

PetroFalcon Corporation

Interim Consolidated Financial Statements

(Unaudited)

March 31, 2008, and 2007

(expressed in U.S. dollars)

The accompanying unaudited interim consolidated financial statements of PetroFalcon Corporation (the “Company”) for the three months ended March 31, 2008, and 2007, have been prepared by Management and approved by the Audit Committee of the Company.

PetroFalcon Corporation
Interim Consolidated Balance Sheets
(Unaudited)

(expressed in U.S. dollars)

	March 31, 2008	December 31, 2007
	\$	\$
Assets		
Current assets		
Cash	31,150,203	4,773,930
Accounts receivable (note 5)	3,054,727	2,391,354
Income tax recoverable	1,066,567	958,807
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	35,271,497	8,124,091
Investments in oil and gas activities: (note 4)		
PetroCumarebo, S.A.	44,280,462	44,280,462
Baripetrol, S.A.	21,263,601	-
Cardon III	5,404,057	5,404,057
Other investments	350,000	350,000
Property and equipment	174,151	188,876
	<hr/>	<hr/>
	106,743,768	58,347,486
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	3,834,014	3,569,118
Short-term debt (note 7)	2,084,388	2,492,857
	<hr/>	<hr/>
	5,918,402	6,061,975
Shareholders' equity		
Capital stock (note 6)	99,299,811	51,680,606
Warrants (note 6)	1,867,386	-
Contributed surplus (note 6)	8,801,087	8,072,330
Accumulated deficit	(9,142,918)	(7,467,425)
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	100,825,366	52,285,511
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	106,743,768	58,347,486

PetroFalcon Corporation

Interim Consolidated Statements of Operations, Comprehensive Operations and Retained Earnings
(Deficit)

(Unaudited)

(expressed in U.S. dollars)

	Three months ended	
	March 31,	
	2008	2007
	\$	\$
		(as restated - see note 1)
Expenses		
General and administrative	1,630,939	2,422,846
Depreciation, depletion and amortization	25,412	39,957
Stock-based compensation (note 6)	728,757	737,638
	<u>2,385,108</u>	<u>3,200,441</u>
Loss before financing income (expenses) and income tax	<u>(2,385,108)</u>	<u>(3,200,441)</u>
Financing income (expenses)		
Interest on bank loans	(284,748)	(367,255)
Interest on bank deposits	177,061	93,595
Foreign exchange gain (loss)	256,408	2,672,849
Other income (note 12)	560,894	-
	<u>709,615</u>	<u>2,399,189</u>
Net loss and comprehensive loss	<u>(1,675,493)</u>	<u>(801,252)</u>
Accumulated deficit – Beginning of period	<u>(7,467,425)</u>	<u>(3,880,129)</u>
Accumulated deficit – End of period	<u>(9,142,918)</u>	<u>(4,681,381)</u>
Basic and diluted loss per share (note 11)	<u>(0.01)</u>	<u>(0.01)</u>

PetroFalcon Corporation

Interim Consolidated Statements of Cash Flows (Unaudited)

(expressed in U.S. dollars)

	Three months ended	
	March 31,	
	2008	2007
	\$	\$
		(as restated – see note 1)
Cash provided by (used in)		
Operating activities		
Net income (loss)	(1,675,493)	(801,252)
Items not affecting cash		
Amortization, depletion and accretion	25,412	39,957
Stock-based compensation	728,757	737,638
	<u>(921,324)</u>	<u>(23,657)</u>
Net change in non-cash working capital items		
Accounts receivable	(663,373)	10,711,002
Accounts payable and accrued liabilities	264,896	(9,672,485)
Income taxes recoverable / payable – net	(107,760)	322,892
	<u>(1,427,561)</u>	<u>1,337,752</u>
Financing activities		
Issuance (repayment) of short-term debt	(408,469)	(5,057,791)
Issue of shares	-	61,162
Acquisition of Lundin Latina de Petróleos, S.A. (note 1)	26,312,990	-
	<u>25,904,521</u>	<u>(4,996,629)</u>
Investing activities		
Receipt of Baripetrol dividend	1,910,000	-
Investment in affiliates	-	(2,225,626)
Proceeds on sale of property and equipment	-	10,308
Acquisition of property and equipment	(10,687)	-
	<u>1,899,313</u>	<u>(2,215,318)</u>
Net (decrease) increase in cash during period	<u>26,376,273</u>	<u>(5,874,195)</u>
Cash – Beginning of period	<u>4,773,930</u>	<u>11,894,574</u>
Cash – End of period	<u>31,150,203</u>	<u>6,020,379</u>
Supplementary information		
Interest paid	217,794	285,918
Income taxes paid	-	507,289

