

MANAGEMENT DISCUSSION & ANALYSIS (“MD&A”)

The following Management’s Discussion and Analysis (“MD&A”) is dated November 25, 2010 and should be read in conjunction with the unaudited consolidated financial statements and accompanying notes of Suroco Energy Inc. (“Suroco” or the “Company”) as at and for the three and nine months ended September 30, 2010, MD&A for the year ended December 31, 2009, and the audited consolidated financial statements as at and for the year ended December 31, 2009. Additional information for the Company, including the Annual Information Form can be found on SEDAR at www.sedar.com or at www.suroco.com. The preparation of financial data is in accordance with Canadian general accepted accounting principles and all figures are reported in Canadian dollars unless otherwise indicated.

Forward-Looking Statements Certain statements contained within this MD&A, constitute forward looking statements. These statements relate to future events or our future performance. All statements other than statements of historical fact may be forward looking statements. Forward looking statements are often, but not always, identified by the use of words such as “seek”, “anticipate”, “budget”, “plan”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe” and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward looking statements. We believe the expectations reflected in those forward looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon. These statements speak only as of the date of this MD&A. In particular, this MD&A contain forward-looking statements pertaining to i) the performance characteristics of our oil and natural gas properties; ii) oil and natural gas production levels; iii) the size of the oil and natural gas reserves; iv) projections of market prices and costs; v) supply and demand for oil and natural gas; vi) expectations regarding the ability to raise capital and to continually add to reserves through acquisitions and development; vii) treatment under governmental regulatory regimes and tax laws; and viii) capital expenditures programs. The actual results could differ materially from those anticipated in these forward looking statements as a result of the following risk factors: i) volatility in market prices for oil and natural gas; ii) liabilities inherent in oil and natural gas operations; iii) uncertainties associated with estimating oil and natural gas reserves; iv) competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel; v) incorrect assessments of the value of acquisitions; vi) geological, technical, drilling and processing problems; and vii) changes in income tax laws or changes in tax laws and incentive programs relating to the oil and gas industry. Statements relating to “reserves” or “resources” are deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitably produced in the future. Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward looking statements contained in this MD&A are expressly qualified by this cautionary statement. We do not undertake any obligation to publicly update or revise any forward-looking statements except as required by securities law.

Non-GAAP Measures

Within the Management’s Discussion and Analysis references are made to terms commonly used in the oil and gas industry such as “working capital surplus”, “funds flow from operations”, and “funds flow per share”, which are terms not recognized under Generally Accepted Accounting Principles (“GAAP”). The Company uses these measures to help evaluate its performance, leverage, and liquidity. Working capital surplus represents current assets less current liabilities. There is no GAAP measure that is reasonably comparable to working capital surplus. Funds flow from operations and funds flow per share reflect cash generated from operating activities before changes in non-cash working capital. Funds flow from operations should not be considered an alternative to, or more meaningful than cash flow from operating activities as determined under GAAP as an indicator of the Company’s performance. Management considers funds flow from operations and funds flow per share important as they help evaluate the performance and demonstrate the Company’s ability to generate sufficient cash to fund future growth opportunities. Working capital surplus, funds flow from operations and funds flow per share may not be comparable to those reported by other companies nor should they be viewed as an alternative to cash



flow from operations, net income or other measures of financial performance calculated in accordance with GAAP.

Suroco is a Calgary-based junior oil and gas company, which explores for, develops and sells crude oil, natural gas liquids and natural gas in Colombia and Western Canada. The Company's common shares trade on the TSX Venture Exchange under the symbol SRN.

The Company presently holds working interests in the following oil and gas blocks in Colombia: Alea 1848A Block (50%), Alea 1947C Block (24.5%), Surorient Block (15.8%) and Hato Nuevo Block (9.9%). As well, the Company holds an option to purchase a 28% working interest in Llanos Block 33, which option was exercised after the end of the quarter.

