



PETRODORADO ENERGY LTD.

ANNUAL INFORMATION FORM

for the year ended December 31, 2013

April 25, 2014

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ABBREVIATIONS

Abbreviations

Oil and Natural Gas Liquids		Natural Gas	
Bbl or bbl	Barrel	Mcf or mcf	thousand cubic feet
Bbls or bbls	Barrels	Mmcf	million cubic feet
Mbbls	thousand barrels	Mcf/d or mcf/d	thousand cubic feet per day
Mmbbls	million barrels	Mmcf/d	million cubic feet per day
Mstb	thousand stock tank barrels	MMBTU or Mmbtu	million British Thermal Units
Bbls/d or bbls/d	barrels per day	Bcf or bcf	billion cubic feet
BOPD or bopd	barrels of oil per day	GJ	Gigajoule
NGLs	natural gas liquids		

Other

API American Petroleum Institute

°API an indication of the specific gravity of crude oil measured on the API gravity scale. Liquid petroleum with a specified gravity of 28° API or higher is generally referred to as light crude oil.

BOE or boe barrel of oil equivalent of natural gas and crude oil on the basis of 1 Bbl of crude oil for 6 Mcf of natural gas. *Disclosure provided herein in respect of boes may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf:1 Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.*

BOE/D, boe/d or boepd barrel of oil equivalent per day

In this Annual Information Form, references to “dollars” and “\$” are to the currency of Canada, unless otherwise indicated.

DEFINITIONS, NOTES AND OTHER CAUTIONARY STATEMENTS

In this Annual Information Form (“AIF”), unless otherwise indicated, the following definitions and other notes are applicable.

1. “**Gross**” means:
 - (a) in relation to the Corporation’s interest in production or reserves, its “company gross reserves”, which are its working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests of the Corporation;
 - (b) in relation to wells, the total number of wells in which the Corporation has an interest; and
 - (c) in relation to properties, the total area of properties in which the Corporation has an interest.

2. “Net” means:
- (a) in relation to the Corporation’s interest in production or reserves its working interest (operating or non-operating) share after deduction of royalty obligations, plus the Corporation’s royalty interests in production or reserves;
 - (b) in relation to the Corporation’s interest in wells, the number of wells obtained by aggregating the Corporation’s working interest in each of its gross wells; and
 - (c) in relation to the Corporation’s interest in a property, the total area in which the Corporation has an interest multiplied by the working interest owned by the Corporation.

3. Definitions of Reserves:

Reserves Categories

Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on:

- analysis of drilling, geological, geophysical and engineering data;
- the use of established technology; and
- specified economic conditions, which are generally accepted as being reasonable, and shall be disclosed.

Reserves are classified according to the degree of certainty associated with the estimates.

- (a) **Proved reserves** are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.
- (b) **Probable reserves** are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.
- (c) **Possible reserves** are those additional reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved plus probable plus possible reserves.

Development and Production Status

Each of the reserves categories (proved, probable and possible) may be divided into developed and undeveloped categories:

- (a) **Developed reserves** are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.

- (i) **Developed producing reserves** are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.
- (ii) **Developed non-producing reserves** are those reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown.
- (b) **Undeveloped reserves** are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable, possible) to which they are assigned.

In multi-well pools it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to subdivide the developed reserves for the pool between developed producing and developed non-producing. This allocation should be based on the estimator's assessment as to the reserves that will be recovered from specific wells, facilities and completion intervals in the pool and their respective development and production status.

4. **Future Income Tax Expense**

Future income tax expenses are estimated (generally, year by year):

- (a) making appropriate allocations of estimated unclaimed costs and losses carried forward for tax purposes between oil and gas activities and other business activities;
- (b) without deducting estimated future costs that are not deductible in computing taxable income;
- (c) taking into account estimated tax credits and allowances; and
- (d) applying to the future pre-tax net cash flows relating to the Corporation's oil and gas activities the appropriate year-end statutory tax rates, taking into account future tax rates already legislated.

5. **"Development costs"** means costs incurred to obtain access to reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas from reserves. More specifically, development costs, including applicable operating costs of support equipment and facilities and other costs of development activities, are costs incurred to:

- (a) gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground, draining, road building, and relocating public roads, gas lines and power lines to the extent necessary in developing the reserves;
- (b) drill and equip development wells, development type stratigraphic test wells and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment and wellhead assembly;

- (c) acquire, construct and install production facilities such as flow lines, separators, treaters, heaters, manifolds, measuring devices and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems; and
 - (d) provide improved recovery systems.
- 6. **“Development well”** means a well drilled inside the established limits of an oil and gas reservoir, or in close proximity to the edge of the reservoir, to the depth of a stratigraphic horizon known to be productive.
- 7. **“Exploration costs”** means costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects that may contain oil and gas reserves, including costs of drilling exploratory wells and exploratory type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property and after acquiring the property. Exploration costs, which include applicable operating costs of support equipment and facilities and other costs of exploration activities, are:
 - (a) costs of topographical, geochemical, geological and geophysical studies, rights of access to properties to conduct those studies, and salaries and other expenses of geologists, geophysical crews and others conducting those studies;
 - (b) costs of carrying and retaining unproved properties, such as delay rentals, taxes (other than income and capital taxes) on properties, legal costs for title defence, and the maintenance of land and lease records;
 - (c) dry hole contributions and bottom hole contributions;
 - (d) costs of drilling and equipping exploratory wells; and
 - (e) costs of drilling exploratory type stratigraphic test wells.
- 8. **“Exploratory well”** means a well that is not a development well, a service well or a stratigraphic test well.
- 9. **“Service well”** means a well drilled or completed for the purpose of supporting production in an existing field. Wells in this class are drilled for the following specific purposes: gas injection (natural gas, propane, butane or flue gas), water injection, steam injection, air injection, salt water disposal, water supply for injection, observation or injection for combustion.
- 10. Numbers may not add due to rounding.
- 11. The estimates of future net revenue presented do not represent fair market value.
- 12. The forecast price and cost assumptions assume the continuance of current laws and regulations.

FORWARD-LOOKING STATEMENTS

This Annual Information Form contains forward-looking statements and forward-looking information within the meaning of applicable securities legislation. The use of any of the words “expect”, “anticipate”, “continue”, “estimate”, “may”, “will”, “should”, “believe”, “intend”, “forecast”, “plans”, “guidance” and similar expressions is intended to identify forward-looking statements or information.

More particularly and without limitation, this Annual Information Form contains forward-looking statements and information relating to the following:

- the performance characteristics of the Corporation’s oil, NGLs and natural gas properties;
- oil, NGLs and natural gas production levels;
- the size of the oil, NGLs and natural gas reserves;
- projections of market prices and costs;
- supply and demand for oil and natural gas;
- expectations regarding the ability to raise capital and to add to reserves through acquisitions and development;
- expectations regarding acquisitions and drilling activity;
- future funds from operations;
- capital programs;
- debt levels;
- future royalty rates;
- future depletion, depreciation and accretion rates;
- estimates of success of the Corporation’s drilling program;
- treatment under governmental regulatory regimes and tax laws; and
- capital expenditure programs.

The forward-looking statements and information contained in this Annual Information Form are based on certain key expectations and assumptions made by the Corporation, including expectations and assumptions relating to prevailing commodity prices and exchange rates, applicable royalty rates and tax laws, future well production rates, the performance of existing wells, the success of drilling new wells, the availability of capital to undertake planned activities and the availability and cost of labour and services.

Although the Corporation believes that the expectations reflected in the forward-looking statements and information in this Annual Information Form are reasonable, it can give no assurance that such expectations will prove to be correct. Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results may differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the risks associated with the oil and gas industry in general, such as operational risks in development, exploration and production, delays or changes in plans with respect to exploration or development projects or capital expenditures, the uncertainty of estimates and projections relating to production rates, costs and expenses, commodity price and exchange rate fluctuations, marketing and transportation, environmental risks, competition, the ability to access sufficient capital from internal and external sources and changes in tax, royalty and environmental legislation. 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 reserves described exist in the quantities predicted or estimated, and can be profitably produced in the future. Readers are cautioned that the foregoing list of factors and risks is not exhaustive.

The forward-looking statements and information contained in this Annual Information Form are made as of the date hereof and, unless so required by applicable law, the Corporation undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise. The forward-looking statements and information contained in this Annual Information Form are expressly qualified by this cautionary statement.

INCORPORATION AND ORGANIZATION

On April 6, 2010, Cap-Link Ventures Ltd. changed its name to Petrodorado Energy Ltd. and amended its articles under section 179 of the *Canada Business Corporations Act* (“**CBCA**”) accordingly.

The Corporation’s head office is located at Suite 3100, 250 – 6th Avenue S.W., Calgary, Alberta, T2P 3H7, and its registered office is located at Suite 1500, 850 – 2nd Street SW, Calgary, Alberta, T2P 0R8.