PetroFalcon Corporation

Notes to Interim Consolidated Financial Statements

(Unaudited) For the three months ended March 31, 2008, and 2007

(expressed in U.S. dollars)

1 Description of business

PetroFalcon Corporation (“PetroFalcon” or the “Company”) is engaged in the exploration, development, production and management of oil and natural gas properties in Venezuela. Through its wholly-owned Venezuelan subsidiaries, Vinccler Oil and Gas, C.A. (“Vinccler Venezuela”), and Lundin Latina de Petróleos, S.A. (“Lundin Venezuela”), PetroFalcon owns 40% of PetroCumarebo, S.A. (“PetroCumarebo”) and 5% of Baripetrol, S.A. (“Baripetrol”).

PetroCumarebo accounting

Prior to January 1, 2007, PetroFalcon considered its investment in and relationship with PetroCumarebo to be one of joint control and accordingly accounted for its 40%-interest in PetroCumarebo using proportional consolidation. In effect, PetroFalcon recognized 40% of PetroCumarebo’s revenues, expenses, assets and liabilities in PetroFalcon’s financial statements.

In 2007, PetroFalcon re-evaluated its relationship with PetroCumarebo and concluded that, for accounting purposes, effective January 1, 2007, PetroFalcon’s investment in PetroCumarebo does not currently meet the criteria for proportional consolidation or equity method accounting. Accordingly, PetroFalcon has accounted for PetroCumarebo using the cost method of accounting as the investment has been classified by the Company as an available for sale equity instrument that is not actively traded in a public market for the three months ended March 31, 2008. Under the cost method, PetroFalcon does not recognize its 40%-share of revenues, expenses, assets or liabilities from PetroCumarebo and instead only recognizes income from the investment to the extent that dividends are received from PetroCumarebo. As a result, PetroFalcon has no revenues for the three months ended March 31, 2008, and has restated the comparable period in 2007.

Despite this change for accounting purposes, PetroFalcon remains an oil and gas company carrying on active operations in Venezuela, and Management does not consider PetroFalcon to be a company with only passive investments.

Acquisition of Lundin Latina de Petróleos, S.A.

On July 18, 2007, PetroFalcon announced the acquisition of 100% of the issued and outstanding shares of Lundin Venezuela from Lundin Petroleum BV (“Lundin BV”), as well as a private placement with Lundin BV.

Lundin Venezuela is a holding company incorporated in Venezuela that owns a 5% interest in Baripetrol, S.A., (“Baripetrol”) a Venezuelan mixed company between Petróleos de Venezuela, S.A. (“PDVSA”), Tecpetrol de Venezuela, S.A. and Perenco Oil and Gas International Limited. Baripetrol operates the Colon Block, which includes approximately 297,000 acres in western Venezuela and has onshore oil and natural gas production.

On August 22, 2007 PetroFalcon and Lundin BV entered into a binding share purchase agreement to effect the acquisition of Lundin Venezuela and the private placement.

On February 1, 2008, PetroFalcon acquired 100% of the issued and outstanding shares of Lundin Venezuela from Lundin BV in consideration for the issuance of 57,254,505 common shares of the

PetroFalcon Corporation

Notes to Interim Consolidated Financial Statements

(Unaudited) For the three months ended March 31, 2008, and 2007

(expressed in U.S. dollars)

Company. Concurrent with the completion of the acquisition, Lundin BV subscribed for 6,665,995 units of the Company at a purchase price of CND\$0.80 for aggregate proceeds of \$5.1 million. Each unit consists of one common share and approximately 0.75 warrants, such that an aggregate of 5,000,000 warrants were issued. Each whole warrant is exercisable for one common share of the Company upon payment of CDN\$1.20 per share and expires on February 1, 2010.

In connection with the above transactions, the Company paid a cash finder's fee in the amount of \$543,600 and issued 569,284 common shares of the Company.

The cost of the acquisition includes PetroFalcon common shares with a fair value of \$0.77 (CDN\$0.80) per share, plus PetroFalcon's estimated transaction cost of \$980,000 for a total cost of \$44,870,000.

