating agencies.

The senior notes are carried at amortized cost using the effective interest rate method with note discount and transaction costs netted against the principal of the revolving credit facility. For the three months ended March 31, 2010, $10 million (2009 – $nil) in interest expense related to the senior notes has been recorded in the statements of operations.

(U.S. $ thousands, except share and per share amounts or unless otherwise stated)

7. OBLIGATIONS UNDER CAPITAL LEASE

The Company has entered into a power generation arrangement to supply electricity for three of its oil fields in Colombia until June 2016. The arrangement has been accounted for as a capital lease with an effective interest rate of 18.9%. Under this arrangement, the Company's proportionate share of annual minimum lease payments is as follows:

	March 31, 2010	December 31, 2009
Within 1 year	$ 11,306	$ 9,524
Year 2	11,337	11,306
Year 3	11,306	11,337
Year 4	11,306	11,306
Year 5	11,306	11,306
Thereafter	14,156	16,944
Total minimum lease payments	$ 70,717	$ 71,723
Amounts representing interest	(29,359)	(31,282)
Present value of net minimum lease payments	41,358	40,441
Current portion	3,822	1,920
Long-term portion	37,536	38,521
Total obligations under capital lease	$ 41,358	$ 40,441

Interest expense of $1.9 million (March 31, 2009 – $nil) was incurred on the capital leases for the three months ended March 31, 2010.

8. CONVERTIBLE DEBENTURES

On August 28, 2008, the Company issued $228.2 million (C$240 million) of convertible unsecured subordinated debentures due August 29, 2013 and convertible into common shares of the Company at C$13 per share. The debentures bear interest at 8% annually and are payable semi-annually in arrears on June 30 and December 31.

The debentures have been classified into their debt and equity components. The fair value of the equity component was valued using the Black-Scholes option pricing model using the a risk free rate of 3.65%, no dividends paid, expected life of 5 years and an expected volatility of 50% with the residual of the cash received allocated to the debt component. As a result, on the issuance of the debentures, $149.7 million (net of $8.5 million issuance costs) was classified as the debt component and $66.1 million (net of $3.8 million issuance costs) was classified as the equity component. The debt component will accrete up to the principal balance over the term of the debenture using the effective interest method. The accretion and interest paid are expensed as interest expense yielding an effective annual rate of 18%.

	March 31 2010	March 31 2009
Balance, beginning of the period	$ 165,611	$ 132,001
Conversion to common shares	(32)	-
Accretion expense	3,039	2,105
Foreign exchange loss (gain) upon conversion to US$	4,643	(4,853)
Balance, end of the period	$ 173,261	$ 129,253

During the three months ended March 31, 2010, C$45 of the convertible debentures ($32 in amortized cost) was converted to 3,460 of the Company's common shares. The amortized cost of $32 and the corresponding equity portion of convertible debentures of $12 were reclassified to common shares as at March 31, 2010.

(U.S. $ thousands, except share and per share amounts or unless otherwise stated)

9. INTANGIBLE ASSETS

	March 31 2010	December 31 2009
Balance, beginning of the period	$ -	$ -
Additions	190,000	-
Amortization	(2,928)	-
Balance, end of the period	$ 187,072	$ -

In January 2010 the Company entered into an agreement with Oleoducto Central S.A. ("OCENSA") whereby the Company acquired preferential rights to the available capacity on the OCENSA pipeline system for up to 160 million barrels of its oil for a 10 year period beginning February 1, 2010, for a one-time payment of $190 million.

10. SHARE CAPITAL

(a) Authorized, issued and fully paid common shares

Unlimited number of common shares with no par value.

Continuity schedule of share capital and contributed surplus:

	Number of Shares	Amount
Balance, December 31, 2009	232,904,772	$ 1,364,687
Issued on exercise of warrants	27,106,081	223,079
Issued on exercise of options	2,022,119	24,889
Issued on conversion of convertible debentures	3,460	44
Balance, March 31, 2010	262,036,432	$ 1,612,699

(b) Stock options

The Company has established a "rolling" Stock Option Plan (the "Plan") in compliance with the TSX policy for granting stock options. Under the Plan, the maximum number of shares reserved for issuance may not exceed 10% of the total number of issued and outstanding common shares. The exercise price of each option shall not be less than the market price (as defined under TSX Policy) of the Company's stock at the date of grant.