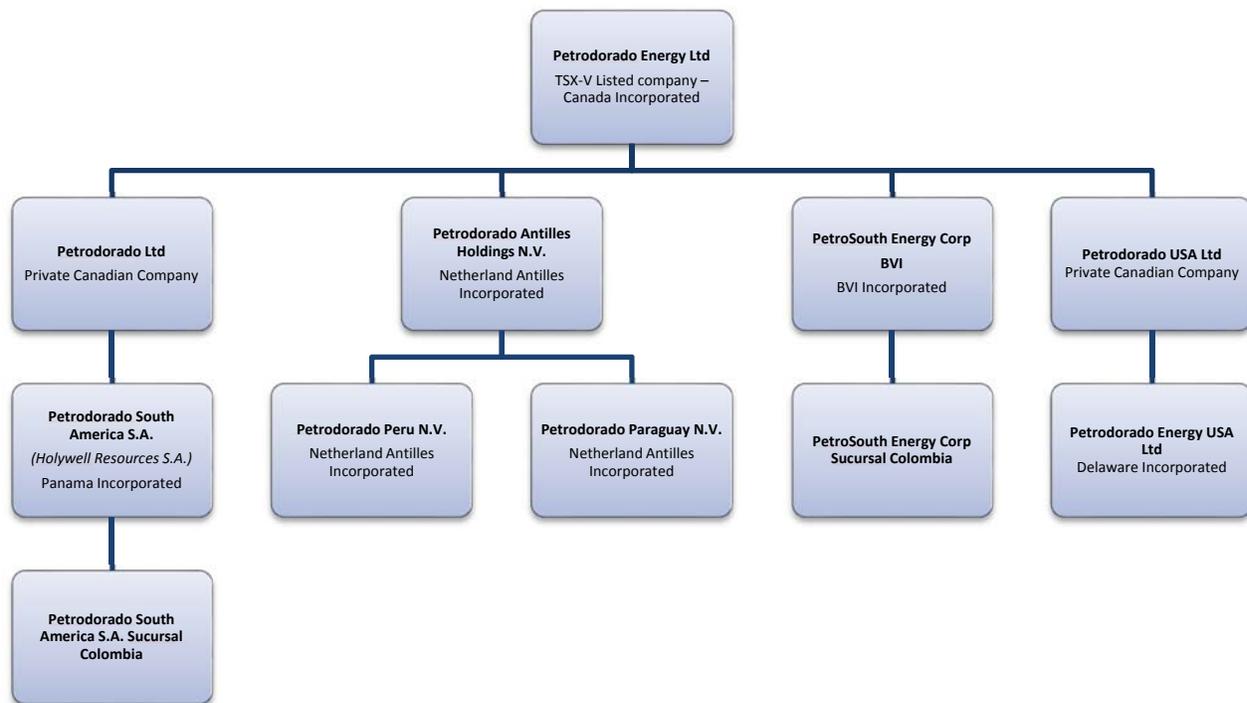
Petrodorado South America S.A. (“**Petrodorado SA**”) is an indirect wholly-owned subsidiary of the Corporation with total assets exceeding 10% of the consolidated assets of Petrodorado. Petrodorado SA was incorporated and currently exists under the laws of Panama. Petrodorado South America has a registered branch in Colombia called Petrodorado South America S.A. Sucursal Colombia.

Petrodorado Ltd. is a wholly-owned subsidiary of Petrodorado Energy Ltd. with total assets exceeding 10% of the consolidated assets of Petrodorado. Petrodorado Ltd. was incorporated and currently exists under the laws of Alberta.

Petrodorado Antilles Holding N.V. is a wholly owned subsidiary of the Corporation. It was incorporated under the laws of the Netherlands-Antilles and has two subsidiaries, Petrodorado Paraguay N.V. and Petrodorado Peru N.V. Each of these entities was also formed under the laws of the Netherlands-Antilles.

PetroSouth Energy Corporation is a wholly owned subsidiary of the Corporation. It was incorporated under the laws of the British Virgin Islands. PetroSouth has a registered branch in Colombia called PetroSouth Energy Corporation Sucursal Colombia.

The following chart illustrates the subsidiaries of the Corporation, all of which are wholly owned:



BUSINESS OF THE CORPORATION

General

The Corporation is primarily engaged in petroleum and natural gas exploration and development activities in Colombia and the United States.

Petrodorado was formed to explore for and develop petroleum assets in South America, with an initial focus on Colombia, Peru and Paraguay. A significant portfolio of nine blocks was initially acquired. The Corporation evaluated approximately 55 blocks before selecting these final nine blocks. The Corporation exited Peru and Paraguay in 2012 in order to provide more investment focus on its core properties in Colombia.

Specialized Skill and Knowledge

All aspects of the Corporation's business require specialized skills and knowledge. Much of the necessary specialized skills and knowledge required by the Corporation as an oil and gas exploration and production company are available from its management team and board of directors. To the extent additional specialized skills and knowledge are required, the Corporation retains outside consultants.

Competitive Conditions

The oil and natural gas industry is competitive in all its phases. The Corporation competes with numerous other participants in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas. The Corporation's competitors include resource companies which have greater financial resources, staff and facilities than those of the Corporation. Competitive factors in the distribution and marketing of oil and natural gas include price and methods and reliability of delivery. The Corporation

believes that its competitive position is equivalent to that of other oil and gas issuers of similar size and at a similar stage of development.

Components

All of the raw materials the Corporation requires to carry on its business are readily available through normal supply or business contracting channels in Canada and the United States and in Colombia. The Corporation has secured personnel to conduct its contemplated programs.

Cycles

The Corporation's business may be cyclical as the exploration and development of oil and natural gas reserves is dependent on access to areas where production is to be conducted. The rainy season in certain areas of Colombia may restrict access to certain areas where the Corporation conducts its business.

Changes to Contracts

The Corporation does not anticipate that it will be affected in the current financial year by renegotiation or termination of contracts or sub-contracts that could materially affect the Corporation's business plan.

Economic Dependence

The Corporation's business is not substantially dependent on any contract such as a contract to sell the major part of its products or services or to purchase the major part of its requirements for goods, services or raw materials, or on any franchise or licence or other agreement to use a patent, formula, trade secret, process or trade name upon which its business depends.

Environmental Protection

Environmental requirements are being adhered to and monitored on an ongoing basis. The Corporation's properties are subject to stringent laws and regulations governing environmental quality. Such laws and regulations can increase the cost of planning, designing, installing and operating facilities on the Corporation's properties however it is anticipated that, apart from the occurrence of an extraordinary event, compliance with the existing laws and regulations governing the release of materials in the environment or otherwise relating to the protection of the environment will not have a material effect upon the Corporation's operations, capital expenditures, earnings or competitive position.

Employees

The Corporation primarily relies upon consultants to carry on many of its activities and, in particular, to supervise work programs on its properties. The Corporation faces competition for qualified personnel from numerous industry sources and there can be no assurance that the Corporation will be able to attract and retain qualified personnel on acceptable terms. As at December 31, 2013, Petrodorado had 13 employees and 2 contract workers. As at the date hereof, Petrodorado has 13 employees and 2 contract workers. The retention of many of these employees is critical to the ongoing success of the Corporation.

Foreign Operations

All of the Corporations' properties are located Colombia with the exception of one property in California, USA. See "Risk Factors" below for risks associated with foreign operations.

Social or Environmental Policies

To date the Corporation has not implemented any social or environmental policies that are fundamental to its operations.

Relevant Three Year History

On October 29, 2013, the Corporation announced the resignation of the Chief Reservoir Manager and Vice President of Exploration from the Corporation.

On October 22, 2013, the Corporation announced the resignation of Mr. Krishna Vathyam, President and Chief Executive Officer (“CEO”), from the Corporation. Mr. Vathyam also relinquished his position as a Director of the Corporation and its subsidiaries. Mr. Gregg Vernon, a Director since inception of the Corporation, assumed the position of Interim President and CEO. Mr. Robert Cross, an original founder of the Corporation, was re-appointed to the Board of Directors.

On September 9, 2013, the Corporation announced the appointment of Brian Smith, P.Eng., as Vice President of Operations.

On July 16, 2013, at the Corporation’s annual general meeting, By-Law No. 2, a by-law relating to nomination of directors, was ratified by the shareholders and adoption was confirmed by the board of directors of the Corporation.

On May 9, 2013, the Corporation entered into an agreement with Solimar Energy Ltd. regarding a heavy oil opportunity in the San Joaquin Basin of California for a non-operated working interest of 15% wherein the Corporation will pay 100% of Phase I development/assessment up to a maximum of \$2.5 million, with costs in excess of the maximum to be paid at 15%, towards the appraisal and development of the Kreyenhagen Field. This originally included drilling, coring, testing and fracking of up to 4 wells as well as creating reservoir models and thermal simulations. Within 30 days of the completion of this initial phase, the Corporation had the option to enter Phase II and increase its working interest to 40% (non-operated) by committing up to an additional \$4 million, with costs in excess of this amount to be paid at 40%, towards a thermal steam pilot. The Corporation would also earn a 12% non-operated working interest in the Kreyenhagen Shale Oil acreage if it elected to enter this second phase. If the Corporation elected not to enter into Phase II, the Corporation would retain the original 15% working interest. On February 3, 2014, an amending agreement was executed that reduced the Farm-in commitment for Phase I to \$1.8 million with a proportional reduction in the earned working interest from 15% to 13.5%. This amending agreement also confirmed that Corporation will not participate in Phase II.

On August 28, 2012, at the Corporation’s annual general meeting, the resolution to re-price 13,980,000 outstanding options to acquire common shares with a price exceeding CAD \$0.25 per common share currently held by employees, non-director officers, and consultants, to a price of CDN \$0.25 per common was approved by disinterested shareholders.

On July 12, 2012, the Corporation divested its 45% beneficial interest in Peru Block 135 and 138 for the sum of US \$15.3 million.

On May 11, 2012, the Corporation commenced trading of the common share purchase warrants issued pursuant to the Corporation’s December 2009 equity financing on the TSX Venture Exchange under the ticker symbol “PDQ.WI”. These warrants expired, unexercised, on December 3, 2012.

On January 31, 2012, the Corporation appointed Chris Reid as Chief Financial Officer.

On October 16, 2011, the Corporation farmed out 30% of the working interest in the Talora Block located in the Upper Magdalena Basin of Colombia to Sintana Energy Inc. (the “**Farmee**”), reducing its working interest from 95% to 65%. Consideration for the farmout to the Corporation was cash in the amount of US\$5.2 million. Pursuant to the farmout agreement, subject to a cap of US\$6.5 million, the Farmee will pay 60% of the cost of the first exploration well (US\$3.9 million). The second exploration well is subject to an additional cap of US\$6.5 million for the well, the Farmee to pay 45% of the cost of the well (US\$2.925 million). In both instances, beyond the cap, all parties will be responsible for their corresponding working interest share of expenses.

On October 13, 2011, the Corporation adopted a shareholder rights plan. A copy of the plan is available under the Corporation’s profile on SEDAR at www.sedar.com. The plan expired on April 11, 2012 as it was not ratified by the shareholders within 6 months of the approval thereof by the TSXV. A virtually identical version of this shareholder rights plan was subsequently adopted by the Corporation on July 12, 2012, and approved by the shareholders at the annual general meeting on August 28, 2012. A copy of this plan is available under the Corporation’s profile on SEDAR at www.sedar.com.

On March 1, 2011, the Corporation issued, pursuant to a short form prospectus equity financing, a total of 53,900,000 common shares at a price of CDN \$0.65 per share for gross proceeds of CDN \$35,035,000 (US \$35,935,400). The net proceeds of the financing are being used to fund exploration and development activities on Petrodorado’s South American oil and gas properties and for general corporate purposes.