Financial & Operating Highlights

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

	3 months ended Sept 30		9 months ended Sept 30	
	2010	2009	2010	2009
Financial				
Oil and gas revenue (\$)	6,212,609	2,652,927	20,267,995	7,453,388
Funds flow from operations (1) (\$)	282,784	142,681	6,733,220	34,438
Per share – basic (\$)	-	-	0.06	-
Per share – diluted (\$)	-	-	0.04	-
Net loss (\$)	(1,433,338)	(1,916,949)	(475,576)	(2,479,973)
Per share – basic (\$)	(0.02)	(0.02)	(0.01)	(0.04)
Per share – diluted (\$)	(0.02)	(0.02)	(0.01)	(0.04)
Total assets (\$)	47,763,529	36,804,590	47,763,529	36,804,590
Net working capital (1) (\$)	18,549,567	9,428,428	18,549,567	9,428,428
Common shares outstanding, end of period				
Basic	119,958,176	86,940,240	119,958,176	86,940,240
Diluted	157,854,489	124,944,646	157,854,489	124,944,646
Average daily net after royalty production (boe per day)	821	319	774	275

(1) Non-GAAP measure. See "Non-GAAP Measures" section within this MD&A.

Highlights

- Completed a private placement financing which resulted in issuing 29,283,446 common shares for gross proceeds of \$13,177,553.
- Exited quarter with production of 800 boe per day, net after royalty, and averaged 821 boe per day for the quarter, net after royalty.
- Revenue was negatively affected in the quarter due to a delay in the sales of August production until October 2010. As of September 30, 2010, the Company had approximately 64 days of production in inventory (versus 36 days at June 30, 2010), most of which was sold in October at an average price of \$US 72.82 per barrel.
- Divested of interest in Arjona Block to focus capital towards light oil projects in the Putumayo and Llanos basins in Colombia.
- Completed a workover for Pinuna 1 well.
- Mobilized drilling rig to Surorient Block which spudded the first of a multi-well appraisal and development drilling program in October 2010.



MANAGEMENT DISCUSSION & ANALYSIS
RESULTS OF OPERATIONS – SELECTED QUARTERLY INFORMATION

Average Daily Net After Royalty Production

(boe per day)	Three months ended Sept 30			Nine months ended Sept 30		
	2010	2009	Change	2010	2009	Change
Colombia ⁽¹⁾	814	311	162%	767	267	187%
Canada	7	8	(13%)	7	8	(13%)
Total	821	319	157%	774	275	181%

(1) Represents crude oil produced during the period. Sales volumes differ due to crude in storage and in transit at the period-end date. Sales volumes actually sold during the quarter were 566 barrels of oil per day (“bopd”).

The above production reflects the Company’s net interest production after royalties only. The increase in production for the quarter compared to the same period in 2009 is due to the new production from the Pinuna 2 and Pinuna 5 wells which were put on production during 2010 as well as an increase in production due to successful workovers in the fourth quarter of 2009. Production increases were partially offset by a pump failure in Pinuna 1 during the quarter which caused a loss of 32 days production from that well. The pump was repaired and came back on in mid-September 2010 at a normalized rate of approximately 625 bopd (gross).

Selling Prices

Average Field Prices	Three months ended Sept 30			Nine months ended Sept 30		
	2010	2009	Change	2010	2009	Change
WTI (\$USD/bbl)	76.09	68.14	12%	77.58	57.21	36%
Realized price per bbl before royalties (\$CDN/boe)	72.02	56.89	27%	72.19	62.50	16%
Exchange rate (\$US/\$Cdn)	1.040	1.098	(5%)	1.036	1.170	(11%)

Third quarter 2010 oil selling prices averaged \$72.02 per barrel, a 27 percent increase from prices received during the third quarter of 2009 due to higher commodity prices. Throughout the third quarter of 2010 and 2009, Suroco sold all of its production at spot prices.

The Company’s Colombian oil production is priced in relation to the Colombian South blend oil stream which is tied to WTI. The Company receives a premium or a discount to this price depending on the quality of its oil.



