



Consolidated Balance Sheets

(Unaudited)

As at September 30, 2010 with comparative figures for December 31, 2009

	Assets	2010	2009
Current			
Cash and cash equivalents		\$18,186,121	\$ 4,866,888
Term deposits		409,878	185,087
Funds in trust		-	334,671
Inventory		923,701	331,412
Accounts receivable		5,653,346	7,404,915
Loans receivable from related parties – Note 11		663,011	52,921
		<u>25,836,057</u>	<u>13,175,894</u>
Loans receivable from related parties – Note 11		-	677,187
Non-current term deposits		377,609	523,098
Property and equipment		20,734,957	23,272,501
Intangible assets – Note 5		814,906	-
		<u>\$47,763,529</u>	<u>\$ 37,648,680</u>
	Liabilities		
Current			
Accounts payable and accrued liabilities		\$ 3,774,475	\$ 8,094,104
Obligation under capital lease		694,204	698,075
Income taxes payable		2,817,811	15,201
		<u>7,286,490</u>	<u>8,807,380</u>
Obligation under capital lease		-	439,107
Future income taxes – Note 9		1,192,662	3,478,778
Asset retirement obligation		324,865	276,835
		<u>8,804,017</u>	<u>13,002,100</u>
	Equity		
Share capital and warrants – Note 8		45,796,622	31,730,406
Contingent value rights		85,000	85,000
Contributed surplus – Note 7		1,944,503	1,427,686
Accumulated other comprehensive income		1,570,087	1,255,356
Deficit		(17,474,385)	(14,542,542)
		<u>31,921,827</u>	<u>19,955,906</u>
Non-controlling interests – Note 6		7,037,685	4,690,674
Total Equity		<u>38,959,512</u>	<u>24,646,580</u>
		<u>\$47,763,529</u>	<u>\$ 37,648,680</u>

See accompanying notes to these consolidated financial statements.

SUROCO ENERGY INC.

(Unaudited)

Consolidated Statements of Operations and Deficit

For the three and nine months ended September 30

	3 months		Year-to-date	
	2010	2009	2010	2009
Revenue				
Oil and gas revenue	\$6,212,609	\$ 2,652,927	\$20,267,995	\$ 7,453,388
Royalties	(461,516)	(199,233)	(1,506,899)	(558,158)
Interest and other income	23,727	56,185	46,079	189,344
	<u>5,774,820</u>	<u>2,509,879</u>	<u>18,807,175</u>	<u>7,084,574</u>
Expenses				
Production costs	3,867,765	1,379,544	7,316,618	3,755,065
Depletion, depreciation and accretion	3,274,138	543,615	8,615,133	2,294,055
General and administrative	956,422	1,469,361	2,536,331	3,178,100
Finance costs	38,337	166,200	92,051	204,185
Stock based compensation	277,918	284,131	516,817	284,131
Foreign exchange (gain) loss	(479,898)	538,641	(791,765)	(571,021)
	<u>7,934,682</u>	<u>4,381,492</u>	<u>18,285,185</u>	<u>9,144,515</u>
(Loss) income before income taxes	(2,159,862)	(1,871,613)	521,990	(2,059,941)
Current income tax expense	(641,144)	(344,982)	(2,639,776)	(1,022,424)
Future income tax recovery	1,367,668	299,646	1,642,210	528,126
Net loss from continuing operations	(1,433,338)	(1,916,949)	(475,576)	(2,554,239)
Loss from discontinued operations	-	-	-	(10,982)
Gain on sale of discontinued operations	-	-	-	85,248
Net loss	<u>\$(1,433,338)</u>	<u>(1,916,949)</u>	<u>\$(475,576)</u>	<u>\$(2,479,973)</u>
Loss attributable to shareholders	(1,936,121)	(1,979,344)	(2,931,843)	(3,032,225)
Net income attributable to non-controlling interests – Note 6	502,783	62,395	2,456,267	552,252
Net loss	<u>(1,433,338)</u>	<u>(1,916,949)</u>	<u>(475,576)</u>	<u>(2,479,973)</u>
Deficit - beginning of period	(15,538,264)	(11,544,671)	(14,542,542)	(9,000,085)
Loss attributable to shareholders	(1,936,121)	(1,979,344)	(2,931,843)	(3,032,225)
Adjustment to deficit due to acquisition of non-controlling interest	-	-	-	(1,491,705)
Deficit - end of period	<u>\$(17,474,385)</u>	<u>(13,524,015)</u>	<u>\$(17,474,385)</u>	<u>\$(13,524,015)</u>
Loss per share from continuing operations:				
Basic and diluted	\$(0.02)	\$ (0.02)	\$(0.01)	\$ (0.04)
Loss per share from discontinued operations:				
Basic and diluted	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Loss per share:				
Basic and diluted	\$(0.02)	\$ (0.02)	\$(0.01)	\$ (0.04)