Strategy

Petrodorado’s strategic priorities are to:

- establish and increase reserves and production through exploration;
- focus on controlling debt and managing capital expenditures effectively;
- control costs through efficient management of operations;
- explore undeveloped acreage to identify and create development opportunities;
- maintain a strong focus on employee, contractor and community health and safety; and
- manage environmental and social performance to minimize negative ecological impacts and ensure continued stakeholder support.

The Board may, in its discretion, approve acquisitions that do not conform to these guidelines based upon its consideration of the qualitative aspects of the subject properties including risk profile, technical upside, reserve life and asset quality.

PETROLEUM AND NATURAL GAS PROPERTIES

At present, Petrodorado has beneficial participation in five oil and gas blocks. Multiple drilling prospects and leads have been identified in these blocks.

Colombia

CPO-5 Block

On June 14, 2010, Petrodorado announced the signing of a farm-in agreement with the operating partner for a 30% participating interest in the CPO-5 Block of Colombia. On October 1, 2010, Petrodorado received official ANH approval of the 30% participation interest assignment. This 492,341 acre block (net 147,702 acres) is located in the Los Llanos basin (Meta Department) and was awarded to the operating partner in the 2008 Agencia Nacional de Hidrocarburos (“ANH”) heavy oil bid round.

During 2010, the Corporation, with its partner, completed the acquisition of 800 km² of 3D seismic and 240 lineal km of 2D seismic. On the northwestern corner of the block, closer to the discoveries mentioned above, several prospects and leads have been identified based on the existing 2D seismic data interpretations. On August 1, 2012, the environmental license was received for the CPO-5 Block, which allows for 15 locations.

The first of two exploration wells, Kamal-1X, was spudded on October 29, 2012, and reached a total measured depth (“MD”) of 10,500 feet in December 2012. Of the multiple sands targeted, the primary target of the Mirador zone encountered a net pay of 20 feet. This zone was tested and yielded a peak rate of 210 barrels of oil a day of 14° API with high water cut. This test confirmed oil production and mobility; however, volumes were deemed non-commercial and the well was abandoned in mid February 2014. A 3D seismic program is planned over the Kamal area to enhance the clarity and will be used to re-evaluate the Kamal structure.

The second exploration well, Loto-1X, spudded on January 22, 2013, and was drilled to a total measured depth of 10,500 feet. This well targeted the Mirador, Guadalupe and Une sands. Petrophysical evaluation, supported by the conventional cores and cuttings descriptions, indicated that the Une, Guadalupe and Mirador reservoir sands were all oil charged, with the Mirador being of the most interest with a petrophysical evaluation showing a net pay of approximately 65 feet of high quality net pay. The testing of the Une zone resulted in extra heavy oil in non-commercial quantities and further testing was abandoned.

After casing the well, subsequent analysis indicated that there was poor cement bond between the casing and the formation which, after evaluation, led the Corporation to understand that this resulted in non-representative, high water cut test results from each of the three intervals tested in the Mirador formation, with water easily migrating up the annulus from other layers into the perforated intervals. Despite this poor hydraulic isolation of the well, a co-mingled test of the three perforated intervals was performed with an electro-submersible pump which not only confirmed the Mirador formation's high fluid deliverability but also achieved an oil rate of approximately 1,500 bopd of 17° API oil with a water cut of approximately 80%. This achieved oil rate is interpreted to validate the calculated oil pay seen on the electric well logs and inferred from drill cuttings, with the high water cut expected given the indications of poor cement bond. In June of 2013, the Corporation had a technical review performed on the two exploration wells drilled, Loto-1X and Kamal-1X, which substantiated initial assessments that poor cement bond causing a lack of vertical hydraulic isolation between the casing and the formation rock was the root cause of the high water cut tests of the Mirador zone in both wells.

The 2014 work plan for CPO-5 includes a remediation workover on the primary cement job of the Loto-1X well to achieve zonal isolation, which should lower the water cut thus improving well economics, followed by a re-test of the Mirador sands. The 2014 work plan also includes the acquisition, processing

and interpretation of approximately 400 km² of 3D seismic in the northwest corner of CPO-5 which will also cover the Loto and Kamal structures, in order to guide development drilling and assess the exploration potential.

Phase I of Petrodorado's exploration commitment with the ANH was fulfilled upon drilling the exploration wells, Kamal-1X and Loto-1X. The ANH has informed the operator that Phase II of the exploration contract commenced in April 2013, which originally consisted of a commitment of 3 exploration wells within a 3 year time frame. This commitment was subsequently changed, with ANH approval, to 1 exploration well and a 205 km² 3D seismic program within the same 3 year time frame.

Tacacho Block

In January 2010, Petrodorado acquired a 49.5% working interest in the Tacacho Block within the prolific Putumayo area of Colombia, and two (2) large leads have been identified on the block. Tacacho measures approximately 598,008 acres (net 296,014 acres) and is located in the foreland basin of the Putumayo mountain range, in the Eastern Cordillera area of Colombia. The operating partner of the block retains the remaining 50.5% working interest. The 24 month-long exploration program includes the acquisition, processing and interpretation of 521 km of 2D seismic data. The ANH has already issued multiple extensions to the 24 month period due to security concerns in this geographic area. Meanwhile, initial environmental assessments of the area are planned in preparation for the seismic program. The commencement of the seismic acquisition is planned and is awaiting the region to be declared secure. The Corporation plans to finance this activity from the funds that may be generated from a successful 2014 work program in the CPO-5 Block. The Corporation may also look at other strategic alternatives in order to obtain financing to fund this project once the region has been declared secure. The current estimated deadline for this activity is in 2015; however, if the region is declared secure, the acquisition of the seismic may occur sooner. As well, the operator has informed Petrodorado that it has decided to reschedule the previously planned stratigraphic well until evaluation of the new seismic data is completed.

Talora Block

Petrodorado initially earned a 55% interest in the Talora Block, located in the Upper Magdalena basin of Colombia. In the fourth quarter of 2010, Petrodorado acquired an additional 20% interest from a third party and acquired PetroSouth Energy Ltd, which also owned a 20% interest, to increase its aggregate working interest to 95%. On October 16, 2011, Petrodorado executed a farmout agreement allocating a 30% working interest to a new joint venture ("JV") partner decreasing Petrodorado's overall working interest to 65%. The terms of the farmout included: 1) a bonus payment of \$5.2 million; 2) the farmee paying 60% of first well costs up to a maximum of \$3.9 million, with costs after the maximum to be paid at 30%; and 3) the farmee paying 45% of the second well costs up to a maximum of \$2.925 million, with costs after the maximum to be paid at 30%. Petrodorado's interest, via a wholly owned subsidiary, has been approved by the ANH. The Talora Block consists of 58,905 acres (net 38,289 acres), after the first relinquishment, and is located to the southwest of the city of Bogota.

The Corporation acquired 122 km of 2D seismic data during the first quarter of 2010. After the analysis of the acquired seismic data, the first exploration well (Verdal-1) was spudded on September 15, 2010, targeting the Tetuan and Caballos formations. Verdal-1 reached a target depth of 7,657 feet MD in November 2010, without encountering the Caballos formation. The Tetuan formation was tested and yielded a peak rate of 770 thousand standard cubic feet per day (mscf/d) of gas with indications of associated condensate after further compositional analysis.

The exploratory well Dorados-1X was spudded on July 31, 2012, reached a total measured depth of 7,282 feet, and was tested in the Upper and Lower Dorados sands within the Cretaceous sandstone unit. The main objectives were the Cretaceous Caballos and Tetuan formations, but these formations were not encountered due to impediments encountered in the well enroute to these zones. However, an exceptionally thick

Cretaceous-Cenomanian sand of 1,850 ft gross was found that had not been previously identified or reported in this basin. Despite encountering what appeared to be a thick and well-defined gas and oil column, with a possible basal water contact, the testing did not produce hydrocarbons.

After an in-depth evaluation of the results from the Dorados-1X well, future plans could include a new exploration well with an undamaged borehole designed to overcome the sensitivity of this reservoir to formation damage due to low pressure conditions found to be common in this part of the basin, in order to further evaluate the Dorados structure, interpreted as a large thrust anticline with 4-way closure with a thick potential reservoir section. Petrodorado is reviewing data that indicated the Dorados sands have a better pressure regime than the nearby Guando Oil Field (approximately 120 MMBO recoverable), located 40 km to the southeast of the Dorados-1X well.

When the ANH approved the one year post exploration extension of the Talora license, it came with a commitment of one exploration well. This commitment was fulfilled with the drilling of the Dorados-1X well. Moreover, an ANH evaluation commitment of one well within the Verdal structure, which was to reach a True Vertical Depth (“TVD”) of 5,000 feet, was to be drilled on or before November 29, 2013. On November 17, 2013, the Corporation spudded the Verdal-2X well and successfully reached a TVD of 5,000 feet on November 28, 2013, thus fulfilling the stipulated ANH commitment. On April 21, 2014, the Corporation received a letter from the ANH stating that all existing Evaluation Program commitments have been fulfilled on the block. This formal ANH communication confirmed for the Corporation that the Talora contract is in good standing, that the Corporation has complied with the Evaluation Program, and that it has officially entered into Phase II of the Post Exploration Program. In Phase II, the JV partners have committed to one additional exploration well by July 30, 2015.

Petrodorado is preparing a work plan to drill the Verdal-2X well deeper in order to re-test the Tetuan formation. The Corporation plans to finance this activity from the funds that may be generated from a successful 2014 work program in the CPO-5 Block. The Corporation may also look at other strategic alternatives in order to obtain financing to fund this project.

La Maye Block

Petrodorado has an undivided 20% working interest in an exploration and production contract with the ANH in the La Maye Block. The La Maye Block is located in the Lower Magdalena Valley of Colombia and consists of approximately 73,956 acres (net 14,791 acres).

In 2009, Petrodorado Ltd. paid \$3.5 million into an escrow account to satisfy its net commitment to the participation agreement. Petrodorado authorizes draws from this account as certain development milestones are met. As at December 31, 2013, \$1,884,303 had been withdrawn leaving \$1,615,697 in the escrow account.