Oil Revenue

Revenue	Three months ended Sept 30			Nine months ended Sept 30		
	2010	2009	Change	2010	2009	Change
Total net working interest production after royalty (bbls)	75,538	29,303	158%	211,287	75,074	181%
Total consolidated production before royalty (bbls)	120,915	46,635	159%	338,199	119,246	184%
Increase in consolidated inventory (bbls)	34,651	-	N/A	57,452	-	N/A
Consolidated Sales for the period (bbls)	86,264	46,635	85%	280,748	119,246	135%
Colombia Oil Sales (\$)	6,181,040	2,607,998	137%	20,142,932	7,335,681	175%
Canada Oil Sales (\$)	31,569	44,929	(30%)	125,063	117,707	6%
Total Sales Revenue (\$)	6,212,609	2,652,927	134%	20,267,995	\$7,453,388	172%

Revenue from oil sales increased by 134 percent during the quarter ended September 30, 2010 compared to the same quarter in the prior year due to increased volume of sales and increased oil prices. Canadian GAAP requires that Suroco records the revenue and operations on 72.5% of the consolidated operations of Southeast Investment Corporation, rather than on a net working interest basis which is 49.1% of Southeast Investment Corporation. Southeast Investment Corporation owns 62% of Consorcio Colombia Energy which operates the Surorient Block in Colombia from which Suroco derives all of its production in Colombia.

During the quarter, the Trans Andean Pipeline ("OTA" in Spanish) was undergoing repairs which resulted in a delay in sales for the August and September production until after the end of the quarter. This unsold production resulted in an increase in 34,651 barrels of oil (23,448 on a net working interest basis) in inventory at September 30, 2010. In October 2010, the Company sold approximately 62,991 barrels of oil (42,626 on a net working interest basis) at an average price of \$US 72.82 per barrel which caused inventory levels to normalize. These sales will be recorded in the fourth quarter of 2010.

Royalties

Royalties	Three months ended Sept 30			Nine months ended Sept 30		
	2010	2009	Change	2010	2009	Change
Total (\$)	461,516	199,233	132%	1,506,899	558,158	170%
Royalties / oil revenue	7.4%	7.5%	(1%)	7.4	7.5	(1%)

Royalties paid during the three and nine months ended September 30, 2010 were consistent with royalties paid during the three and nine months ended September 30, 2009 as a percentage of oil sales revenue. Total royalties paid for the same periods increased by 132 percent and 170 percent respectively due to the increase in oil sales revenue.



Production Expenses

	Three months ended Sept 30			Nine months ended Sept 30		
	2010	2009	Change	2010	2009	Change
Total (\$)	3,867,765	1,379,544	180%	7,316,618	3,755,065	95%
Total net working interest production (bbls)	75,538	29,303	158%	211,287	75,074	181%
Total consolidated production (bbls)	120,915	46,635	157%	338,199	119,246	184%
Production expenses (\$/boe)	31.99	29.58	8%	21.63	31.49	(31%)

Total production expenses increased from \$1,379,544 to \$3,867,765 during the third quarter of 2010 compared to the third quarter of 2009 mainly due to higher production during the quarter. Total production expenses increased by 95 percent for the nine months ended September 30, 2010 to the same period in 2009 mainly due to higher production during the period, and partially offset by a lower cost structure due to (i) the replacement of rented equipment with Company owned equipment and (ii) more efficient operating practices such as using electrifying operations rather than using diesel generators. Production expenses on a per barrel of production basis decreased for the same reasons, and due to the fact that many of the costs are fixed and are now spread over a greater number of barrels of oil produced.

Production expenses for the three months ended September 30, 2010 increased over production expenses from the three months ended June 30, 2010 due to a number of one-time charges which include (i) a pump replacement in the Pinuna 1 well; (ii) higher transportation costs due to a significant amount of production having to be trucked to Neiva since the Trans-Andean Pipeline (OTA Pipeline) was down for a significant part of the quarter; and (iii) higher maintenance costs associated with Environmental compliance over the Surorient Block. These higher production costs were partially offset by the lower cost structure noted in the preceding paragraph.