The value of the PetroFalcon common shares issued was calculated using the average share price of PetroFalcon's shares five days before, the day of, and five days after the announcement date of the acquisition.

The excess of the purchase consideration over the adjusted book values of Lundin Venezuela assets and liabilities has been allocated to the 5% interest in Baripetrol. PetroFalcon is currently undergoing a process whereby the fair value of all identifiable assets and liabilities acquired as well as any goodwill arising upon the acquisition will be determined. Upon completion of the valuation and a corresponding adjustment to the asset carrying amounts, these adjustments will impact the consolidated financial statements for periods after the date of acquisition.

The preliminary allocation of purchase price is summarized in the table below:

Cost of purchase:

57,254,505 common shares of PetroFalcon	43,890,000
Acquisition costs	980,000
	<hr/>
	44,870,000

Allocation of the purchase price:

Cash and cash equivalents	257,141
Accounts receivables and other	114,886
Cash (settlement of accounts receivable from Lundin BV)	21,350,479
Investment in Baripetrol	23,173,601
Fixed assets	980
Accounts payables and accruals	(18,547)
Accounts payables to related companies	(8,540)
	<hr/>
	44,870,000

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Notes to Interim Consolidated Financial Statements

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(expressed in U.S. dollars)

PetroCumarebo and Baripetrol dividends

Under Venezuelan law, dividends can only be declared to the extent that a company has net and available profits as stated in a company's approved financial statements. Therefore, if there are sufficient net and available profits, subject to the prior approval of the shareholders, PetroFalcon may receive annual dividends in U.S. dollars, or quarterly loans against those projected dividends.

On March 4, 2008, Lundin Venezuela received a \$1.9 million dividend from Baripetrol for operations between January and September 2007.

Venezuelan currency exchange rate

During the year ended December 31, 2007, the Company reviewed the accounting for foreign currency transactions in Venezuela due to the increasing spread between the official rate and the parallel implied market rate in Venezuela. It has been determined that as a consequence of the rapid decline in the valuation of the Venezuelan Bolivars as reflected in the implied market for foreign currencies in Venezuela that the method of translation from Bolivars to United States dollars using the official rate was no longer appropriate. As a result, Management determined that Bolivar balances would be translated at implied market rates for the three months ending March 31, 2008, and 2007, as well as the year ended December 31, 2007.

2 Significant accounting policies

The interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. These interim consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles using the same accounting policies and methods of computation as the consolidated financial statements for the year ended December 31, 2007, except as described in note 3.

3 Change in accounting policy

The CICA has issued four new standards that affect the financial disclosures and results of operations of the Company for interim and annual periods beginning January 1, 2008. The Company adopted the requirements commencing in the quarter ended March 31, 2008, and has considered the impact this has on the Company's financial statements.

Section 1535, Capital disclosures, establishes standards for disclosing information about an entity's capital and how it is managed. Under this standard, the Company is required to disclose quantitative and qualitative information about its objectives, policies and processes for managing capital.

Sections 3862 and 3863, Financial instruments – disclosures and presentation, requires entities to disclose quantitative and qualitative information that enable users to evaluate (a) the significance of financial instruments for the Company's financial performance, and (b) the nature and extent of risks arising from financial instruments to which the Company is exposed during the period and at the

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balance sheet date, and Management's objectives, policies and procedures for managing such risks. The Company is required to disclose the measurement bases used, and the criteria used to determine classification of financial instruments.

Section 1400, General standards on Financial Statement Presentation, has been amended to include requirements to assess and disclose an entity's ability to continue as a going concern.

4 Investments

PetroCumarebo, S.A.

Effective April 1, 2006, Vinccler Venezuela's East Falcon OSA and West Falcon OSA became a 40% investment in the mixed company, PetroCumarebo.

Baripetrol, S.A.

Effective February 1, 2008, the Company became the owner of 100% of the issued and outstanding shares of Lundin Venezuela, which owns a 5% interest in the mixed company, Baripetrol, S.A.

Cardon III

On January 24, 2007, Vinccler Venezuela and Chevron Corporation ("Chevron") signed a Heads of Terms agreement whereby Vinccler Venezuela will acquire a 30% working interest from Chevron in the offshore natural gas license for the Cardon III Block in the Gulf of Venezuela. Under the terms of the agreement effective January 1, 2007, Chevron remains operator and majority partner with a 70% interest. PDVSA retains the right to acquire up to 35% of the project after declaration of commerciality. The transaction is subject to the approval of the Venezuelan Ministry of Energy and Petroleum ("MEP").