A summary of the changes in stock options is presented below:

	Outstanding	Weighted average exercise price
Balance, December 31, 2009	19,223,131	C$ 7.60
Granted during the period	6,296,500	C$14.10
Exercised during the period	(2,022,119)	C$ 8.61
Balance, March 31, 2010	23,497,512	C$ 9.25

(U.S. $ thousands, except share and per share amounts or unless otherwise stated)

10. ***(b) Stock options*** (continued)

The following table summarizes information about the stock options outstanding and exercisable.

Outstanding & Exercisable	Exercise price	Expiry date	Remaining contractual life
227,426	C$1.92	May 2, 2010	0.1
10,075	C$1.92	October 16, 2011	1.5
1,757,502	C$2.22	August 21, 2011	1.4
25,000	C$2.79	February 11, 2014	3.9
2,596,956	C$4.70	October 23, 2013	3.6
200,001	C$5.70	May 9, 2017	7.1
745,003	C$6.30	July 10, 2017	7.3
948,959	C$6.78	April 20, 2012	2.1
7,004,756	C$7.38	February 11, 2013	2.9
6,251	C$8.46	May 3, 2012	2.1
9,583	C$8.46	April 16, 2013	3.0
10,000	C$10.86	July 30, 2014	4.3
3,829,500	C$13.09	October 12, 2014	4.5
6,007,000	C$14.08	February 9, 2015	4.9
71,500	C$14.31	October 12, 2014	4.5
30,000	C$14.57	January 6, 2015	4.8
18,000	C$19.00	March 16, 2015	5.0
23,497,512	C$ 9.25		3.8

The following stock options with a 5 year life were granted to employees, directors, consultants and institutions during the period. The fair value of the stock options granted during the three months ended March 31, 2010 totalled $40.8 million (March 31, 2009 - $64) which was recorded in net income as stock-based compensation.

Date of stock option grant	Granted	Exercise price	Fair value
January 6, 2010	30,000	C$14.57	C$7.27
February 9, 2010	6,248,500	C$14.08	C$6.93
March 16, 2010	18,000	C$19.00	C$8.82
	6,296,500	C$14.10	C$6.94

The fair values of the stock options issued have been calculated using the Black-Scholes option pricing model, based on the following assumptions:

Risk-free interest rate:	1.31% - 1.39%
Expected life:	2.5 years
Weighted expected volatility:	80%
Expected dividend yield:	0

(c) Warrants

Each warrant outstanding is exercisable into one common share.

The following table summarizes information about the warrants outstanding and exercisable at March 31, 2010.

(U.S. $ thousands, except share and per share amounts or unless otherwise stated)

10. ***(c) Warrants*** (continued)

Outstanding & exercisable	Exercise price	Expiry date
614,682	C$7.80	July 12, 2012

A summary of the changes in warrants is presented below.

	Outstanding & exercisable	Weighted average exercise price
Balance, January 1, 2009	44,803,552	C$7.72
Exercised during the year	(16,893,209)	C$7.59
Balance, December 31, 2009	27,910,343	C$7.80
Exercised during the period	(27,295,661)	C$6.30
Balance, March 31, 2010	614,682	C$7.80

On December 14, 2009, the Company's proposed offer of a cash payment of C$1.50 per warrant as an incentive for holders of the warrants to exercise their warrants during an early exercise period was approved by shareholders and warrantholders. The period commenced on December 14, 2009 and expired January 20, 2010. Warrantholders were able to exercise their warrants within this period to acquire one common share of the Company per warrant at an exercise price of C$6.30 instead of the original C$7.80 exercise price. As of December 31, 2009, 16,361,293 warrants had been exchanged for common shares under the early exercise program.

On January 12, 2010, the Company announced that greater than 66 2/3% of its publicly-traded warrants outstanding as of December 14, 2009 had been exercised pursuant to the early exercise transaction. As a result of reaching the 66 2/3% threshold, each warrant that had not been so exercised during the 30-day early exercise period was deemed automatically exchanged by the warrantholder, without any further action or payment of additional consideration on the part of the warrantholder (including payment of the exercise price thereof), for consideration payable by the Company of C$0.75 (the "Exchange Payment") plus a fraction of a common share (collectively, the "Exchange Shares") equal to: (A) the volume weighted average trading price of the common shares on the TSX for the five trading days immediately prior to the early exercise expiry date (the "Market Price") minus (B) current exercise price, divided by (C) the Market Price. Warrants that were held by U.S. warrantholders were not subject to the automatic exchange. In total, 27,295,661 warrants were exchanged after December 31, 2009, for C$170 million in cash and 27,106,081 common shares of the Company.