See accompanying notes to these consolidated financial statements.

SUROCO ENERGY INC.

(Unaudited)

Consolidated Statements of Comprehensive Loss

For the three and nine months ended September 30

	3 Months		Year-to-date	
	2010	2009	2010	2009
Net loss	\$(1,433,338)	\$ (1,916,949)	\$(475,576)	\$ (2,479,973)
Other comprehensive (loss) income				
Foreign currency translation adjustment	(185,531)	519,187	314,731	53,675
Comprehensive loss	\$(1,618,869)	\$ (1,397,762)	\$(160,845)	\$ (2,426,298)
Comprehensive loss attributable to owners of the parent	\$(2,121,652)	\$ (1,460,157)	\$(2,617,112)	\$ (2,978,550)
Comprehensive income attributable to non-controlling interests	502,783	62,395	2,456,267	552,252
Comprehensive loss	\$(1,618,869)	\$ (1,397,762)	\$(160,845)	\$ (2,426,298)

See accompanying notes to these consolidated financial statements.

SUROCO ENERGY INC.

(Unaudited)

Consolidated Statements of Cash Flows

For the three and nine months ended September 30

	3 Months		Year-to-date	
	2010	2009	2010	2009
Cash and cash equivalents provided by (used for):				
Operating activities				
Net loss	\$(1,433,338)	\$(1,916,949)	\$(475,576)	\$(2,479,973)
Items not affecting cash and cash equivalents:				
Unrealized foreign exchange (gain) loss	(468,266)	1,531,530	(280,944)	464,351
Depletion, depreciation and accretion	3,274,138	543,615	8,615,133	2,294,055
Stock-based compensation	277,918	284,131	516,817	284,131
Future income taxes	(1,367,668)	(299,646)	(1,642,210)	(528,126)
	282,784	142,681	6,733,220	34,438
Net change in non-cash working capital – Note 10	622,996	1,404,160	(582,530)	(1,573,705)
	905,780	1,546,841	6,150,690	(1,539,267)
Financing activities				
Obligation under capital lease	(171,030)	-	(442,978)	-
(Increase) decrease in non-current term deposits	(10,699)	-	145,489	-
Issuance of common shares – exercise of warrants – Note 8	-	-	556,500	-
Issuance of common shares – Private placement	13,177,551	7,223,750	13,177,551	7,417,350
Transaction costs – classified as share issuance costs	(482,741)	(508,686)	(482,741)	(781,376)
	12,513,081	6,715,064	\$12,953,821	6,635,974
Investing activities				
Loan to related party – Note 11	22,938	420,790	67,097	846,423
Expenditure on property and equipment	449,627	(546,821)	(6,093,768)	(3,078,682)
Decrease (increase) in funds in trust	9,730	(1,665)	334,671	1,814,221
	482,295	(127,696)	(5,692,000)	(418,038)
Increase in cash and cash equivalents	13,901,156	8,134,209	13,412,511	4,678,669
Change due to translation of cash balances	(133,197)	(878,399)	(93,278)	(918,457)
Cash and cash equivalents, beginning of period	4,418,162	1,142,565	4,866,888	4,638,163
Cash and cash equivalents, end of period	\$18,186,121	\$ 8,398,375	\$18,186,121	\$ 8,398,375
Cash and cash equivalents consist of:				
Cash	\$17,815,568	\$ 8,030,945	\$17,815,568	\$ 8,030,945
Cash equivalents	370,553	367,430	370,553	367,430
	\$18,186,121	\$ 8,398,375	\$18,186,121	\$ 8,398,375

Supplementary cash flow information – Note 10

See accompanying notes to these consolidated financial statements.