On March 9, 2007, Vinccler Venezuela paid Chevron \$2.2 million, which included 30% of all Chevron's costs related to the Cardon III Block before the effective date. On December 31, 2007, Vinccler Venezuela was invoiced \$3.2 million for its 30% share of costs related to the Cardon III Block in 2007. Under the agreement, all funds paid by Vinccler Venezuela to Chevron will be returned with interest if MEP approval is denied.

Cardon IV

On March 12, 2008, PetroFalcon announced the signing of a letter of intent with Repsol, whereby Vinccler Venezuela will acquire 25% of the Cardon IV Block. The transaction is subject to the approval of MEP, as well as the negotiation and execution of a sale and purchase agreement.

Under the terms of the farm-in agreement, Vinccler Venezuela has no obligations relating to past sunk costs on the Cardon IV Block and has paid nothing to Repsol to date.

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(Unaudited) For the three months ended March 31, 2008, and 2007

(expressed in U.S. dollars)

5 Accounts receivable

At March 31, 2008, the Company had \$3.1 million in accounts receivable. These accounts receivable include \$0.6 million of value added tax (“VAT”) credit derived from the Company’s expenditures during the year and \$1.6 million related to inventory sold to PetroCumarebo.

At December 31, 2007, the Company had \$2.4 million in accounts receivable. These accounts receivable included \$0.3 million of VAT credit derived from the Company’s expenditures during the year and \$1.6 million related to inventory sold to PetroCumarebo.

6 Capital stock

Authorized

Unlimited number of common shares

Unlimited number of preferred shares issuable in series

Issued

	Number of Shares	Amount \$
As at December 31, 2006	86,331,336	51,547,584
Issue of shares (for options exercised)	250,000	133,022
As at December 31, 2007	86,581,336	51,680,606
Private Placement	6,665,995	5,110,000
Acquisition of Lundin Venezuela	57,254,505	43,890,000
Issuance of broker’s shares	569,284	436,400
Issue of shares (for options exercised)	100,000	50,191
Agent’s warrants	-	(1,867,386)
As at March 31, 2008	151,171,120	99,299,811

Contributed Surplus

	\$
As at December 31, 2006	6,025,665
Stock-based compensation expense	2,046,665
As at December 31, 2007	8,072,330
Stock-based compensation expense	728,757
As at March 31, 2008	8,801,087

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(Unaudited) For the three months ended March 31, 2008, and 2007

(expressed in U.S. dollars)

Common stock

The common shares of PetroFalcon are all of the same class, have voting rights and entitle shareholders to receive dividends as and when declared by the Board of Directors. In the event of a liquidation, dissolution or winding up, the shareholders are entitled to receive equal distributions of net assets or any dividends that may be declared after discharging all liabilities.

Acquisition of Lundin Venezuela

The Company issued 57,254,505 common shares at a price of CDN\$0.80 per share in connection with the Lundin Venezuela acquisition (See note 1).

Private Placement

Concurrent with the acquisition, Lundin BV subscribed for 6,665,995 units of PetroFalcon at a purchase price of CDN\$0.80 per unit, resulting in additional proceeds to the Company of approximately \$5,110,000. Each unit consists of one common share and approximately 0.75 warrants, such that Lundin BV now holds an aggregate of 5,000,000 warrants. Each whole warrant expires on February 1, 2010, and is exercisable for one common share of PetroFalcon upon payment of CDN\$1.20 per share.

Finder's fee

In connection with the acquisition and private placement, PetroFalcon paid a cash finder's fee in the amount of \$543,600 and issued 569,284 common shares of the Company to Nanes Delorme Capital Management, LLC, a boutique investment bank in New York City that is arm's length to the Company.