11. CAPITAL DISCLOSURES

The Company's objectives when managing capital are: (i) to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and (ii) to maintain investor, creditor and market confidence to sustain the future development of the business.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust the capital structure, the Company may from time to time issue shares, raise debt and/or adjust its capital spending to manage its current and projected debt levels.

The Company monitors capital based on the following non-standardized GAAP measures: current and projected ratios of debt to cash flow from operations and debt to capital employed. The Company's objective, which is currently met, is to maintain a debt to cash flow from operations ratio of less than three times. The ratio may increase at certain times as a result of acquisitions. To facilitate the management of this ratio, the Company prepares annual budgets, which are updated depending on varying factors such as general market conditions and successful capital deployment. The Company's share capital is not subject to external restrictions.

(U.S. $ thousands, except share and per share amounts or unless otherwise stated)

11. CAPITAL DISCLOSURES (continued)

There were no changes in the Company's approach to capital management from the previous year.

The Company defines its capital as follows:

	March 31, 2010	December 31, 2009
Shareholders' equity	$ 1,764,460	$ 1,500,977
Long-term debt	451,046	455,287
Convertible debt	173,261	165,611
Working capital surplus	(451,024)	(384,641)
	1,937,743	$ 1,737,234

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Changes in non-cash working capital, net of foreign exchange gains or losses, were as follows.

	Three months ended March 31, 2010	2009
Decrease (increase) in accounts receivable	$ 11,587	$ (9,343)
Decrease in income taxes receivable	5,116	-
Increase in accounts payable and accrued liabilities	55,056	4,171
Decrease in inventory	289	3,876
Increase (decrease) in income taxes payable	42,773	(10,841)
Decrease in prepaid expenses and other	(805)	2,709
	$ 114,016	$ (9,428)

The increase in accounts payable and accrued liabilities is net of amounts related to additions to property, plant, and equipment of $88.7 million as at March 31, 2010 (December 31, 2009 - $52.1 million).

Non-cash financing transactions for the period ended March 31, 2010 included the conversion of $32 of convertible debenture ($45 in face value) to 3,460 of the Company's common shares.

Other cash flow information:	Three months ended March 31, 2010	2009
Cash income taxes paid	$ 11,048	$ 801
Cash interest paid	234	615
Cash interest received	239	515

13. CONTINGENCIES AND COMMITMENTS

	2010	2011	2012	2013	2014	Subsequent to 2014	Total
Operating leases	$ 1,346	$ 294	$ -	$ -	$ -	$ -	$ 1,640
Transportation and processing commitments	46,575	61,949	61,949	61,949	61,949	169,646	464,017
Minimum work commitments	121,402	35,771	13,598	-	-	-	170,771
Abandonment obligations	2,331	1,180	393	106	2,402	32,758	39,170
Long-term debt and bank indebtedness	14,032	-	-		149,985	300,015	464,032
Convertible debentures - principal	-	-	-	236,222	-	-	236,222
Obligations under capital lease	8,518	11,306	11,337	11,306	11,306	16,944	70,717
Total	$ 194,204	$ 110,500	$ 87,277	$ 309,583	$ 225,642	$ 519,363	$ 1,446,569

(U.S. $ thousands, except share and per share amounts or unless otherwise stated)

13. CONTINGENCIES AND COMMITMENTS (continued)

The Company has various guarantees in place in the normal course of business.

As at March 31, 2010 the Company has issued letters of credit and guarantees for exploration and operational commitments for a total of $143.8 million (December 31, 2009 – $110.3 million).

Association contracts

Certain association contracts signed before 2003 with Ecopetrol include clauses in which Ecopetrol may commence participating in the operation of new discoveries made by the Company at any time, without prejudice to the Company's right to be reimbursed for the investments made on their sole account and risk (back-in right). The contract provides that if Ecopetrol decides to declare the commerciality of the field and participate in the commercial phase of the association contract, the Company shall have the right to be reimbursed for 200% of the total costs incurred during the exploration phase of the contract. Once the reimbursement has been made, Ecopetrol is entitled to acquire a 50% share of the oil production of the fields. The back-in right was not exercised as at March 31, 2010.

Contingencies

The Company is involved in various claims and litigation arising in the normal course of business. While the outcome of these matters is uncertain, there can be no assurance that such matters will be resolved in the Company's favor. The Company does not currently believe that the outcome of adverse decisions in any pending or threatened proceedings related to these and other matters or any amount which it may be required to pay by reason thereof would have a material impact on its financial position, results of operations or cash flows.