General and Administrative Expenses

	Three months ended Sept 30			Nine months ended Sept 30		
	2010	2009	Change	2010	2009	Change
Total (\$)	956,422	1,469,361	(35%)	2,536,331	3,178,100	(20%)

General and administrative expenses for the three and nine month periods ended September 30, 2010 decreased by 35 percent and 20 percent respectively compared to the same periods in the prior year due to unusually high costs in the prior year associated with shutting the offices in Caracas and moving operations to Bogota, Colombia.



Depletion, Depreciation and Accretion

	Three months ended Sept 30			Nine months ended Sept 30		
	2010	2009	Change	2010	2009	Change
Depletion, depreciation and accretion expense (\$)	3,274,138	543,615	502%	8,615,133	2,294,055	276%
Total net working interest after royalty production (bbls)	75,538	29,303	158%	211,287	75,094	181%
Total consolidated before royalty production (bbls)	120,915	46,635	159%	338,199	119,246	184%
Depletion, depreciation and accretion expense (\$/BOE)	27.08	11.66	132%	25.47	19.24	32%

Depletion, depreciation and accretion increased during the three and nine months ended September 30, 2010 over the same periods in the prior year by 502 percent and 276 percent respectively due to higher production compared to the same periods of the prior year and due to higher capitalized costs. On a per barrel basis, depletion, depreciation and accretion increased during the quarter by 132% and for the nine months ended September 30, 2010 by 32% due to higher capitalized costs due to (i) the workovers in late 2009; (ii) the drilling of the Pinuna 5 and Pinuna 2 wells in early 2010; and (iii) higher future capital required to develop the Company's undrilled proven reserves in the Company's December 31, 2009 reserve report.

Income Applicable to Non-Controlling Interests ("NCI")

	Three months ended Sept 30			Nine months ended Sept 30		
	2010	2009	Change	2010	2009	Change
Total	502,783	62,395	706%	2,456,267	552,252	345%

The income applicable to NCI represents the non-controlling interest share of Southeast Investment Corporation, which holds an interest in the Suroriente Block in Colombia. NCI has increased over the same period last year mainly due to higher revenues from oil sales due which are as a result of higher oil prices and higher production.

Income Taxes

	Three months ended Sept 30			Nine months ended Sept 30		
	2010	2009	Change	2010	2009	Change
Current income taxes (\$)	641,144	344,982	86%	2,639,776	1,022,424	158%
Future income tax recoveries (\$)	(1,367,668)	(299,646)	(356%)	(1,642,210)	(528,126)	(211%)
Total (\$)	(726,524)	45,336	(1703%)	997,566	494,298	102%

The Company's pre-tax income is subject to the Colombian statutory income tax rate of 33 percent at the Southeast Investment Corporation level. The Company recorded higher current income taxes during the three and nine months ended September 30, 2010 than the same periods in 2009 due to significantly higher oil sales revenues. The Company recorded lower future income taxes during the same periods mainly due to a drawdown of the future income tax liability which was recorded when the Company purchased NCT Corporación ("NCT") in



2008. The Company expects this future income tax liability to continue to be drawn down as the assets which were purchased in the NCT acquisition are depleted and depreciated.

Net Income

	Three months ended	Nine months ended
Net loss September 30, 2009	\$(1,916,949)	\$(2,479,973)
Increase (decrease) due to:		
Sales volumes	2,254,494	10,093,875
Realized oil prices	1,305,188	2,720,732
Royalties	(262,283)	(948,741)
Production costs	(2,488,221)	(3,561,553)
Depletion, depreciation and accretion	(2,730,523)	(6,321,078)
General and administrative costs	512,939	641,769
Stock-based compensation	6,213	(232,686)
Foreign exchange gain	1,018,539	220,744
Income taxes	771,860	(503,268)
Other ⁽¹⁾	95,405	(105,397)
Net income	\$(1,433,338)	\$(475,576)

(1) Other includes interest income, interest and other financing fees, loss from discontinued operations and gain on sale of discontinued operations.