Note 1 - Significant Accounting Policies

The interim consolidated financial statements for Suroco Energy Inc. (“Suroco” or the “Company”) as at and for the three and nine months ended September 30, 2010 do not include all the disclosures included in Suroco’s annual consolidated financial statements. As such, these interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements as at and for the year ended December 31, 2009. These interim consolidated financial statements are prepared using the same accounting policies and methods of computation as disclosed in the annual consolidated financial statements as at and for the year ended December 31, 2009. The disclosures provided within are incremental to those included within the annual consolidated financial statements.

Certain of the comparative figures within the interim consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the current period consolidated financial statements.

Note 2 - Future Accounting Changes

International Financial Reporting Standards

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

Note 3 - Capital Disclosures

The Company’s objective for managing its capital structure which includes shareholders’ equity and working capital is to ensure that it has the financial capacity, liquidity and flexibility to fund exploration and development of oil and gas resources. In order to maintain or adjust the capital structure, the Company considers the availability of debt; the sale of assets; limiting the size of its investment program; and new share issuances if available on favourable terms.

As at	September 30, 2010	December 31, 2009
Current assets	\$25,836,057	\$ 13,175,894
Less:		
Current liabilities	7,286,490	8,807,380
Total net working capital	\$18,549,567	\$ 4,368,514
Common share capital	\$45,796,622	\$ 31,730,406

The Company periodically reviews certain quantitative measures of its capital structure, in order to understand its position relative to industry peers. The Company does not set certain limits or ranges with respect to these quantitative measures. The Company is not subject to any external restrictions on its capital structure. There were no changes in the Company’s approach to capital management during the three or nine months ended September 30, 2010.

Note 4 - Financial Instruments and Risk Management**(a) Fair Values of Financial Instruments**

The Company's financial instruments include cash and cash equivalents, term deposits, funds in trust, accounts receivable, loans receivable, obligations under capital lease and accounts payable. The fair values of the current financial instruments approximate their carrying values due to the short-term nature of those instruments. The carrying and fair values of the Company's financial instruments as at September 30, 2010 are as follows:

	Carrying Value	Fair Value
Financial Assets		
Held-for-trading:		
Cash and cash equivalents	\$18,186,121	\$18,186,121
Term deposits	409,878	409,878
Non-current term deposits	377,609	356,255
Loans and receivables:		
Accounts receivable	5,653,346	5,653,346
Loans receivable from related parties	663,011	663,011
Financial Liabilities		
Other financial liabilities:		
Obligations under capital lease	694,204	694,204
Accounts payable	3,774,475	3,774,475

As at each reporting period the Company will assess whether a financial asset, other than those classified as held-for-trading, is impaired. Any impairment loss will be included in earnings for the period.

(b) Risks Associated with Financial Assets and Liabilities

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from oil and natural gas markets and joint venture partners.

Virtually all of the Company's crude oil production is sold, as determined by market based prices adjusted for quality differentials, to the Colombian state oil company, Ecopetrol, via a trading entity, CI Vetra Trading, a related party of the Company and a company which is 100% owned by a joint venture partner of the Company. Typically, the Company's maximum credit exposure to CI Vetra Trading is revenue from two months' sales. As at September 30, 2010, the Company

Notes to Consolidated Financial Statements

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

considers none of its receivables to be past due. As at September 30, 2010, the Company's accounts receivable consisted of \$921 from crude oil customers (Note 11), \$3,161,559 from joint venture partners, \$1,575,877 from withholding taxes, \$651,917 from other trade receivables, \$122,275 from accrued interest and \$140,797 from prepayments and deposits to partners and other parties.

Receivables from crude oil customers are normally collected approximately 45 days after the month following production. The Company historically has not experienced any collection issues with its crude oil customers.

Loans receivable consist of \$663,011 owed from a company owned by an ex-director of the Company (Note 11).

Cash and cash equivalents consist of cash bank balances and short-term deposits with initial maturities of less than 90 days. Term deposits consist of balances on deposit in bank accounts with maturities of greater than three months and therefore are not considered cash and cash equivalents. The Company manages the credit exposure related to cash and cash equivalents, short-term deposits and term deposits by selecting counterparties based on credit ratings and monitors all investments to ensure a stable return, avoiding complex investment vehicles with higher risk such as asset backed commercial paper.