The Noelia-1 well was drilled on the La Maye Block in October 2009 with operations being subsequently suspended due to flooding conditions. In January of this year, the operator of the block informed the ANH that the Noelia-1 well did not encounter commercial quantities of hydrocarbons and that the La Maye JV partners have agreed to a 2014 seismic acquisition program that will be acquired in the second half of 2014, subject to ANH approval.

Buganviles Block

Petrodorado has a varying working interest (30% to 59.5%) in the Buganviles Block, located in the Upper Magdalena basin of Colombia, obtained through three separate transactions. The Buganviles Block consists of approximately 73,794 acres (net 43,907 acres).

In February 2010, Petrodorado obtained a 20% undivided working interest in the Buganviles Block through the purchase of all of the issued and outstanding shares of Holywell Resources S.A. (“**Holywell**”) from a

private vendor for the aggregate cash purchase price of approximately \$6.3 million. Holywell was a private (Panama incorporated) oil & gas company with operations in Colombia. The name Holywell was changed to Petrodorado South America S.A. during the first quarter of 2010. Prior thereto, in November 2009, Petrodorado entered in to a farm-in agreement with PRE to acquire an additional 29.5% working interest in the Visure prospect and 25% working interest in the Tuqueque prospect. In addition, in September 2010, Petrodorado acquired an additional 10% working interest in the block through a farm-in agreement with Loon Energy Corp. The farm-in terms were satisfied with Petrodorado having paid 100% (20% net) of the drilling costs for two exploration wells, Visure-1X and Tuqueque-1X.

Overall, Petrodorado's position in the block is as follows: 59.5% in the Visure Prospect, 55% in the Tuqueque Prospect, 30% in the rest of the block.

The first of the Corporation's exploration wells on Baganvilles, the Visure-1X well, was drilled in the fourth quarter of 2010 to evaluate a structural trap similar to the nearby producing Abanico field. The well was tested in the Lower Guadalupe Formation at a stabilized average production rate of 46 bopd of 15.6° API with 14 barrels of water per day. The Visure-1X well was suspended with alternative completion techniques being evaluated based on the production test analysis in order to economically produce the oil encountered in the Lower Guadalupe Formation. Potentially, a cyclic steam injection pilot project could be conducted on the Visure structure.

The second exploration well, the Tuqueque-1X well, was spudded on November 4, 2010, with the Caballos formation at 11,300 feet as the primary target. The well was suspended after two side tracks to reach the Caballos formation at a depth of 9,303 feet. Two secondary target formations were identified as the Monsarrate formation and the Olini formation. Three intervals in the Olini formation were tested and did not produce significant hydrocarbons. The Monsarrate formation is planned to be tested at a later date via a new drill up dip from the Tuqueque-1X well location.

The operator applied for a two year extension of the contract, as the current exploration license expired on June 30, 2012. As of April 25, 2014, an official response from Ecopetrol regarding the requested license extension has yet to be received. The Corporation recognized impairments as of December 31, 2012, in relation to exploration and evaluation costs incurred within this exploration area. If the license extension is eventually received from the Colombian government, recovery of previously recorded impairments of these exploration and evaluation costs will be analyzed by management.

Moriche Block

Petrodorado acquired an undivided 49.5% working interest in the Mauritia Este Prospect in the Moriche Block.

On March 20, 2013, Petrodorado executed a conditional sale agreement with the operating partner of the Moriche Block in which the Corporation relinquished its 49.5% working interest held in the Mauritia Este Prospect within the Moriche Block for total consideration of \$3.5 million. Under the agreement, the \$3.5 million cash consideration will be paid to the Corporation by way of pre-determined installments over the 2013 and 2014 calendar years, during which the purchaser of the block has the option to return the rights of the Moriche Block under specific circumstances, including lack of government approval, to the Corporation for a 90% return of considerations paid to date. Final assignment of ownership of the rights to the Moriche Block will not be completed until all conditions of the sale agreement are fulfilled. To date, Petrodorado has received \$2.2 million in installment payments with regards to this agreement that are included in accounts payable and accrued liabilities. The Corporation received \$0.8 million in installment payments subsequent to the 2013 year end.

United States

California Block

On May 9, 2013, the Corporation entered into an agreement with Solimar Energy Ltd. regarding a heavy oil opportunity (gross: 1,720 acres) in the San Joaquin basin of California for a non-operated working interest of 15% wherein the Corporation will pay 100% of Phase I assessment/development up to a maximum of \$2.5 million, with costs in excess of the maximum to be paid at 15%, towards the appraisal and development of the Kreyenhagen Field. This includes drilling, coring, testing and hydraulic fracturing of up to 4 wells as well as creating reservoir models and thermal simulations. Within 30 days of the completion of this initial phase, the Corporation has the option to enter Phase II and increase its working interest to 40% (non-operated) by committing up to an additional \$4 million, with costs in excess of this amount to be paid at 40%, towards a thermal steam pilot.

On July 20, 2013, the first well (K 2-33) of the Phase I program reached a total measured depth of 1,472 feet and was subsequently logged and cased. The well was directionally drilled up to a 48 degree angle and encountered close to 600 feet (measured depth) gross interval of the Temblor heavy oil formation.

On September 21, 2013, the second well (K 8-33) of the Phase I program was successfully drilled and reached a total measured depth of 1,590 feet and was subsequently logged and cased. The well was directionally drilled up to a 48 degree angle and preliminary analysis indicates that approximately 900 feet gross measured depth of the Temblor heavy oil formation was encountered.

Testing is ongoing on the K 2-33 well, with results in line with expected cold flow rates of oil and water.

On February 3, 2014, an amending agreement was executed that reduced the Farm-in commitment for Phase I on the Kreyenhagen Heavy Oil Project in in the San Joaquin Basin of California to \$1.8 million with a proportional reduction in the earned Working Interest from 15% to 13.5%. This amending agreement also confirmed that Petrodorado will not participate in a second farm-in phase which provided the option to earn additional rights or working interest. Petrodorado fulfilled the remaining portion of this \$1.8 million commitment in the days subsequent to this amendment as the necessary funds were allocated for the remaining budgeted work program for Phase I.

Statement of Reserves Data and Other Oil and Gas Information

The information contained in the Corporation's National Instrument 51-101F1 Statement of Reserves Data and Other Oil and Gas Information, prepared as at December 31, 2013, and Form 51-101F3 Report of Management and Directors on Oil and Gas Disclosure, are each filed under the Corporation's profile at www.sedar.com and are incorporated by reference into this AIF.

Price Risk Management

Prices received for production and associated operating expenses are impacted in varying degrees by factors outside management's control. These factors include, but are not limited to, the following:

- (a) world market forces, including the ability of OPEC to set and maintain production levels and prices for crude oil;
- (b) political conditions, including the risk of hostilities in the Middle East and other regions throughout the world;
- (c) increases or decreases in crude oil quality and market differentials;

- (d) the impact of changes in the exchange rate between Canada and U.S. dollars on prices received by the Corporation for its crude oil and natural gas;
- (e) North American market forces, most notably shifts in the balance between supply and demand for crude oil and natural gas and the implications for the price of crude oil and natural gas;
- (f) global and domestic economic and weather conditions;
- (g) price and availability of alternative fuels; and
- (h) the effect of energy conservation measures and government regulations.

Revenue Sources

For the year ended December 31, 2009, Petrodorado had no revenue from its properties. For the year ended December 31, 2010, 2011 and 2012, Petrodorado received oil revenue from its share of production from the Moriche Block in Colombia and has earned interest on its cash and short-term investment balances. For the year ended December 31, 2013, Petrodorado had no revenue from its properties given it sold its working interest in the Moriche Block in Q1 2013.

Competition

There is strong competition relating to all aspects of the oil and natural gas industry. The Corporation will actively compete for capital, skilled personnel, undeveloped land, reserves acquisitions, access to drilling rigs, service rigs and other equipment, access to processing facilities and pipeline and refining capacity, and in all other aspects of its operations with a substantial number of other organizations, many of which may have greater technical and financial resources than the Corporation. Some of those organizations not only explore for, develop and produce oil and natural gas but also carry on refining operations and market petroleum and other products on a world-wide basis and as such have greater and more diverse resources on which to draw.

DIRECTORS AND OFFICERS OF THE CORPORATION

The name, municipality of residence and principal occupation for the last five years of each of the directors and executive officers of the Corporation are as follows, as of April 25, 2014:

Name and Municipality of Residence	Office ⁽⁴⁾	Principal Occupation	Director Since ⁽⁵⁾ and Shares currently held, directly or indirectly
Gregg Vernon ⁽²⁾ Calgary, Alberta Canada	Interim President, Chief Executive Officer, and Director	Mr. Vernon graduated from the University of Alberta with an Engineering degree in 1977, and is a member of the Society of Petroleum Engineers, CWLS and APEGA. Mr. Vernon is a Professional Engineer with 35 years in the petroleum industry with expertise in international operations, reservoir characterization, negotiations, and project management. Mr. Vernon was one of the founders of Petro Andina Resources Inc. and a founder and Chairman of Prospero Hydrocarbons Inc., a private company which operated in Colombia, and interim Chief Executive Officer and Chief Operating Officer of Petromagdalena Energy Corp., a public company that was listed on the TSX-V with operations in Colombia. Mr. Vernon is a director of Hemisphere Energy Corporation. Mr. Vernon was the General Manager, China as well as Engineering and Project Administration Manager on the White Rose project for Husky Energy. He was also the Vice President, Chief Operating Officer and Director of Netherfield Energy Corporation operating in Argentina.	January 31, 2010 2,640,000
Chris Reid Calgary, Alberta Canada	Chief Financial Officer	Mr. Reid has been Chief Financial Officer of the Corporation since January 31, 2012. Prior thereto, Mr. Reid was the controller of the Corporation from July 2011 to January 2012. Prior thereto, Mr. Reid was a Manager with KPMG LLP Calgary from September 2005 to July 2011. Mr. Reid has a Bachelor of Business Administration from Saint Francis Xavier University and is a member of the Canadian Institute of Chartered Accountants.	N/A Nil
Brian Smith Bogota, Colombia	Vice President of Operations	Mr. Smith has been Vice President of Operations of the Corporation since September 9, 2013. Prior thereto, Mr. Smith was the Production Manager of Petrominerales Ltd., where he worked from July 2007 to April 2013. He also previously worked for Schlumberger Ltd from 1988 2007 where his experience included time in their oil and gas operations in Canada, Saudi Arabia, and Venezuela. Mr. Smith graduated from the University of British Columbia with a Bachelors of Science in Geological Engineering in 1986, is a Professional Engineer with over 25 years of oil and gas experience, and is a member of APEGA.	N/A 1,000,000
Robert Cross ⁽¹⁾⁽²⁾⁽³⁾ Vancouver, British Columbia Canada	Chairman of the Board of Directors	Mr. Cross has more than 20 years of experience as a financier in the mining and oil & gas sectors. He is co-founder and Non-Executive Chairman of Bankers Petroleum Ltd., Non-Executive Chairman of B2Gold Corp., and until October 2007, was the Non-Executive Chairman of Northern Orion Resources Inc., all companies listed on the TSX. Between 1996 and 1998, Mr. Cross was Chairman and Chief Executive Officer of Yorkton Securities Inc. From 1987 to 1994, he was a Partner, Investment Banking with Gordon Capital Corporation in Toronto. Mr. Cross has an Engineering Degree from the University of Waterloo and received his MBA from Harvard Business School in 1987.	October 21, 2013 17,721,857