	Three months ended Sept 30			Nine months ended Sept 30		
	2010	2009	Change	2010	2009	Change
Net loss (\$)	(1,433,338)	(1,916,949)	(25%)	(475,576)	(2,479,973)	(81%)
\$ per share – basic and diluted	(0.02)	(0.02)	Nil	(0.01)	(0.04)	(75%)

The Company had a net loss during the three and nine months ended September 30, 2010 and for the same periods in 2009.

QUARTERLY RESULTS

	Q3-2010	Q2-2010	Q1-2010	Q4-2009
Oil and gas revenue (\$) (1)	6,212,609	9,600,072	4,455,314	3,020,329
Funds flow from operations excluding changes for working capital (\$) (1)	282,784	4,663,189	1,787,247	1,371,144
Per share – basic (\$)	0.00	0.05	0.02	0.02
Per share – diluted (\$)	0.00	0.04	0.01	0.01
Net income (loss) (\$)	(1,433,338)	746,269	211,493	(789,991)
Per share – basic (\$)	(0.02)	0.01	-	(0.01)
Per share – diluted (\$)	(0.02)	0.01	-	(0.01)
Total assets (\$)	47,763,529	39,061,497	35,189,673	37,648,680
Net working capital (\$)	18,549,567	5,345,878	5,706,804	4,368,514
Common shares outstanding, end of period				
Basic (000's)	119,958	90,675	90,615	86,940
Diluted (000's)	157,854	127,974	127,864	124,945
Average daily net production (boe per day)	821	917	581	282



	Q3-2009	Q2-2009	Q1-2009	Q1-2008
Oil and gas revenue (\$)	2,652,927	2,985,513	1,814,948	960,988
Funds flow from operations excluding changes for working capital (\$)	142,681	379,430	(492,261)	(2,680,048)
Per share – basic (\$)	0.00	0.00	0.00	(0.06)
Per share – diluted (\$)	0.00	0.00	0.00	(0.06)
Net income (loss) (\$)	(1,916,949)	878,279		
Per share – basic (\$)	(0.02)	(0.02)	(0.02)	(0.10)
Per share – diluted (\$)	(0.02)	(0.02)	(0.02)	(0.08)
Total assets (\$)	36,804,590	31,420,021	36,437,835	41,718,959
Net working capital (\$)	9,428,428	3,926,663	5,594,153	9,155,815
Common shares outstanding, end of period				
Basic (000's)	86,940	58,045	58,045	48,215
Diluted (000's)	124,945	66,060	66,563	56,675
Average daily net production (boe per day)	319	305	200	141

- (1) Sales and funds flow from operations were negatively impacted by delay in a month's production being sold until after the quarter end, due to a shut-down of a third party pipeline.

WORKING CAPITAL, LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2010 the Company had positive working capital of \$18,549,567 which is to be expended primarily on corporate growth through development of existing assets and additional acquisitions of operating assets or businesses.

The Company finances its activities mainly through cash generated by share issuances and operations. As of September 30, 2010 Suroco had cash resources of \$18,186,121.

OUTSTANDING SHARE DATA

As of September 30, 2010, the Company had outstanding 119,958,176 common shares and 3,760,000 stock options, 2,861,313 performance warrants, 27,305,000 warrants and 4,000,000 contingent warrants. As of November 25, 2010, the Company had 119,958,176 common shares, 3,760,000 stock options, 2,861,313 performance warrants, 27,305,000 warrants and 4,000,000 contingent warrants.

Reference is made to Note 8 of the September 30, 2010 unaudited consolidated financial statements of the Company and Note 15 of the December 31, 2009 audited consolidated financial statements of the Company wherein share capital and other securities data is disclosed.