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. Suroco's financial liabilities on the consolidated balance sheets consist of accounts payable and accrued liabilities. The Company believes it has adequate cash flows and working capital to discharge its financial obligations.

Market risk

Market risk is the risk that fluctuations in commodity prices, interest rates and foreign currency rates will affect the Company's net income (loss) and comprehensive loss or the value of its financial assets and liabilities.

(a) ***Commodity price risk***

The price Suroco receives for its oil production fluctuates continuously and, for the most part, is beyond the Company's control. The Company does not hedge any of its oil production. It is estimated that annual cash flow would change approximately by \$198,000 due to a \$1 USD WTI change in oil prices.

(b) ***Interest rate risk***

The only liability on the Company's balance sheet exposed to fluctuations in interest rates is the obligation under capital lease. Loans receivable are non-interest bearing. A fluctuation of one percent in interest rates would result in a change in net income of approximately \$3,134.

(c) ***Foreign currency risk***

Notes to Consolidated Financial Statements

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

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign currency exchange rates. The Company is exposed to foreign currency fluctuations as certain expenditures are denominated in Colombian pesos and US dollars. The Company had no foreign exchange forward rate contracts in place as at or during the year ended September 30, 2010.

At September 30, 2010, the carrying amount of the Company's foreign currency denominated net monetary assets was approximately \$11,311,571 and net monetary liabilities was approximately \$19,023,184. Assuming all other variables remain constant, a fluctuation of one percent in the exchange rate of the Canadian dollar to the US dollar would result in a change in comprehensive income of approximately \$82,000. As well, a fluctuation of one percent in the exchange rate of the Colombian peso would result in a change in income of approximately \$8,000.

Note 5 - Capital Acquisition

On January 12, 2010, the Company acquired an option (the "Option") to acquire a 28% undivided working interest in the Llanos Block 33 in Colombia from Thorneloe Energy Sucursal Colombia ("Thorneloe") in exchange for 2,144,490 common shares in the capital of the Company.

In consultation with the Company, Thorneloe was required to design a seismic program (the "Seismic Program") on the Llanos 33 Block. Once the seismic data resulting from the Seismic Program had been completed to the Company's satisfaction and it notified Thorneloe in writing as such, the Company had 30 days to exercise the Option, whereafter the Option would expire.

If Suroco exercises the Option, it will acquire the 28% working interest in the Llanos 33 Block from Thorneloe in exchange for (i) an additional 2,144,490 common shares of the Company; (ii) reimbursement of up to US\$2,000,000 of the costs of the Seismic Program; (iii) and where the costs of the Seismic Program exceeded US\$2,000,000, reimbursement of up to 28% of the amount by which the costs of the Seismic Program exceeded US\$2,000,000.

The Option has been accounted for as an acquisition of an intangible asset valued at \$814,906. The 2,144,490 shares were valued at \$0.38 per share, the closing price of the Company's shares on the date the acquisition of the Option closed.

On November 5, 2010, the Company exercised the Option to acquire a 28% individual working interest in the Llanos Block 33 in Colombia (Note 12).

Capital Disposition

During the quarter the Company sold its interest in the Arjona Block in Colombia for proceeds of \$1,221,418. (US\$1,200,000 less costs of disposition) No gain or loss was recorded upon the sale since the depreciation rate did not change by more than 20% as a result of the sale.

Note 6 - Non-Controlling Interests

The components of the non-controlling interest in Southeast Investment Corporation, the Company's 67.67% owned subsidiary, as at September 30, 2010 are as follows:

Balance at December 31, 2009	\$ 4,690,674
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Notes to Consolidated Financial Statements

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

Attributable income	2,456,267
Foreign exchange on non-controlling interest	(109,256)
Balance at September 30, 2010	\$ 7,037,685

Note 7 - Contributed Surplus

	Amount
Contributed surplus at December 31, 2009	\$ 1,427,686
Stock-based compensation	516,817
Contributed surplus at September 30, 2010	\$ 1,944,503

Note 8 - Share Capital

(a) Authorized

Unlimited number of common shares without par value.
Unlimited number of preferred shares issuable in series.