Stock option plan

A summary of the status of PetroFalcon's stock option plan and changes during the periods is presented below:

	March 31, 2008		December 31, 2007	
	Share Options	Weighted Average Exercise Price CDN\$	Share Options	Weighted Average Exercise Price CDN\$
Outstanding – Beginning of period	10,796,494	1.81	10,406,494	1.85
Granted	-	-	1,070,000	1.00
Exercised	(100,000)	0.50	(250,000)	0.59
Cancelled	-	-	(430,000)	1.95
Outstanding – End of period	10,696,494	1.81	10,796,494	1.81
Options exercisable – End of period	10,696,494	1.81	9,393,322	1.81

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(Unaudited) For the three months ended March 31, 2008, and 2007

(expressed in U.S. dollars)

A summary of stock options outstanding at March 31, 2008, is set out below:

Exercise Price CDN\$	Outstanding Stock Options		Exercisable Stock Options
	Number	Weighted Average Remaining Contractual Life	Number
\$1.00	3,148,654	5.14 years	3,148,654
\$1.00	1,070,000	9.25 years	1,070,000
\$1.13	75,000	8.38 years	75,000
\$1.23	150,000	8.74 years	150,000
\$1.30	13,340	5.50 years	13,340
\$1.45	40,000	8.25 years	40,000
\$1.55	450,000	7.94 years	450,000
\$1.93	920,000	8.00 years	920,000
\$2.05	30,000	7.58 years	30,000
\$2.20	290,000	6.00 years	290,000
\$2.35	1,750,000	6.20 years	1,750,000
\$2.38	300,000	7.50 years	300,000
\$2.39	1,459,500	7.20 years	1,459,500
\$3.28	1,000,000	6.68 years	1,000,000
	<u>10,696,494</u>		<u>10,696,494</u>

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model with weighted average assumptions for grants as follows:

Risk free interest rate	4.86%
Expected volatility	60%
Dividends yield rate	0.00%
Weighted average expected life of options	5 years

7 Short-term debt

The Company's short-term debt consists of the following:

	March 31, 2008	December 31, 2007
Due to Vinccler Construction (see note 8) with no specific terms of repayment, unsecured and interest bearing at LIBOR plus 2%	-	350,000
Unsecured bank loans bearing average interest of 26% for 2008 and 20% for 2007; 90-day revolving basis, payable in Bolivars	2,084,388	2,142,857
	<u>\$2,084,388</u>	<u>\$2,492,857</u>

PetroFalcon Corporation

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(Unaudited) For the three months ended March 31, 2008, and 2007

(expressed in U.S. dollars)

Short-term bank loans consisted of Vinccler Venezuela's credit line with Banco Exterior to meet its short-term working capital needs. Vinccler Venezuela's local currency credit line is guaranteed by a \$1.3 million deposit in USD with Banco Exterior.

8 Related party transactions and balances

Pacific Oil and Gas, LLC and Venezolana de Inversiones y Construcciones Clerico, C.A. ("Vinccler Construction") are controlled by officers of PetroFalcon. For the three months ended March 31, 2008 and 2007, the Company paid Pacific Oil and Gas, LLC, controlled by PetroFalcon's Vice Chairman, Clarence Cottman, and PetroFalcon's President, William Gumma, \$135,000 for professional services. These payments for professional services include the salaries of Mr. Gumma and PetroFalcon's Chief Financial Officer, Garrett Soden, as well as the operating expenses for PetroFalcon's technical office in Carpinteria, California.

PetroFalcon also receives construction services provided by Vinccler Construction, an independent operating construction company controlled by the Company's Chairman and Chief Executive Officer, Juan Francisco Clerico. During the three month periods ended March 31, 2008, and 2007, PetroFalcon did not receive services from Vinccler Construction. On August 25, 2006, Vinccler Construction paid on behalf of Vinccler Venezuela the amount of \$350,000 to purchase the data package for the Delta Caribe offshore natural gas bid process in Venezuela. On March 27, 2008, Vinccler Venezuela repaid this amount plus \$42,199 for interest at LIBOR plus 2%.

These related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

9 Income tax

During the three months ended March 31, 2008, and 2007, the Company did not record a current income tax expense.

10 Financial instruments and capital management

The Company is exposed to fluctuations in commodity prices, interest rates and Canadian/U.S. dollar and Venezuelan Bolivar/U.S. dollar exchange rates. The Company, where appropriate, utilizes financial instruments to manage its exposure to these risks. During the three months ended March 31, 2008, the Company did not hold or issue any derivative financial instruments. The Company's financial assets and liabilities as at March 31, 2008, included cash, accounts receivable and accounts payable.

The fair value of cash and cash equivalents and short-term debt approximates their carrying value due to their short-term maturities.