RISKS & UNCERTAINTIES

Fluctuating Prices: The Company's future success is linked to the price of petroleum and natural gas prices, because its future revenues will be derived from the extraction and sale of petroleum and natural gas reserves. The Company estimates the future price of petroleum and natural gas based on historical trends and published forecasted estimates. The prices are affected by numerous factors beyond the Company's control, including the relative exchange rate of the US dollar with the Colombian and Canadian currencies, global and regional demand for petroleum and natural gas, and political and economic conditions. Worldwide production levels also affect the prices. The prices of petroleum and natural gas are occasionally subject to rapid short-term changes due to speculative activities.



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 be eliminated. 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-economic 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.

Environmental Risk - Exploration and development of oil and gas properties present environmental hazard and are subject to environmental regulations in Colombia. The Company hires qualified individuals to ensure these regulations are complied with. However, there is a risk that these regulations are not fully complied with, which may result in fines and penalties

Political Risk: The Company conducts exploration activities in Colombia and these are potentially subject to a number of political, economic and other risks that may affect the Company's future operations and financial position.

Liquidity Risk: There is a risk that the Company will not be able to meet its financial obligations when they become due. To mitigate this risk, the Company has a planning and budgeting process in place to determine the funds required to support its ongoing operations and capital expenditures. The Company actively searches for equity or debt financings to meet its operating requirements.

FINANCIAL INSTRUMENTS

The Company's financial assets and liabilities consist of cash and cash equivalents, term deposits, funds in trust, loans receivable, accounts receivable, accounts payable and obligations under capital lease. The fair value of these financial assets and liabilities approximates their carrying value, unless otherwise noted.

TRANSACTIONS WITH RELATED PARTIES

NCT Estudios y Proyectos, C.A.

At September 30, 2010 \$663,011 (US \$644,326) was receivable from NCT Estudios y Proyectos, C.A. ("E&P") a company 100% owned and controlled by an ex-Director of the Company. This amount is non-interest bearing and was due to NCT when it was purchased by the Company. The transaction was recorded at the exchange value, bears no interest and is due March 24, 2011.

CI Vetra Trading

At September 30, 2010, \$921 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 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.

CONTRACTUAL OBLIGATIONS



Pursuant to exploration contracts in Colombia, the Company has work commitments which were to have been completed by September 30, 2010. All work commitments were completed on schedule and during the quarter ended September 30, 2010, the Company entered into the second phase of the work program for both contracts.

The Company's annual commitments under leases for office premises and other equipment are as follows:

2010	\$ 16,867
2011	68,086
2012	69,685
2013	55,710
Total	\$210,348

Asset Retirement Obligations – Suroco is the owner of oil and natural gas wells and related surface equipment and facilities. These assets will have to be abandoned and the surface returned to its natural state. At September 30, 2010, Suroco has recorded a future asset retirement obligation of \$324,865 which is exclusive of salvage values. Suroco does not expect to incur significant asset retirement cost obligations within the next five years.

OFF-BALANCE SHEET ARRANGEMENTS

Suroco does not have any special purpose entities nor is it a party to any arrangement that would be excluded from the balance sheet.

IMPACT OF NEW ACCOUNTING POLICIES

International Financial Reporting Standards

In February 2008, the AcSB confirmed the convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS") will be required for interim and annual financial statements effective for fiscal years beginning on or after January 1, 2011, including comparatives for 2010 and an opening balance sheet at January 2, 2010 showing the changes from Canadian GAAP to IFRS.

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

Suroco commenced its IFRS Conversion Project in mid-2009 by completing an initial scoping phase, and has established a project plan which is defined below by the key headings, accounting policies and procedures, financial statement preparation, training and communication business impacts, IT systems and control environment:

KEY ACTIVITY	MILESTONES	STATUS
Accounting Policies and Procedures		
<ul style="list-style-type: none"> Identify differences between Canadian GAAP and IFRS Establish accounting policies under IFRS Identify potential adjustments to opening and subsequent financial statements Develop IFRS compliant financial statements which are consistent with company 	<ul style="list-style-type: none"> Approval of IFRS policies and opening balance sheet by senior management Audit committee review of policy decisions Revised accounting policy and procedures manuals in place prior to changeover date 	<ul style="list-style-type: none"> Reviewing policy alternatives Scheduled for Q4 2010 Scheduled for Q4 2010

policies		
Financial Statement Preparation		
<ul style="list-style-type: none"> • Prepare first-time adoption reconciliation required under IFRS 1 • Draft financial statements • Quantify adjustments 	<ul style="list-style-type: none"> • Approval of pro-forma financial statements by senior management and audit committee 	<ul style="list-style-type: none"> • Draft of opening balance sheet and transition note disclosure in progress
Training and Communication		
<ul style="list-style-type: none"> • Identify key personnel who require training • Develop communication strategy for key stakeholders • Develop and execute training plan 	<ul style="list-style-type: none"> • Training to be provided to relevant employees prior to changeover date 	<ul style="list-style-type: none"> • Key employees involved with implementation have completed sufficient and ongoing training • Quarterly disclosure of progress in MD&A
Business Impacts		
<ul style="list-style-type: none"> • Identify what, if any, the impacts will be on the business of the company (compensation arrangements, covenants, etc.) • Identify taxation issues 	<ul style="list-style-type: none"> • Impacts of contracts identified • Taxation impacts identified 	<ul style="list-style-type: none"> • Adoption of IFRS not expected to have a significant impact on contracts or compensation arrangements • Analysis of taxation impacts is in progress
IT Systems		
<ul style="list-style-type: none"> • Identify what, if any, new hardware/software will be required • Develop system for capturing information required for IFRS conversion/reporting 	<ul style="list-style-type: none"> • Necessary change to IT systems implemented by changeover date • Solution for capturing information required implemented 	<ul style="list-style-type: none"> • No changes required to IT systems • Preparation of required information system is in progress
Control Environment		
<ul style="list-style-type: none"> • Review policies and procedures to see what changes are required to controls over financial reporting. • Develop and implement changes. 	<ul style="list-style-type: none"> • Internal controls over IFRS changeover process in place and tested prior to changeover 	<ul style="list-style-type: none"> • Relevant internal controls are being assessed as work progresses

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

First-time Adoption of IFRSs ("IFRS 1")

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

application to ease the transition to IFRS in the transition year. The most significant IFRS 1 exemptions that are expected to apply to the Company upon adoption are summarized in the following table:

Area of IFRSs	Summary of Exemption Available
Property, Plant and Equipment	<ul style="list-style-type: none"> The Company may elect to report items of property, plant and equipment, in its opening balance sheet on transition date at deemed cost instead of the actual cost that would be determined under IFRS. The deemed cost of an item may be either its fair value at the date of transition to IFRS or an amount determined by a previous revaluation under Canadian GAAP (as long as that amount was close to either its fair value, cost or adjusted cost). The exemption can be applied on an asset-by-asset basis. Oil and gas assets that were part of the full cost pool and determined to be development or producing assets are able to be allocated to Cash Generating Units (CGU's) on date of transition pro rata using reserve values or volumes, subject to an impairment test on date of transition. Impact is currently under review by management and in the process of being quantified.
Share-Based Payments	<ul style="list-style-type: none"> The Company may elect to not apply IFRS 2, "Share-Based Payments", to equity instruments which vested before the Company's date of transition to IFRS. The Company may also elect not to apply IFRS 2 to liabilities arising from share-based payment transaction which settled before the date of transition to IFRS. It is expected that the Company will not apply IFRS 2 to equity instruments granted which vested before the Company's date of transition to IFRS. The Company will also elect to not apply IFRS 2 to liabilities arising from share-based payment transactions which settled before the date of transition to IFRS. Impact is currently in the process of being quantified. All of the Company's stock options awarded to date have vested, however none of the Company's performance warrants have vested.
Abandonment Retirement Obligations	<ul style="list-style-type: none"> In accounting for changes in obligations to dismantle, remove and restore items of property, plant and equipment, the guidance in IFRSs requires changes in such obligations to be added to or deducted from the cost of the asset to which it relates. The adjusted depreciable amount of the asset is then depreciated prospectively over its remaining useful life. Rather than recalculating the effect of all such changes throughout the life of the obligation, the Company may elect to measure the liability and the related depreciation effects at the date of transition to IFRS. The Company intends to elect to measure any abandonment retirement obligations and the related depreciation effects at the date of the transition to IFRS. Impact has not yet been quantified.