(b) Issued and outstanding common shares

	Number of Shares	Amount
Common shares at December 31, 2009	86,940,240	\$ 31,730,406
Issued on exercise of warrants	1,590,000	556,500
Issued on acquisition of option on Llanos 33 Block (Note 5)	2,144,490	814,906
Issued for cash via private placement, net of share issuance costs	29,283,446	12,694,810
Common shares at September 30, 2010	119,958,176	\$ 45,796,622

The weighted average number of shares outstanding for the three and nine months ended September 30, 2010 is 90,674,730 and 89,890,067, respectively (2009 – 84,113,555 and 63,855,661 respectively).

(c) Issued and outstanding warrants

	Number of Shares	Weighted Average Exercise Price
Warrants at December 31, 2009	28,895,000	\$0.35
Exercised	(1,590,000)	\$0.35
Warrants at September 30, 2010	27,305,000	\$0.35

Notes to Consolidated Financial Statements

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

(d) Issued and outstanding options

	Number of Shares	Weighted Average Exercise Price
Options at December 31, 2009	2,960,000	\$0.38
Issued during first quarter 2010	50,000	\$0.50
Issued during second quarter 2010	40,000	\$0.67
Issued during third quarter 2010	710,000	\$0.48
Options at September 30, 2010	3,760,000	

At September 30, 2010, the weighted average exercise price of the options outstanding was \$0.40 per share and 3,730,000 of the outstanding options were vested. The value of these options remains in contributed surplus until exercised. For the 710,000 options issued during the quarter end September 30, 2010 stock-based compensation was \$277,918.

(e) Issued and outstanding performance warrants

	Number of Warrants	Weighted Average Exercise Price
Performance warrants at December 31, 2009	3,001,909	\$0.42
Cancelled	(210,596)	\$0.28
Issued	70,000	\$0.67
Performance warrants at September 30, 2010	2,861,313	\$0.44

The performance warrants granted vest upon reaching performance milestones of aggregate wellhead production by the Company exceeding net 1,000, 1,500 and 2,000 barrels of oil equivalent per day for 30 consecutive days. As of September 30, 2010, none of the outstanding warrants were vested, however management considered it likely that the 1,000 barrels of oil equivalent per day production target would be reached and therefore the value of these performance warrants (\$195,354) was recognized as stock-based compensation expense and will remain in contributed surplus until such time as the warrants are exercised or cancelled. No value has been recognized for the performance warrants which vest upon reaching the 1,500 and 2,000 barrels of oil equivalent per day milestones.

Notes to Consolidated Financial Statements

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

The following summarizes information about performance warrants outstanding as at September 30, 2010:

Exercise Prices (\$)	Remaining Contractual Life (Years)	Performance Warrants Outstanding	Performance Warrants Exercisable
1,000 Barrels of oil per day milestone			
\$0.22	1.1	248,262	-
\$0.31	1.4	55,316	-
\$0.36	2.2	50,000	-
\$0.60	0.9	333,333	-
		686,911	-
1,500 Barrels of oil per day milestone			
\$0.36	2.2	718,867	-
\$0.60	0.9	333,333	-
\$0.67	2.6	70,000	-
		1,122,200	-
2,000 Barrels of oil per day milestone			
\$0.36	2.2	718,868	-
\$0.60	0.9	333,334	-
		1,052,202	-
		2,861,313	-

(f) Shares Held in Escrow

At September 30, 2010, the Company had 2,486,590 (December 31, 2009 – 8,117,385) common shares remaining in escrow to be released as follows:

	Number of Shares
October 17, 2010	1,205,795
February 22, 2011	37,500
April 17, 2011	1,205,795
August 22, 2011	37,500
	2,486,590

Note 9 - Income Taxes

The provision for income taxes is as follows:

	Nine months ended September 30	
	2010	2009
Current income tax expense	\$2,639,776	\$1,022,424
Future income tax recovery	(1,642,210)	(528,126)
	\$997,566	\$494,298

Notes to Consolidated Financial Statements
As at and for the three and nine months ended September 30, 2010 and 2009

	Three months ended September 30	
	2010	2009
Current income tax expense	\$641,144	\$344,982
Future income tax recovery	(1,367,668)	(299,646)
	\$(726,524)	\$45,336

Current and future income taxes correspond to Colombian operations.