Name and Municipality of Residence	Office ⁽⁴⁾	Principal Occupation	Director Since ⁽⁵⁾ and Shares currently held, directly or indirectly
Douglas Urch ⁽¹⁾⁽³⁾ De Winton, Alberta Canada	Director	Mr. Urch is Executive Vice-President, Finance and Chief Financial Officer of Bankers Petroleum Ltd. a Canadian based public oil and gas company (TSX and AIM) with heavy oil assets in Albania and current production exceeding 20,000 bop/d. From September 2000 until January 2008, Mr. Urch was Vice-President, Finance and Chief Financial Officer of Rally Energy Corp., a TSX listed oil and gas company with heavy oil operations in Egypt. Previously, Mr. Urch provided financial management services for a variety of public and private companies. He has over 30 years of oil and gas industry experience, is a Certified Management Accountant (CMA) and holds a Bachelor of Commerce degree from the University of Calgary.	January 25, 2010 1,530,000
Peter Yates Calgary, Alberta Canada	Corporate Secretary	Mr. Yates is a partner in the securities/corporate finance group at Dentons Canada LLP (formerly Fraser Milner Casgrain LLP) since May 2012. Formerly, Mr. Yates was an Associate in the securities, corporate finance and mergers and acquisitions group with Heenan Blaikie LLP from 2004 to 2012.	N/A Nil

Notes:

- (1) Member of the Audit Committee of the Corporation. See “Audit Committee”.
- (2) Member of the Reserves Committee of the Corporation.
- (3) Member of the Compensation Committee of the Corporation.
- (4) As at the date of this AIF, the directors and executive officers of the Corporation, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 22,891,857 of the Corporation's common shares, constituting approximately 4.7% of the issued and outstanding common shares.
- (5) Each director's term expires at the close of the next annual meeting of the shareholders of the Corporation, unless re-elected.

Orders

To the knowledge of management of the Corporation, other than as disclosed herein, no director or executive officer as at the date hereof, or was within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company (including the Corporation), that (a) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer. For the purposes hereof, “order” means (a) a cease trade order, (b) an order similar to a cease trade order, or (c) an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days.

Bankruptcies

With exception to the aforesaid, to the knowledge of management of the Corporation, other than as disclosed herein, no director or executive officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control thereof, (a) is, as at the date hereof, or has been within the 10 years before the date hereof, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person

ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or (b) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Douglas Urch is a director of Underground Energy, Inc. (“**Underground USA**”). Underground USA is a wholly-owned US subsidiary of Underground Energy Corporation (“**Underground Canada**”), a company incorporated under the Laws of the Territory of the British Virgin Islands. Mr. Urch is also a director of Underground Canada. Underground USA voluntarily filed for Chapter 11 creditor protection in US Federal Court on March 4, 2013. The case was filed in the United States Bankruptcy Court for the Central District of California – Northern Division, Santa Barbara.

Penalties and Sanctions

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

Conflicts of Interest

There are potential conflicts of interest to which the directors and officers of the Corporation will be subject to in connection with the operations of the Corporation. In particular, certain of the directors and officers of the Corporation are involved in managerial or director positions with other oil and natural gas companies whose operations may, from time to time, be in direct competition with those of the Corporation or with entities which may, from time to time, provide financing to, or make equity investments in, competitors of the Corporation. In accordance with the CBCA, directors who have a material interest or any person who is a party to a material contract or a proposed material contract with the Corporation are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors are required to act honestly and in good faith with a view to the best interests of the Corporation. Certain of the directors of the Corporation have either other employment or other business or time restrictions placed on them and accordingly, these directors of the Corporation will only be able to devote part of their time to the affairs of the Corporation.

AUDIT COMMITTEE

The purpose of the Corporation’s audit committee is to provide assistance to the Board in fulfilling its legal and fiduciary obligations with respect to matters involving the accounting, auditing, financial reporting, internal control and legal compliance functions of the Corporation and its subsidiaries. It is the objective of the audit committee to maintain a free and open means of communications among the Board, the independent auditors and the senior management of the Corporation. For further particulars regarding the Audit Committee and the relationship with the auditor, see the management proxy circular of the Corporation dated July 31, 2012 under the heading “*Audit Committee and Relationship with Auditor*” which disclosure is incorporated by reference herein.

The full text of the audit committee’s charter is attached hereto as Schedule “A” and forms part of this Annual Information Form.

Composition of the Audit Committee

The audit committee is comprised of Douglas Urch and Robert Cross. Douglas Urch is the Chairman of the audit committee. Each of the members is independent within the meaning of section 1.4 of National Instrument 52-110 *Audit Committees* (“NI 52-110”). Each of the members is financially literate within the meaning of section 1.6 of NI 52-110.

Relevant Education and Experience

Please refer to the individual biographies for the members of the audit committee above under the heading “Directors and Officers of the Corporation”.

Pre-Approval Policies and Procedures

The audit committee pre-approves engagements for non-audit services provided by the external auditors or their affiliates, together with estimated fees and potential issues of independence.

External Auditor Service Fees (By Category)

<u>Year Ended</u>	<u>Firm</u>	<u>Audit Fees</u>	<u>Audit Related Fees</u>	<u>Tax Fees</u>	<u>All Other Fees</u>
December 31, 2013	KPMG	\$149,000	NIL	\$47,025	NIL
December 31, 2012	KPMG	\$144,000	NIL	\$70,915	NIL

Notes:

- (1) “Audit Fees” include fees necessary to perform the annual audit and quarterly reviews of the Corporation's consolidated financial statements. Audit Fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, review of securities filings and statutory audits.
- (2) “Audit Related Fees” include services that are traditionally performed by the auditor. These audit related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.
- (3) “Tax Fees” include fees for all tax services other than those included in “Audit Fees” and “Audit Related Fees”. This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.
- (4) “All Other Fees” include all other non-audit services.

Exemption

The Corporation is relying on the exemption in Section 6.1 of NI 52-110.

DESCRIPTION OF SHARE CAPITAL

The authorized capital of the Corporation consists of an unlimited number of common shares (the “Common Shares”), of which 482,547,066 Common Shares were issued and outstanding as at April 25, 2014. The Corporation’s articles of incorporation have been filed on SEDAR at www.sedar.com.

Common Shares

Holders of Common Shares are entitled to (a) one vote per Common Share at all meetings of shareholders of the Corporation; (b) receive dividends if, as and when declared by the Board, as a class equally; and (c) in the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or any other distribution of its assets for the purpose of winding up its affairs, share rateably in such assets of the Corporation as are available for distribution.

DIVIDENDS

The Corporation has not declared or paid any dividends on the Common Shares. Any decision to pay dividends on such shares in the future will be made by its Board on the basis of the Corporation’s earnings, financial requirements and other conditions existing at such future time. It is the current intention of the Corporation not to pay any dividends in the near future.

MARKET FOR SECURITIES

Trading Price and Volume

Common Shares

The Common Shares are listed and posted for trading on the TSXV under the trading symbol “PDQ”. The following table sets out the price range for, and trading volume of, the Common Shares as reported by the TSXV for the periods indicated:

	Trading Price (\$)		Volume Traded
	High	Low	# of shares
2013			
January	0.12	0.09	14,078,436
February	0.11	0.09	5,954,354
March	0.18	0.10	16,170,596
April	0.19	0.10	16,796,315
May	0.11	0.08	6,770,251
June	0.09	0.05	8,398,542
July	0.07	0.05	11,180,413
August	0.07	0.05	15,499,327
September	0.06	0.04	21,028,102
October	0.06	0.03	53,085,110
November	0.05	0.04	11,205,482
December	0.05	0.03	40,146,707

STOCK OPTION GRANTS

In the twelve month period ended December 31, 2013, the Corporation granted, under the Corporation's stock option plan (the "**Option Plan**"), options ("**Options**") to acquire an aggregate of 4,000,000 Common Shares, the particulars of which are set forth in the following table:

<u>Date of Grant</u>	<u>Number of Common Shares Issuable on Exercise⁽¹⁾</u>	<u>Exercise Price per Share</u>	<u>Date of Expiry</u>
September 9, 2013	4,000,000	\$0.10	September 9, 2018

Note:

(1) Each Option entitles the holder thereof to acquire one Common Share on the terms and conditions set forth in the Option Plan.

ESCROWED SECURITIES

No securities of the Corporation are currently escrowed.

RISK FACTORS

The holding of securities in the Corporation should be considered highly speculative due to the nature of the Corporation's business and the present stage of its development. The following is a summary of certain risk factors relating to the activities of the Corporation and the ownership of the Corporation's securities which should be carefully considered before making an investment decision relating to the Corporation's securities.

Stage of Development

An investment in the Corporation is subject to certain risks related to the nature of the Corporation's business and the early stage of development of the Corporation's oil and gas business. There are numerous factors which may affect the success of the Corporation's business which are beyond the Corporation's control including local, national and international economic and political conditions. The Corporation's business involves a high degree of risk which a combination of experience, knowledge and careful evaluation may not overcome.

The Corporation's foreign operations in Colombia may expose the Corporation to risks, such as political and currency risks, which may not exist for domestic operations. Accordingly, there can therefore be no assurance that the Corporation's business will be successful or profitable or that commercial quantities of crude oil and natural gas will be discovered by the Corporation.