Natural gas supply agreements

Since the discovery of the La Creciente field in early 2007, the Company has focused on developing a commercial strategy to service the domestic market while concurrently exploring export opportunities. The Company has entered into the following take or pay contracts, and interruptible contracts, totaling 60 MMBTU per day for the period 2010-2011:

		2010		2011	
		Quantity	Price	Quantity	Price
Client	*Contract*	(MMBTUD)	($/MMBTU)	(MMBTUD)	($/MMBTU)
GECELCA	Take or pay	34,807	PMR + 34%	34,807	PMR + 34 %
GECELCA	Take or pay	10,193	PMR + 7.5%	10,193	PMR + 7.5 %
PROELÉCTRICA	OCG	14,000	PMR + 38%	14,000	PMR
Interruptible supply		1,000	PMR	1,000	PMR
Total		60,000	PMR + 30%	60,000	PMR + 21%

PMR represents the Colombian Regulated Market Price.
OCG represents opción compra de gas or gas purchase option contract.
The Company anticipates having sufficient production to meet all future delivery commitments.

14. FINANCIAL RISK MANAGEMENT

The nature of oil and natural gas operations and the related issuance of debt expose the Company to fluctuations in commodity prices, foreign currency exchange rates and interest rates. The Company manages these risks through periodic use of derivative instruments. The Board of Directors periodically reviews the results of all risk management activities and all outstanding positions.

(a) Credit risk

The Company actively limits the total exposure to individual client counterparties and holds a trade credit insurance policy for indemnification for losses from non-collection of trade receivables. Two (December 31, 2009 – two) of the Company's customers had accounts receivable that were greater than 10% of total trade accounts receivable. The

(U.S. $ thousands, except share and per share amounts or unless otherwise stated)

14. ***(a) Credit risk*** (continued)

Company's credit exposure in accounts receivable to these customers was $6.7 million and $2.3 million or 48% or 19% of trade accounts receivable, respectively (December 31, 2009 - two customers at $30.9 million and $10.5 million or 50% and 17% respectively). Revenue from these customers were $26.53 million and $46.36 million or 4.8% and 1.9% of net revenue, respectively (December 31, 2009 - $65.5 million and $17.5 million or 10.2% and 2.7% respectively).

The Company's accounts receivables are as follows:

	March 31 2010	December 31 2009
Trade accounts receivable		
Not past due (less than 45 days)	12,166	33,888
Past due (0-30 days)	2,491	26,641
Past due (31-120 days)	72	-
Past due (over 120 days)	-	-
Total trade accounts receivable	14,729	60,529
VAT and withholding taxes recoverable	76,207	46,988
Advances and deposits	25,091	21,340
Other	9,098	7,336
Allowance for doubtful accounts	(994)	(1,225)
	124,131	134,968

(b) Interest rate risk

The Company is not exposed to interest rate risk on its outstanding borrowings as it has only fixed interest rate bank debt and debentures.

(c) Foreign currency exchange risk

The Company is exposed to foreign currency fluctuations in Colombian pesos (COP) and Canadian dollars relative to US dollars.

In addition, as of March 31, 2010, the Company has COP 830 billion, or $439 million of future income tax liabilities on proved and unproved properties arising from the Rubiales, Pacific Stratus, and Kappa acquisitions in 2007 and 2008, respectively (December 31, 2009 – COP 845.2 billion, or $413.5 million). The future income tax liabilities are denominated in COP as the assets to which the future income tax liabilities relate to are in Colombia. The future income tax liabilities are monetary items, which are revalued each period end at the current exchange rates, with the gain or loss recorded in net income as unrealized foreign gain (loss) in the period. Based on the net exposure and foreign exchange rates at March 31, 2010, a 10% depreciation or appreciation of the Colombian Peso against the US dollar would result in a $39.2 million (December 31, 2009 - $41.4 million) increase or decrease in the Company's after-tax net earnings.

The Company has convertible debentures outstanding with a face amount of C$239,955 as at March 31, 2010. The debentures have been classified into debt and equity components, with the debt component being revalued each period end at the current exchange rates and the gain or loss recorded in net earnings. Based on the debt balance and foreign exchange rates as of March 31, 2010, a 10% depreciation or appreciation of the Canadian dollar against the US dollar would result in a $18 million (December 31, 2009 - $16.5 million) increase or decrease in the Company's after-tax net earnings.