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The fair value of other financial assets and liabilities approximate their cost, due to either the short period to maturity or lack of an actively quoted market. Changes in the fair value of financial liabilities are due solely to fluctuations in interest rates, currency exchange rates and time value.

The Company has not incurred any fair value changes due to credit risk.

The Company defines capital as shareholders' equity, long-term debt (excluding non-recourse debt and transaction costs), short-term borrowings and non-controlling interests less cash and cash equivalents (excluding cash and cash equivalents from joint ventures and other interests not exclusively controlled by the Company).

The Company's objectives when managing capital are to maintain flexibility between providing liquidity for investment opportunities in the oil and gas sector in Venezuela and providing acceptable returns to shareholders. These objectives are primarily met through cash management and continuous review of attractive acquisition and development opportunities.

The Company currently has no externally imposed capital requirements.

At March 31, 2008, if the Bolivar had weakened or strengthened by 15% against the U.S. dollar, with all other variables held constant, post-tax income for the period would not have differed materially as a result of the change in the fair value of the Company's net monetary assets denominated in U.S. dollars.

11 Earnings (loss) per share

	Three months ended	
	March 31,	
	2008	2007
Net income (loss)	(\$1,675,493)	(\$801,252)
Weighted average number of common shares	118,813,728	86,381,336
Stock options and warrants*	4,218,654	250,000
Basic (loss) earnings per share	(0.01)	(0.01)
Diluted (loss) earnings per share*	(0.01)	(0.01)

* The calculation of diluted earnings per common share excludes 6,477,840 excludes options and 5,000,000 warrants outstanding in the three months ended March 31, 2008, and 9,986,494 options and 100,000 warrants outstanding during the three months ended March 31, 2007.

12 Other income

Other income relates to recovered drilling insurance claims during the three months ended March 31, 2008.

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13 Subsequent events

On April 1, 2008, Vinccler Venezuela repaid its outstanding short-term debt of \$2.1 million to Banco Exterior. As a result, PetroFalcon has no debt outstanding and has withdrawn its \$1.3 million guarantee deposit from Banco Exterior.

On April 7, 2008, PetroFalcon announced the signing of a binding sale and purchase agreement for the acquisition of 100% of the issued and outstanding shares of Anadarko Venezuela Company (“Anadarko Venezuela”) from an affiliate of Anadarko Petroleum Corporation (“Anadarko Petroleum”).

PetroFalcon intends to acquire Anadarko Venezuela from Anadarko Petroleum for \$200 million in cash with a financial effective date of January 1, 2008. The agreement is subject to the approval of the Venezuelan Ministry of Energy and Petroleum.

Anadarko Venezuela indirectly owns 18% of Petroritupano, S.A. (“Petroritupano”), a mixed company with PDVSA and the Brazilian energy company, Petrobras Energía, S.A. (“Petrobras”). In addition, Anadarko Venezuela holds a \$58 million voucher that can be used as credit with the Venezuelan government for new oil and gas investment opportunities.

Petroritupano has the exclusive right to explore, develop and produce oil and natural gas through 2025 from the Oritupano-Leona Block, which includes almost 340,000 acres in the Maturin sub-basin of eastern Venezuela.

Lundin Petroleum AB (“Lundin Petroleum”) has provided a guarantee to Anadarko Petroleum for the full purchase price. In consideration for the guarantee, PetroFalcon has agreed to issue 17.1 million common shares of the Company to Lundin Petroleum or one of its subsidiaries, subject to regulatory approval. On April 11, 2008, PetroFalcon issued 7.1 million of these shares to Lundin Petroleum, which now indirectly owns 45% of the issued and outstanding shares of the Company. The remaining 10 million shares will be issued to Lundin Petroleum, subject to regulatory approval, at closing of the acquisition.

PetroFalcon intends to fund the purchase price of the acquisition through third-party financing, which may be in the form of debt, equity or a combination thereof. If required, Lundin Petroleum has agreed to provide interim financing to PetroFalcon on commercial terms.

On April 9, 2008, Vinccler Venezuela paid Chevron \$3.2 million for its 30% share of costs related to the Cardon III Block in 2007.

On May 6, 2008, Vinccler Venezuela received \$1.0 million related to inventory sold to PetroCumarebo.

On May 9, 2008, Vinccler Venezuela received \$3.6 million from PDVSA related to Q1 2006 revenue under the former Operating Service Agreement.