The Corporation may be subject to growth-related risks, capacity constraints and pressure on its internal systems and controls, particularly given the early stage of its development. The ability of the Corporation to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Corporation to deal with this growth could have a material adverse effect on its business, operations and prospects.

Addition of Reserves and Resources

The Corporation currently does not have reserves in any of its blocks as of December 31, 2013. The Corporation's future crude oil and natural gas reserves, production, and cash flows to be derived therefrom are highly dependent on the Corporation successfully discovering and developing or acquiring new reserves. The addition of new reserves will depend not only on the Corporation's ability to explore and

develop the properties it may have from time to time, but also, on its ability to select and acquire suitable producing properties. There can be no assurance that the Corporation's exploration, development or acquisition efforts will result in the discovery and development of commercial accumulations of oil and natural gas.

Reserve Estimates

There are numerous uncertainties inherent in estimating quantities of reserves, including many factors beyond the control of the Corporation. Estimates of reserves depend in large part upon the reliability of available geological and engineering data and require certain assumptions to be made in order to assign reserve volumes. Geological and engineering data is used to determine the probability that a reservoir of oil and/or natural gas exists at a particular location, and whether, and to what extent, such hydrocarbons are recoverable from the reservoir. Accordingly, the ultimate reserves discovered by the Corporation may be significantly less than the total estimates.

Exploration Risks

The exploration of the Corporation's properties may have from time to time involves a high degree of risk that no production will be obtained or that the production obtained will be insufficient to recover drilling and completion costs. The costs of seismic operations and drilling, completing and operating wells are uncertain to a degree. Cost overruns can adversely affect the economics of the Corporation's exploration programs and projects. In addition, the Corporation's seismic operations and drilling plans may be curtailed, delayed or cancelled as a result of numerous factors, including, among others, equipment failures, weather or adverse climate conditions, shortages or delays in obtaining qualified personnel, shortages or delays in the delivery of or access to equipment, necessary governmental, regulatory or other third party approvals and compliance with regulatory requirements.

Transfer of Title and Qualification as Operator

Transfer of ownership or title to oil and gas properties in Colombia is subject to approval from the ANH (in the case of Exploration and Production Contracts) and Ecopetrol (in the case of Association Contracts and others of similar nature entered into with Ecopetrol). Also, operation of oil and gas fields in Colombia is reserved to operators qualified as such by the ANH or Ecopetrol, as applicable. The exercise of discretion by governmental authorities under existing regulations, the implementation of new regulations or the modification of existing regulations affecting the oil and gas industry may impact the ability of the Corporation to obtain approval for the transfer of title to the oil and gas interests it has acquired or intends to acquire in the future, or to be qualified as operator of the number of properties it intends to operate, or at all. Failure to obtain regulatory approvals, or failure to obtain such approvals on a timely basis, could result in delays and abandonment or restructuring of the projects undertaken by the Corporation and increased costs, all of which could have a material adverse effect on the Corporation.

Title to Properties, Investments in Properties

Although title reviews will be done according to industry standards prior to the purchase of most crude oil and natural gas producing properties or the commencement of drilling wells, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat the claim of the Corporation which could result in a reduction of the revenue received by the Corporation. In civil law jurisdictions, including Colombia, legal title is not perfected until such time as the appropriate governmental authorities and the Executive Branch approve the assignment of a participating interest, record the title holder in the applicable registry and issue a decree. This process can take time, and as a result, it is common business practice for commercial parties to proceed with the completion of a purchase and sale transaction,

notwithstanding the fact that governmental approval may take years to properly reflect these business dealings. In these cases, title review due diligence involves ensuring that the current title holder has started the different authorization procedures, and also involves an update as to the status of the required authorizations. As well, the Corporation is required by its exploration and production contracts to make regular ongoing investments on its properties and perform minimum exploration work in order to maintain its exploration and production contracts and to be eligible for further extensions. If the Corporation is unable to meet those minimum requirements, it may impede the extension of its contracts. All of the Corporation's properties have been acquired from third parties and the terms for exploration and investment requirements pursuant to the contracts governing its interest in each property vary significantly from one property to the other.

There is no guarantee that an unforeseen defect in title, changes in laws or change in their interpretation or political events will not arise to defeat or impair the claim of the Corporation to its properties which could result in a material adverse effect on the Corporation, including a reduction in revenue.

Uncertainty of Cost Estimates

Due to the early stage of development of the oil and gas industry in Colombia, the Corporation is unable to estimate costs, including infrastructure improvement costs, transportation costs (including truck, river barge and helicopter costs), seismic and drilling costs and production costs for its exploration and development plans for some of its properties. The inability of the Corporation to estimate these costs could affect the commerciality of the resources and reserves discovered on its properties or any other properties the Corporation may have from time to time, the economic viability of the Corporation's products and the ability of the Corporation to transport its products to market.

The Corporation will be subject to all the risks associated with establishing new oil and gas operations in a foreign country, including the timing and cost of the construction of infrastructure and facilities, the availability and cost of skilled labour and equipment, the need to obtain necessary environmental or other governmental approvals and permits, and the availability of funds to finance construction and development activities. Any future profitability from the Corporation's business will depend upon the successful development of its current properties or any other properties the Corporation may have from time to time.

Limited Operating and Earnings History

The Corporation only recently commenced operations and only has a short earnings history. Accordingly, the Corporation has very little operating history in the oil and gas industry in the United States or Colombia and has no meaningful historical financial information or record of performance as an oil and gas corporation. The Corporation's business plan requires significant expenditure, particularly capital expenditure, during the exploration phase under the Corporation's oil and gas contracts. The Corporation will be subject to all the risks associated with establishing new oil and gas operations in a foreign country, including the timing and cost of the construction of infrastructure and facilities, the availability and cost of skilled labour and equipment, the need to obtain necessary environmental or other governmental approvals and permits, and the availability of funds to finance construction and development activities. The Corporation's current capital may not be sufficient to cover the costs of the Corporation's drilling and exploration program and, accordingly, additional financing or joint venture partners would be required to conduct these activities. The inability to obtain future financing or find future joint venture partners could materially affect the Corporation's business, financial condition, results of operations, and the value of the Common Shares.

Any future profitability from the Corporation's business will depend upon the successful development of its current properties or any other properties the Corporation may have from time to time. There can be no

assurance that the Corporation can achieve profitability in the future. Revenues, other than interest on unused funds, may not occur for some time, if at all. The timing and extent of any revenues is variable and uncertain and, accordingly, the Corporation is unable to predict when, if at all, profitability will be achieved. An investment in the Common Shares is highly speculative and should only be made by persons who can afford a significant or total loss of their investment.

Negative Cash Flows

To date, the Corporation has experienced negative operating cash flow and has recorded little revenue from oil and gas operations. The Corporation only recently commenced operations in the United States and Colombia, has minimal production and has only a short history of earnings or positive cash flow from operations. There can be no assurance that significant additional losses will not occur in the near future or that the Corporation will be profitable in the future. In the event of a commercial discovery, the Corporation's operating expenses and capital expenditures will likely increase as needed consultants, personnel and equipment associated with advancing exploration, development and potentially commercial production are added. The amounts and timing of such expenditures will depend on the progress of the Corporation's exploration and development plans, the results of consultants' analyses and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, the acquisition of additional properties and other factors, many of which are not under the control of the Corporation. The Corporation expects to continue to incur losses unless and until such time as it enters into commercial production from one or more of the properties that it may have from time to time and generates sufficient revenues to fund continuing operations. The development of any properties the Corporation may have from time to time will require the commitment of substantial resources to conduct the Corporation's exploration and development plans. There can be no assurance that the Corporation will generate any revenues or achieve profitability or that the underlying assumed costs and expenses of the Corporation's exploration and development plans will prove to be accurate. Historically, the only source of funds available to the Corporation has been through the sale of equity and debt securities. There is no guarantee that the Corporation will be able to sell equity or debt securities in the future. If the Corporation does not have sufficient capital for its operations, this could result in delay or indefinite postponement of further exploration or development of any properties the Corporation may have from time to time, which could have a material adverse effect on the Corporation's business, financial condition, results of operations and the value of the Common Shares.

Regulatory and Permitting Delays

The Corporation could encounter regulatory and/or permitting delays in the future. The Corporation will endeavour to ensure timely application for any government permits necessary for carrying out its business in Colombia. However, the past ability of the Corporation to obtain all necessary permits in a timely fashion is not a guarantee of future results as factors that are beyond the Corporation's control such as bureaucratic impediments, minor changes in legislation and even government holidays could substantially impede the timing of receiving essential permits and delay or stall the Corporation's exploration efforts.

Reliance on Operators

The government of Colombia regulates the individuals or legal entities which may be awarded license contracts for the exploration and/or exploitation of hydrocarbons in that country. In order to qualify to commence negotiating a license contract with the governmental oil and gas regulatory agencies in Colombia and act as operator under such license contract, an oil and gas company must meet certain technical and financial requirements. The Corporation has no operating history in the oil and gas industry and has no meaningful, historical financial information or record of performance as an oil and gas company. To the extent that the Corporation will not be the operator of its properties, it will be dependent upon other

guarantors or third parties' operations for the timing of such activities and will be largely unable to control the activities of such operators. Any termination, expiration or suspension of the Corporation's oil and gas contracts would have a material adverse effect on the Corporation's business, financial condition, results of operations, and the value of the Common Shares.

Crude Oil and Natural Gas Development

As of December 31, 2013, no reserves have been assigned in connection with the Corporation's oil and gas contracts. The future value of the Corporation is therefore dependent on the success of the Corporation's activities which are directed toward the exploration and development of properties the Corporation may have from time to time. The Corporation has a plan to explore and develop the Corporation's oil and gas contracts, which it may not be able to carry out or complete as contemplated in this AIF. The Corporation's plan is contingent on the initial success of its work program. There is no certainty of the initial success of the Corporation's exploration and development plan or that the Corporation will be able to carry out its plan as contemplated or even to complete its plan. Additionally, the Corporation's current exploration and development plan could change depending on the results of its initial exploration and development work program.

Exploration and development of crude oil and natural gas reserves is speculative and involves a significant degree of risk. There is no guarantee that exploration or appraisal of the properties the Corporation may have from time to time will lead to a commercial discovery or, if there is commercial discovery, that the Corporation will be able to realize such reserves as intended. Few properties that are explored are ultimately developed into new reserves. If at any stage the Corporation is precluded from pursuing its exploration or development plan, or such plan is otherwise not continued, the Corporation's business, financial condition, results of operations, and the value of the Common Shares could be materially adversely affected.