To reduce its foreign currency exposure associated with operating expense incurred in COP, the Company has entered into currency risk management contracts such as foreign exchange forwards, options, and costless collars. The Company had the following currency risk management contracts outstanding as at March 31, 2010 that qualify for cash flow hedge accounting:

(U.S. $ thousands, except share and per share amounts or unless otherwise stated)

14. ***(c) Foreign currency exchange risk*** (continued)

Instrument	Settlement date	Amount ($)	Floor / ceiling (COP/$)	Fair value ($)
Currency collars	April 15, 2010	$ 20,445	2000-2050 and 2000-2060	$ 850
Currency collars	April 30, 2010	20,894	2000-2050 and 2000-2060	888
Currency collars	May 25, 2010	17,691	2000-2050 and 2000-2060	747
Currency collars	June 25, 2010	19,288	2000-2050 and 2000-2060	785
Currency collars	July 26, 2010	22,531	2000-2050 and 2000-2060	875
Currency collars	August 25, 2010	24,887	2000-2050 and 2000-2060	913
Currency collars	September 27, 2010	28,291	2000-2050 and 2000-2060	966
Currency collars	October 25, 2010	38,825	2000-2050 and 2000-2060	1,232
Currency collars	November 26, 2010	40,131	2000-2050 and 2000-2060	1,150
Currency collars	December 23, 2010	41,653	2000-2050 and 2000-2060	1,091
Currency collars	December 23, 2010	44,366	2000-2050 and 2000-2060	1,162
	Total	**$ 319,002**		**$ 10,659**

The effective portion of the changes in the fair value of the above currency hedges are recognized in other comprehensive income as unrealized gains or losses on cash flow hedges. The unrealized gains or losses on currency hedges are reclassified to operating expenses in the same period as the hedged operating expenses incurred in COP are recognized in net income. During the period, $8 million of unrealized gains were recorded in other comprehensive income, and $2.1 million (2009 – $nil) of unrealized hedge gains were recorded against operating expenses. The Company excludes changes in fair value due to the time value of options and records these amounts along with hedge ineffectiveness in foreign exchange gains or losses in the period that they arise. During the period, $0.5 million of ineffectiveness was recorded in foreign exchange gains (2009 - $nil).

(d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's process for managing liquidity risk includes ensuring, to the extent possible, that it will have sufficient liquidity to meet its liabilities when they become due. The Company prepares annual capital expenditure budgets which are monitored and updated as required. In addition, the Company requires authorizations for expenditures on projects to assist with the management of capital.

The following are the contractual maturities of financial liabilities:

Financial liability due in	2010	2011	2012	2013	2014	Subsequent to 2014	Total
Accounts payable and accrued liabilitie:	$ 278,494	$ -	$ -	$ -	$ -	$ -	$ 278,494
Long-term debt and bank indebtedness	14,032				149,985	300,015	464,032
Convertible debentures - principal (1)	-	-	-	236,222	-	-	236,222
Obligations under capital lease (2)	8,518	11,306	11,337	11,306	11,306	16,944	70,717
Total	$ 301,044	$ 11,306	$ 11,337	$ 247,528	$ 161,291	$ 316,959	$1,049,465

(1) The convertible debentures are due August 29, 2013 in the principal amount of C$239,955. The balance due is converted to US$ using the exchange rate on March 31, 2010.

(2) Obligations arising from the power generation arrangement to supply electricity to the Company from August 2009 to June 2016. The arrangement has been accounted for as a capital lease.

(e) Commodity price risk management

Commodity price risk is the risk that the cash flows and operations of the Company will fluctuate as a result of changes in commodity prices. Significant changes in commodity prices can also impact the Company's ability to raise capital or obtain additional debt financing. Commodity prices for crude oil are impacted by world economic events that dictate the levels of supply and demand. From time to time the Company may attempt to mitigate commodity price risk through the use of financial derivatives. The Company recognizes the fair value of its derivative instruments as assets or liabilities on the balance sheet. None of the Company's derivative instruments

(U.S. $ thousands, except share and per share amounts or unless otherwise stated)

14. ***(e) Commodity price risk management*** (continued)

currently qualify as fair value hedges or cash flow hedges, and accordingly, changes in fair value of the derivative instruments are recognized as income or expense in the consolidated statement of operations with a corresponding adjustment to the fair value of derivative instruments recorded on the balance sheet.