Expected Areas of Significance

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

Accounting Policy Area	Impact of Policy Adoption
Impairment of Assets ("IAS 36")	<ul style="list-style-type: none"> IFRS uses the concept of cash generating units to accumulate asset carrying costs to test and measure impairment. IFRS will require impairment testing to be performed at the cash generating unit level, which is lower than the current cost center level. In addition, IAS 36 uses a one-step approach for testing and measuring asset impairments, with asset carrying values being compared to the higher of: value-in-use and fair value less costs to sell. Value in use is defined as

	<p>the amount equal to the present value of future cash flows expected to be derived from the asset. In the absence of an active market, fair value less costs to sell may also be determined using discounted cash flows. The use of discounted cash flows under IFRS to test and measure asset impairment differs from Canadian GAAP, which uses undiscounted cash flows to test and measure impairment. This may result in more frequent write-downs in the carrying amounts of assets under IFRS because the asset carrying amounts previously supported under Canadian GAAP were based on undiscounted cash flows. However, under IAS 36, impairment losses that were previously recognized may be reversed where circumstances change such that the impairment is reduced. This differs from Canadian GAAP, which prohibits the reversal of previously recognized impairment losses.</p> <ul style="list-style-type: none"> • Suroco is currently evaluating the impact of these policies under IFRS.
Exploration and Evaluation Expenditures (“IFRS 6”)	<ul style="list-style-type: none"> • Oil and gas companies are required to account for exploration and evaluation expenditures in accordance with IFRS 6, which permits a number of accounting policy choices. For example, this standard addresses the recognition, measurement, presentation and disclosure requirements for costs incurred in the exploration phase. Unlike Canadian GAAP, IFRS requires the identification and presentation of exploration and evaluation expenditures to be separated from developed and producing assets. In addition, Suroco will be required to perform an impairment test on exploration and evaluation expenditures when there is a determination that the expenditures have resulted in a technically feasible and commercially viable project. At that time, the expenditures would be tested for impairment, and then transferred to the developed and producing assets category. • Suroco is currently evaluating its policy options and applicable impact of these policies under IFRS. Impact is in the process of being quantified.
Property, Plant and Equipment (IAS 16”)	<ul style="list-style-type: none"> • IFRS and Canadian GAAP contain the same basic principles of accounting for property, plant and equipment. However, IAS 16 requires costs recognized as property, plant and equipment to be allocated to the significant parts of the asset and to amortize each significant component separately. This is a departure from Canadian GAAP for full cost oil and gas companies, and may increase the number of components to be amortized separately, and could impact the amount of amortization expense. Under IAS 16, companies have the choice to account for property, plant and equipment under the cost model, or the revaluation model. • It is expected that Suroco will choose and apply the cost model to account for its property, plant and equipment after transition to IFRS. Impact is in the process of being quantified.
Business Combinations (“IAS 3”)	<ul style="list-style-type: none"> • On January 1, 2009, the Company early adopted CICA Section 1582, “Business Combinations”, which is aligned with IFRS 3, therefore there will be no differences in this area.
Income Taxes (“IAS 12”)	<ul style="list-style-type: none"> • The Company has not yet assessed the impact that the adoption IFRS will have on income taxes.

OUTLOOK

In addition to the plans discussed in this MD&A, please see the Company’s second quarter operations update in its press release dated October 26, 2010.

ADDITIONAL INFORMATION



Additional information regarding Suroco, including the Company's NI 51-101 oil & gas reserves information for the year ended December 31, 2009 in the Company's Annual Information form for the year ended December 31, 2009, is available on SEDAR at www.sedar.com.