Crude oil and natural gas exploration involves a high degree of risk and there is no assurance that expenditures made on future exploration or development activities by the Corporation will result in discoveries of crude oil, condensate or natural gas that are commercially or economically possible. The Corporation may face shortages of, and increasing costs for seismic crews and equipment, drilling equipment, services (including transportation for equipment and crews) and personnel. Shortages of, or increasing costs for, experienced seismic and drilling crews and oil field equipment and services could restrict the Corporation's ability to conduct seismic operations, drill wells and conduct other operations which it may currently have planned, and the timing of any such operations. Any delay in the drilling of new wells or significant increase in drilling costs could reduce the Corporation's revenues and cash available for operations.

Furthermore, it is difficult to project the costs of implementing any seismic program in the countries in which the Corporation operates and any exploratory drilling program due to the inherent uncertainties of available logistical arrangements, including transportation, drilling in unknown formations, the costs associated with encountering various drilling conditions such as over-pressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof. Furthermore, drilling operations may be delayed or cancelled as a result of other factors, including encountering unexpected formations or pressures, premature declines of reservoir pressures, potential environmental damage, adverse weather conditions, concession problems, lost circulation of drilling fluids, facility or equipment malfunctions, unexpected operational events, blow-outs, fires, ruptures and spills, all of which could result in personal injuries, loss of life and damage to property of the Corporation and others.

Key Personnel

The Corporation's success depends in large part on the ability of its executive management team, particularly Gregg Vernon, Chris Reid, Brian Smith and Jorge Garcia, to deal effectively with complex risks and relationships and execute the Corporation's business development plan. The members of the management team contribute to the Corporation's ability to obtain, generate and manage opportunities. The Corporation's prospects also depend upon the continued service of its senior technical employees and consultants and its ability to hire service providers to assist it in implementing its exploration and development plans. The countries in which the Corporation operates have a limited number of service providers who provide transportation, including helicopter and barge services, seismic services and drilling and other oilfield services to the oil and gas industries in such countries. There is high demand for the services offered by these service providers. The Corporation may further experience delays or interruptions in its exploration and development plans due to its inability to engage service providers to provide the transportation, seismic and drilling services it requires to carry out its work programs. There is no guarantee that the Corporation will be able to retain its service providers. In the countries in which the Corporation operates the identity and efforts of the local representatives, and, in particular, their relationships with governmental agencies, can be critical factors in the Corporation's local success. There can be no assurance that the Corporation's present key personnel and directors will remain with the Corporation or that the Corporation will be able to retain its service providers. The departure of any such key person, director or service provider may materially affect the Corporation's business, financial condition, results of operations, and the value of the Common Shares. A shortage of skilled labour may make it difficult for the Corporation to maintain labour productivity, and competitive costs could adversely affect its profitability.

Disruptions in Production

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

Marketing

The marketability of oil and natural gas which may be acquired or discovered by the Corporation will be affected by numerous factors beyond its control. These factors include demand for oil and natural gas, market fluctuations, the proximity and capacity of oil and natural gas pipelines and processing equipment and government regulations, including regulations relating to environmental protection, royalties, allowable production, pricing, importing and exporting of oil and natural gas.

Environmental Regulation and Risks

The crude oil and natural gas industry is subject to environmental regulations in the jurisdictions in which it operates. Environmental regulations place restrictions and prohibitions on emissions of various substances produced concurrently with crude oil and natural gas and can impact on the selection of drilling sites and facility locations, potentially resulting in increased capital expenditures. The Corporation may be responsible for abandonment and site restoration costs. The Corporation is of the view that its abandonment and restoration obligations can be satisfied out of general corporate funds as such obligations become due. As of the date hereof, the Corporation has not reserved any funds for future site restoration costs.

Extensive national, state and local environmental laws and regulations in foreign jurisdictions affect nearly all of the operations of the Corporation. These laws and regulations set various standards regulating certain aspects of health and environmental quality, provide for penalties and other liabilities for the violation of such standards, establish in certain circumstances obligations to remediate current and former facilities and locations where operations are or were conducted, and require environmental reviews and approvals prior to the commencement of any operations. In addition, special provisions may be appropriate or required in environmentally sensitive areas of operation, including the use of newer technologies to mitigate the impact of the Corporation's oil and gas activities on such environmentally sensitive areas. There can be no assurance that the Corporation will not incur substantial financial obligations in connection with environmental compliance.

Failure to comply with these laws and regulations may trigger a variety of administrative, civil and criminal enforcement measures, including the assessment of monetary penalties, the imposition of remedial requirements, and the issuance of orders enjoining future operations.

Significant liability could be imposed on the Corporation for damages, clean up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of properties purchased by the Corporation or non-compliance with environmental laws or regulations. Such liability could have a material adverse effect on the Corporation's business, financial condition, results of operations, and the value of the Common Shares. Moreover, the Corporation cannot predict what environmental legislation or regulations will be enacted in the future or how existing or future laws or regulations will be administered or enforced. Compliance with more stringent laws or regulations, or more vigorous enforcement policies of any regulatory authority, could in the future require material expenditures by the Corporation for the installation and operation of systems and equipment for remedial measures, any or all of which may have a material adverse effect on the Corporation's business, financial condition, results of operations, and the value of the Common Shares.

Other Regulations

The Corporation's operations are regulated extensively. Environmental and other governmental laws and regulations have increased the costs to operate the business and conduct the operations. Under these laws and regulations, the Corporation could also be liable for personal injuries, property damage and other damages. Failure to comply with these laws and regulations may result in the suspension or termination of operations and subject the Corporation to administrative, civil and criminal penalties. Moreover, public interest in environmental protection has increased in recent years, and environmental and other organizations or groups have opposed, with some success, certain drilling projects.

The Corporation's operations require numerous permits and authorisations under various laws and regulations, including environmental and health and safety laws and regulations. These authorisations and permits are subject to revocation, renewal or modification and can require operational changes, which may involve significant costs, to limit impacts or potential impacts on the environment and/or health and safety. A violation of these authorisation or permit conditions or other legal or regulatory requirements could result in substantial fines, criminal sanctions, permit revocations, injunctions and/or refinery shutdowns. In addition, major modifications of operations could require modifications to the Corporation's existing permits and authorizations, or expensive upgrades to the existing pollution control equipment, which could have a material adverse effect on the Corporation's business, financial condition, results of operations, and the value of the Common Shares.

Availability of Equipment, Logistical Support and Qualified Personnel

Oil and natural gas exploration and development activities are dependent on the availability of seismic, drilling and related equipment and qualified personnel in the particular areas where such activities will be conducted. In the countries in which the Corporation operates, all operations, including seismic and drilling operations, are also heavily dependent on the availability of limited logistical support and services, including transportation by helicopter, road, barges and trucks, demand for such limited equipment and qualified personnel may affect the availability of such equipment and qualified personnel to the Corporation and may delay the Corporation's exploration and development activities. In addition, the costs of employing qualified personnel and transporting equipment in the areas where the blocks that are subject to the Corporation's oil and gas contracts are located, may be very high due to the remote nature of the area and the inherent challenges of transporting personnel and equipment there. The need to hire or retain qualified personnel from outside the countries in which the Corporation operates to provide services to the Corporation in connection with its exploration and development activities in the countries in which the Corporation operates will further exacerbate costs. There is no guarantee that the Corporation will have available to it all the personnel and equipment required to implement or carry on its work program.

Seasonal Weather Conditions

The Corporation's operations will be adversely affected by seasonal weather conditions. The ability to effectively continue exploration and development activities and to transport equipment, personnel and any production may from time to time be adversely impacted by weather conditions. Adverse weather conditions may adversely impact the timing and costs of the Corporation's plans.

Additional Financing

The Corporation's future exploration, development and acquisition plans will require additional financing. The oil and gas industry generally is capital intensive and the Corporation's participation in the industry will likely require additional financing to fund such capital expenditures. The ability of the Corporation to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Corporation including the Corporation's planned exploration program. Periodic fluctuations in energy prices may affect lending policies of banks. An inability to raise additional financing could limit growth prospects in the short run or may even require the Corporation to dispose of properties to continue operations under circumstances of declining energy prices, disappointing exploration results, or economic or political dislocation in foreign countries. In the alternative, the Corporation will be required to enter into joint venture or farm-out agreements or potentially sell the Corporation to an entity with greater resources. Even if financing is available, there can be no assurance that the Corporation will be successful in its efforts to arrange additional financing on terms satisfactory to the Corporation. This may be further complicated by the limited market liquidity for shares of smaller companies, restricting access to some institutional investors. If additional financing is raised by the issuance of securities from treasury of the Corporation, control of the Corporation may change and shareholders may suffer additional dilution.

In addition, the Corporation may be required to fund its ongoing operations, capital expenditures or transactions to acquire assets or the shares of other Corporations through debt financing which may increase the Corporation's debt levels above industry standards.

Volatility of Crude Oil and Gas Prices and Markets

The Corporation's financial condition, operating results and future growth are dependent on the prevailing prices for its hydrocarbons. Specifically, the Corporation's earnings and cash flows from operations depend

on the margin above fixed and variable expenses (including the cost of refinery feedstock) at which it is able to sell refined products. Historically, the markets for crude oil and natural gas have been volatile and such markets are likely to continue to be volatile in the future. Prices for hydrocarbons are subject to large fluctuations in response to relatively minor changes to the demand for crude oil and natural gas, whether the result of uncertainty or a variety of additional factors beyond the control of the Corporation. Any substantial decline in the prices of crude oil and natural gas could have a material adverse effect on the Corporation's business, financial condition, results of operations, and the value of the Common Shares. Additionally, the economics of producing from some wells may change as a result of lower prices, which could result in a suspension of production by the Corporation. No assurance can be given that crude oil and natural gas prices will be sustained at levels which will enable the Corporation to operate profitably. From time to time the Corporation may avail itself of forward sales or other forms of hedging activities with a view to mitigating its exposure to the risk of price volatility.