The Company had the following commodity price risk management contracts outstanding:

As of March 31, 2010

Type of Instrm.	Term	Volume	Strike Price ($/bbl)	Benchmark	Fair value
Written call option	May 1, 2010 - Jul 30, 2010	770,000	80	WTI	$ (4,849)
Written call option	Jun 1, 2010 - Aug 31, 2010	504,000	90	WTI	(1,560)
Written call option	Sep 1, 2010 - Nov 30, 2010	500,001	89.50	WTI	(2,817)
Written call option	Dec 1, 2010 - Dec 31, 2010	300,000	95.30	WTI	(1,392)
	Total	**2,074,001**			**(10,618)**

Type of Instrm.	Term	Volume	Strike Price ($/bbl)	Premium ($/bbl)	Fair value
Put option	Apr 1, 2010 - Apr 30, 2010	150,000	40	1.16	0
Put option	Apr 1, 2010 - Apr 30, 2010	150,000	65	1.38	(207)
Put option	Apr 1, 2010 - Jun 30, 2010	450,000	40	1.41	(634)
Put option	May 1, 2010 - Jun 30, 2010	300,000	40	1.95	(585)
Put option	Jul 1, 2010 - Dec 31, 2010	600,000	40	2.45	(1,433)
Put option	Apr 1, 2010 - Jun 30, 2010	450,000	40	1.28	(576)
Put option	Jul 1, 2010 - Dec 31, 2010	585,000	40	1.91	(1,082)
Put option	Apr 1, 2010 - Apr 30, 2010	150,000	65	0.86	(129)
Put option	May 1, 2010 - May 31, 2010	150,000	65	0.96	(132)
Put option	Jun 1, 2010 - Jul 31, 2010	300,000	65	0.94	(179)
Put option	May 1, 2010 - May 31, 2010	150,000	65	0.90	(129)
Put option	Jun 1, 2010 - Jun 30, 2010	150,000	65	0.95	(111)
Put option	Jul 1, 2010 - Jul 31, 2010	150,000	65	0.94	(70)
Put option	Jan 1, 2011 - Mar 31, 2011	300,000	40	2.45	(703)
Put option	Jan 1, 2011 - Mar 31, 2011	292,500	40	1.91	(528)
Put option	Apr 1, 2011 - Jul 31, 2011	400,000	40	2.45	(884)
Put option	Apr 1, 2011 - Jun 30, 2011	292,500	40	1.91	(496)
	Total	**5,020,000**			**(7,876)**
	Total				**$ (18,494)**

Short-term	(17,114)
Long-term	(1,380)
Total	**$ (18,494)**

(U.S. $ thousands, except share and per share amounts or unless otherwise stated)

14. ***(e) Commodity price risk management*** (continued)

As of December 31, 2009

Type of Instrm.	Term	Volume	Strike Price ($/bbl)	Benchmark	Fair value
Written call option	Jan 1, 2010 - Feb 28, 2010	300,000	80.0	WTI	$ (805)
Written call option	Mar 1, 2010 - Apr 30, 2010	300,000	76.1	WTI	(2,577)
Written call option	May 1, 2010 - May 31, 2010	152,000	80.0	WTI	(1,238)
Written call option	Jun 1, 2010 - Aug 31, 2010	504,000	90.0	WTI	(2,844)
Written call option	Sep 1, 2010 - Nov 30, 2010	500,001	89.5	WTI	(4,022)
Written call option	Jan 1, 2010 - May 31, 2010	785,000	80.0	WTI	(4,111)
Written call option	Jun 1, 2010 - Jul 30, 2010	304,000	80.0	WTI	(2,956)
	Total	**2,845,001**			**(18,553)**

Type of Instrm.	Term	Volume	Strike Price ($/bbl)	Premium ($/bbl)	Fair value
Put option	Jan 1, 2010 - Apr 30, 2010	600,000	40	$1.16	$ 1
Put option	May 1, 2010 - Jun 30, 2010	300,000	40	$1.95	(547)
Put option	Jul 1, 2010 - Dec 31, 2010	600,000	40	$2.45	(1,228)
Put option	Jan 1, 2010 - Jun 30, 2010	900,000	40	$1.41	(1,223)
Put option	Jan 1, 2010 - Jun 30, 2010	900,000	40	$1.28	(1,106)
Put option	Jul 1, 2010 - Dec 30, 2010	585,000	40	$1.91	(882)
Put option	Jan 1, 2011 - Jul 30, 2011	700,000	40	$2.45	(1,097)
Put option	Jan 1, 2011 - Jun 30, 2011	585,000	40	$1.91	(623)
	Total	**5,170,000**			**(6,705)**
	Total				**$ (25,258)**