Details of future income tax components are as follows:

	September 30, 2010	December 31, 2009
Future Income Tax Assets (Liabilities)		
Non-capital losses	\$1,427,760	\$ 999,706
Oil and gas interests – Canada	506,655	549,646
Oil and gas interests – Colombia	(1,192,662)	(3,510,283)
Capital losses	150,854	-
Unrealized foreign currency losses	114,719	55,304
Share issuance costs	268,292	211,738
	1,275,618	(1,693,889)
Less: Valuation allowance	(2,468,280)	(1,784,889)
Future income tax liabilities	\$(1,192,662)	\$ (3,478,778)

The income taxes shown on the statements of loss and comprehensive loss and deficit differ from amounts obtained by applying statutory rates due to the following:

	Three months ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
Income (loss) before income taxes	(2,159,862)	(1,871,613)	521,990	(2,059,941)
Statutory tax rate	28%	29.9%	28%	29.9%
Tax (recovery of) provision for income taxes	(604,761)	(559,612)	146,157	(615,922)
Withholding and capital taxes	11,468	12,240	32,731	30,602
Tax rate differential on foreign operations	(127,786)	57,719	214,984	390,450
Items non-deductible for tax purposes	25,691	234,802	143,081	224,340
Non taxable foreign exchange gain	(522,411)	(202,781)	(338,073)	(195,019)
Stock-based compensation	77,817	84,955	144,709	84,955
Change in valuation allowance	450,053	442,514	683,391	578,307
Other	(36,595)	(24,501)	(29,414)	(3,415)

Notes to Consolidated Financial Statements
As at and for the three and nine months ended September 30, 2010 and 2009

Income tax (recovery) expense	\$(726,524)	\$45,336	\$997,566	\$494,298
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Note 10 - Consolidated Statement of Cash Flows Supplementary Information

(a) Net change in non-cash working capital

	Three months ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
Operating Activities				
Accounts receivable	\$1,637,599	\$ 621,845	\$1,751,569	\$ 4,642,167
Inventory	(369,619)	(183,823)	(592,289)	107,108
Term deposits	2,274	493,655	(224,791)	(205,614)
Accounts payable and accrued liabilities	(1,316,968)	273,743	(4,319,629)	(6,781,925)
Income taxes payable	669,710	198,740	2,802,610	664,559
	\$622,996	\$ 1,404,160	\$(582,530)	\$ (1,573,705)

(b) Supplementary cash flow information

	Three months ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
Other cash flow information:				
Cash taxes paid	\$ -	\$ 107,788	\$ 681,730	\$ 226,492
Cash interest paid	\$28,074	\$ 166,184	\$68,620	\$ 204,185

Note 11 - Related Party Transactions

(a) NCT Estudios y Proyectos, C.A.

At September 30, 2010 \$663,011 (US \$644,326) (December 31, 2009 – \$677,187) was receivable from NCT Estudios y Proyectos, C.A. a company 100% owned and controlled by a former Director of the Company. This amount is non-interest bearing and was due to Suroco Energy S.L.U. (formerly known as NCT Corporación Petrolera Latinoamericana S.L.) when it was purchased by the Company. The transaction was recorded at the exchange value, bears no interest and is due March 24, 2011.

(b) CI Vetra Trading

At September 30, 2010, \$921 (Note 4) was receivable from CI Vetra Trading, a company 100% owned and controlled by a joint venture partner of the Company. CI Vetra Trading was established in August 2009 as an intermediary between the joint venture and Ecopetrol to sell 100% of the Company's Colombian production. CI Vetra Trading charges the joint venture US \$0.05 per barrel

Notes to Consolidated Financial Statements

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

for the sale of the production. The transactions with CI Vetra Trading are recorded at the exchange value and the entire balance outstanding was received subsequent to September 30, 2010.

Note 12 - Subsequent Events

Capital Acquisition

On November 5, 2010, the Company exercised its option to acquire 28% undivided working interest in the Llanos Block 33 in Colombia (Note 5).