Short-term	(23,538)
Long-term	(1,720)
Total	**$ (25,258)**

For the three months ended March 31, 2010, the Company recorded a gain of $5 million on commodity price risk management contracts in net income. The amount includes $6.8 million (2009 - $5.5 million) of unrealized gains representing the change in the fair value of the contracts, and a realized loss of $1.8 million (March 31, 2009 – $nil).

If the forward WTI crude oil price estimated at March 31, 2010 had been $1/bbl higher or lower, the unrealized loss on these contracts would change by approximately $1.5 million (2009 – $1.3 million) and would be reflected in the statement of operations of the Company.

(f) Fair value risk

The Company's financial instruments are cash and cash equivalents, restricted cash, accounts receivable and accounts payable and accrued liabilities, risk management assets and liabilities, bank debt and convertible debentures on the balance sheet. The carrying value and fair value of these financial instruments is disclosed below by financial instrument category, as well as any related gain (loss) and interest income (expense).

(U.S. $ thousands, except share and per share amounts or unless otherwise stated)

14. ***(f) Fair value risk*** (continued)

	March 31, 2010				December 31, 2009			
Financial Instrument	**Carrying value**	**Fair value**	**Gain (loss)**	**Interest income (expense)**	Carrying value	Fair value	Gain (loss)	Interest income (expense)
Assets held for trading								
Cash and cash equivalents	606,447	606,447	-	59	398,849	398,849	-	1,599
Restricted cash	10,035	10,035	-	-	10,771	10,771	-	-
Loans and receivables								
Accounts receivable and other current assets	124,131	124,131	-	-	134,968	134,968	-	-
Liabilities held for trading								
Commodity price hedges (1)	18,494	18,494	5,018	-	25,258	25,258	(21,525)	-
Derivatives designated as cash flow hedges								
Foreign currency hedges (2)	10,659	10,659	487	-				
Other Liabilities								
Accounts payable and accrued liabilities	278,494	278,494	-	-	180,153	180,153	-	-
Long-term debt	451,046	499,985	-	(10,066)	455,287	455,287	-	(5,483)
Convertible debtentures (3)	173,261	399,278	-	(7,591)	165,611	328,549	-	(27,332)
Obligations under capital lease	41,358	57,400	-	(1,922)	40,441	40,441	-	(3,107)

(1) Gain includes $6.8 million (2009 - $5.5 million) of unrealized gains representing the change in the fair value of the contracts, and a realized loss of $1.8 million (March 31, 2009 – $nil).

(2) Gain represents the hedge ineffectiveness and time value of options recorded in net income as unrealized foreign exchange gain.

(3) The closing price of the convertible debenture (PRE.DB – TSX) at March 31, 2010 represented 175% of the face value of the convertible debenture (December 31, 2009 – 144%).

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

The following table summarizes the Company's financial instruments that are carried at fair value, in accordance with the classification of fair value input hierarchy included in CICA Handbook Section 3862, *Financial Instruments – Disclosures*.

Fair value as at March 31, 2010	**Level 1**	**Level 2**	**Level 3**	**Total**
Risk management assets	$ -	$ 10,659	$ -	$ 10,659
Risk management liabilities	-	(18,494)	-	(18,494)
Total	$ -	$ (7,835)	$ -	$ (7,835)

Fair value as at December 31, 2009	**Level 1**	**Level 2**	**Level 3**	**Total**
Risk management liabilities	$ -	$ (25,258)	$ -	$ (25,258)
Total	$ -	$ (25,258)	$ -	$ (25,258)

The Company uses Level 2 inputs to measure the fair value of its risk management contracts. The fair values of these contracts are estimated using discounted cash flows based on quoted forward prices and quotes obtained from counterparties, taking into account the credit worthiness of those counterparties.

15. WEIGHTED AVERAGE SHARES AND FULLY DILUTED SHARES OUTSTANDING

(in thousands)	Three months ended March 31, 2010	2009
Weighted average number of shares - basic	240,126,671	210,600,249
Dilution effect of stock options and warrants	11,456,313	943,489
Weighted average number of shares - diluted	251,582,984	211,543,738

All options, warrants and convertible debt that are anti-dilutive are excluded from the calculation of diluted weighted average number of shares.

16. SEGMENTED INFORMATION

The Company currently operates in one reporting segment, being the exploration, development and production of heavy crude oil and gas in Colombia. As at March 31, 2010 all of the Company's assets are located in Colombia except for $282.1 million (December 31, 2009 - $224.6 million) in cash and cash equivalents which are held in Canada and the United States and $4 million (December 31, 2009 - $3.2 million) of property, plant and equipment in Peru.

For the period ended March 31, 2010, the Company's revenues were from Colombia except for export sales of $247.7 million to refineries in the United States (March 31, 2009 - $78.4 million) and $73.5 million to China (March 31, 2009 - $ nil).

17. RELATED-PARTY TRANSACTIONS

a) In June 2007, the Company entered into a 5-year lease agreement with Blue Pacific Assets Corp. ("Blue Pacific"), a British Virgin Islands corporation, for administrative office space in one of its Bogota, Colombia locations. Monthly rent expense of $55 is payable to Blue Pacific under this agreement. Three directors and officers of the Company control, or provide investment advice to the holders of, 75% of the shares of Blue Pacific. In addition, the Company has a receivable of $16 from Blue Pacific related to certain administrative costs paid by the Company on behalf of Blue Pacific.

b) As at March 31, 2010, the Company had trade accounts receivable of $2.7 million (December 31, 2009 - $10.5 million) from Proelectrica, in which the Company has a 21.7% indirect interest and which is 31.49% owned by Blue Pacific. The Company's and Blue Pacific's indirect interests are held through Ronter. Revenue from Proelectrica in the normal course of the Company's business was $7.4 million for the three months ended March 31, 2010 (2009 - $4.5 million).

c) As at March 31, 2010 the Company had a $3.5 million (December 31, 2009 - $6.0 million) deposit to acquire land through Lando Industrial Park S.A. As at March 31, 2010, Lando is 100% owned by Ronter and is a Panamanian company commencing a project to develop in Colombia a port, an industrial park and a free trade zone. See note 18d – Subsequent Events.

d) The Company has an accounts receivable in the amount of $22 (December 31, 2009 - $173) from Medoro Resources Ltd., a company related by way of a director and two officers in common. The receivable balance is related to the Company's share of general and office expenses, including administrative support and office premises in Canada.

e) Loans receivable from related parties in the aggregate amount of $322 (December 31, 2009 – $290) are due from one director and two officers of the Company. The loans are non-interest bearing and payable in equal monthly payments over a 48-month terms.

All these transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

18. SUBSEQUENT EVENTS

a) Subsequent to March 31, 2010, the Company issued letters of credit and guarantees for exploration and operational commitments for a total of $26.3 million.

(U.S. $ thousands, except share and per share amounts or unless otherwise stated)

18. SUBSEQUENT EVENTS (continued)

b) On April 17, 2010 the Company closed the syndication of a $250 million unsecured revolving credit facility. Pricing of the facility varies in accordance with the rating assigned to the Company's senior debt securities by Standard & Poor's Ratings Group and Fitch Inc. The Company will pay commitment fees on the unutilized portion of any outstanding commitments under the facility and regular spread over any disbursed amounts. Based on the Company's current rating and expected usage, the commitment fee will be 100 basis points and the applicable margin will be LIBOR plus 325 basis points. Subject to customary acceleration events set out in the credit agreement, or unless terminated earlier by the Company without penalty, repayment of the outstanding principal on the facility will be made in full on the second anniversary of the closing date.

c) Subsequent to March 31, 2010, the Company granted the following employee stock options under the rolling Plan. All options vested immediately upon grant.

Date of stock option grant	Granted	Exercise price	Fair value
April 14, 2010	5,000	C$19.47	C$8.97
April 23, 2010	3,112,500	C$20.56	C$9.95
	3,117,500	C$20.56	C$9.95

d) On April 19, 2010 the Company acquired a 9.4% interest in Lando for $3.5 million. The consideration consisted of a previous $3.5 million advance to Lando. As at April 29, 2010, Lando is 25% owned by Ronter; 51.98% owned by Blue Pacific, 6.87% owned by Orinoquia Holdings Corp., a company that two directors of the Company control or provide advice to, and 6.75% owned by an unrelated party. Prior to this date, Lando was 100% owned by Ronter. See note 17 – Related-party Transactions.

19. COMPARATIVE FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the current consolidated financial statements.