Risks of Foreign Operations

As the Corporation's operations are located in Colombia and the United States, the Corporation is subject to political, economic, and other uncertainties, including, but not limited to, expropriation of property without fair compensation, changes in energy policies or the personnel administering them, nationalization, currency fluctuations, exchange controls, and royalty and tax increases. Other risks arising out of foreign operations include governmental sovereignty over the areas in which the Corporation's operations are conducted, as well as risks of loss due to civil strife, corruption, acts of war, guerrilla activities and insurrections. The Corporation's operations may also be adversely affected by laws and policies of Canada affecting foreign trade, taxation and investment. In the event of a dispute arising in connection with the Corporation's operations in the countries in which it operates, the Corporation may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of the courts of Canada or enforcing Canadian judgments in such other jurisdictions. The Corporation may also be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. Accordingly, the Corporation's exploration, development and production activities in the countries in which it operates could be substantially affected by factors beyond the Corporation's control, any of which could have a material adverse effect on the Corporation's business, financial condition, results of operations, and the value of the Common Shares.

The Corporation's business, financial condition, results of operations, and the value of the Common Shares could also be materially adversely affected by changes in government policies and legislation or social instability and other factors which are not within the control of the Corporation including, among other things, the risks of terrorism, civil strikes, abduction, renegotiation or nullification of existing concessions and contracts, economic sanctions, the imposition of specific drilling obligations, and the development and abandonment of fields.

Colombia is home to South America's largest and longest running insurgency, and over the past two decades has experienced significant social upheaval and criminal activity relating to drug trafficking. While the situation has improved dramatically in recent years, there can be no guarantee that the situation will not again deteriorate. Any increase in kidnapping and/or terrorist activity in Colombia may disrupt supply chains and discourage qualified individuals from being involved with the Corporation's operations. Additionally, the perception that matters have not improved in Colombia may hinder the Corporation's ability to access capital in a timely or cost effective manner. Any changes in regulations or shifts in political attitudes are beyond the control of the Corporation and may adversely affect its business.

Any termination, expiration or suspension of the Corporation's oil and gas contracts or the underlying concessions or licenses to which they relate would have a material adverse effect on the Corporation's business, financial condition, results of operations, and the value of the Common Shares. In addition, the

Corporation's production and exploration rights for the Corporation's oil and gas contracts are governed by concessions of the governments of the countries in which the Corporation operates. These concessions are also subject to expiration based on the terms of such concessions. It is also possible that the governments of the countries in which the Corporation operates may unilaterally terminate such concessions, despite the lack of authority to do so under its terms.

Transportation

To date, energy infrastructure, specifically in the form of pipelines to transport oil, natural gas and NGLs, has not yet reached certain locations where the Corporation may have properties from time to time. Due to the location of such properties, there is limited infrastructure currently available to transport oil, natural gas and NGLs from the sites of future wells to market. The Corporation's ability to market its oil, natural gas and NGLs, and therefore receive payment for its production, depends on its ability to transport its oil, natural gas and NGLs to market. If the Corporation is unable to transport its oil, natural gas and NGLs to market within a reasonable time, the Corporation's business, financial condition, results of operations, and the value of the Common Shares could be materially adversely affected.

Even with transportation in place, the amount of oil and natural gas that can be produced and sold will be subject to curtailment in certain circumstances, such as pipeline interruptions due to scheduled and unscheduled maintenance, excessive pressure, physical damage to the transportation system or interruptions in other transportation means, such as trucking or barging activities. The curtailments arising from these and similar circumstances may last from a few days to several months. In many cases, the Corporation may only be provided with limited, if any, notice as to when these circumstances will arise and their duration. Any significant curtailment in pipeline capacity or other transportation means could have a material adverse effect on the Corporation's business, financial condition, results of operations, and the value of the Common Shares.

Infrastructure in Colombia

The physical infrastructure of Colombia has not been adequately funded and maintained. Particularly affected are the road networks, power generation and transmission, communication systems and building stock. The poor state of certain physical infrastructure could disrupt the transportation of goods, supplies and production and, accordingly, may add to the costs of doing business in that country. Such additional costs or business interruption could materially adversely affect the timing of the Corporation's plans and the Corporation's business, financial condition, results of operations, and the value of the Common Shares. The countries in which the Corporation operates have limited refinery and pipeline capacity. Refinery capacity may be insufficient to accommodate the Corporation's production in the event of an oil discovery.

Political and Economic Situation in Colombia

Historically, commodity prices in the markets of Colombia have been below import parity prices. The Corporation cannot assure investors that the governments of that country will not implement price controls in the future for political or other reasons, or that the markets for oil, natural gas and refined products in such countries will become equal to that of the international market.

In recent years, the economy of Colombia has developed into a more market-oriented economy; however, previously, the economy of that country had been hampered by periods of significant instability, and experienced at various times, significant declines in gross domestic product, hyperinflation, unstable currency, high government debt relative to gross domestic product, elimination of tax benefit legislation, a weak banking system providing limited liquidity to enterprises, high levels of loss-making enterprises that continued to operate due to the lack of effective bankruptcy proceedings, significant use of barter

transactions, illiquid promissory notes to settle commercial transactions, widespread tax evasion, growth of a black and grey market economy, pervasive capital flight, high levels of corruption and the penetration of organized crime into the economy, significant increases in unemployment and underemployment and the impoverishment of a large portion of the populations of such countries. Any deterioration of the investment climate of such countries could have a material adverse effect on the Corporation's business, financial condition, results of operations, and the value of the Common Shares. Operating in such an environment may make it more difficult for the Corporation to operate its business and finance its activities.

The Corporation cannot assure investors that recent positive trends in the economy of Colombia, such as the increase in gross domestic product, will continue or will not be abruptly reversed by actions such as the elimination of tax exoneration of other taxes or contributions. Moreover, fluctuations in international oil and natural gas prices, or other factors, could adversely affect the economy of that country and the business, results of operation and prospects of the Corporation, and the value of the Common Shares. In addition, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in Colombia and adversely affect the economy of Colombia. Any such problems could, additionally, have an adverse effect on the international financial and commodities markets, the global economy, world oil prices and direct foreign investment in Colombia. Any significant impairment could limit the Corporation's access to capital and disrupt the operation of its business and adversely affect its ability to execute its business strategy.

Royalty Regime Changes

Pursuant to the terms of the Corporation's oil and gas contracts, the Corporation may be required to make royalty payments with respect to production from the properties the Corporation may have from time to time. These royalty payments are adjustable and are principally altered based on baskets of international hydrocarbon prices. Any adverse change in the royalty regime or increase in required royalty payments by the Corporation may have a material adverse effect on the Corporation's business, financial condition, results of operations, and the value of the Common Shares.

Foreign Subsidiaries

The Corporation conducts some of its operations through wholly-owned subsidiaries. Therefore, to the extent of these holdings, the Corporation will be dependent on the cash flows of such subsidiaries to meet its obligations. The ability of such subsidiaries to make payments to the Corporation may be constrained by the following factors: the level of taxation, particularly corporate profits and withholding taxes, in the countries in which they operate; and the introduction of exchange controls or repatriation restrictions or the availability of hard currency to be repatriated.

Indigenous Tribes

Certain regions in which the Corporation may have properties from time to time are inhabited by reclusive indigenous tribes. As oil and gas exploration and mining activity increases in these regions, the indigenous tribes continue to lose control of their traditional territory and, as a result, have tended to move deeper into the jungle. The Corporation's exploration and development program for these regions may encroach on the traditional habitat of reclusive indigenous tribes. The indigenous tribes that inhabit these regions may resist encroachment on their native lands. Additionally, certain non-governmental organizations representing the interests of these reclusive indigenous tribes and advocating for their rights could challenge the Corporation's exploration and development plans on the basis that such plans infringe the territorial rights of such reclusive indigenous tribes. Any such resistance to or objection made against the Corporation's exploration and development plans for these regions could delay the Corporation's plans and have a

material adverse effect on the Corporation's business, financial condition, results of operations and the value of the Common Shares.

Developing Legal System

As a civil law jurisdiction, Colombia has a legal system which is different from the common law jurisdictions of western Canada. Standard legal practices in civil law jurisdictions may result in risks such as (i) a higher degree of discretion on the part of governmental authorities; (ii) the lack of judicial or administrative guidance on interpreting applicable rules and regulations, particularly where those rules and regulations are the result of recent legislative changes or have been recently adopted; (iii) inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; and (iv) relative inexperience of the judiciary and courts in such matters. In the case of foreign entities such as the Corporation doing business in a civil law jurisdiction, effective legal redress in the courts of Colombia, whether in respect of a breach of law or regulation or in an ownership dispute, may be more difficult to obtain. As well, legislation and regulations may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. There can be no assurance that joint ventures, licenses, license applications or other legal arrangements will not be adversely affected by changes in governments, the actions of government authorities or others, or the effectiveness and enforcement of such arrangements.

It may not be possible to effect service of process upon the Corporation or its Directors or enforce court judgments against the Corporation or its Directors

The Corporation is incorporated under and is subject to the federal laws of Canada; however Petrodorado Ltd., which represents substantially all of the Corporation's assets, is incorporated in Alberta and carries on all of its material operations in Colombia. Accordingly, the Corporation is subject to the legal systems and regulatory requirements of a number of jurisdictions with a variety of requirements and implications for shareholders of the Corporation. Exploration and development activities outside Canada may require protracted negotiations with host governments, regulatory bodies and other third parties. If a dispute arises with foreign operations, the Corporation may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons, especially foreign oil ministries, to the jurisdiction of Canada.

Furthermore, some of the directors and officers of the Corporation reside outside of Canada. Some or all of the assets of those persons may be located outside of Canada. It may not be possible for investors to collect from the Corporation or enforce judgments obtained in courts in Canada predicated on the civil liability provisions of Canadian securities legislation against the Corporation, the directors or officers of the Corporation, or certain of the experts named in this AIF. Moreover, it may not be possible for investors to effect service of process within Canada upon the directors or officers of the Corporation, or the experts referred to above.

Legislation

The government of Colombia has enacted legislation to protect foreign investment and other property against expropriation and nationalization. However, there is no assurance that such protections would be enforced. This uncertainty is due to several factors, including, the potential lack of political will to enforce legislation to protect property against expropriation and nationalization, particularly depending on the political climate and political party in power, the lack of independent judiciary and sufficient mechanisms to enforce judgments and potential for corruption among government officials. Expropriation or nationalization of the Corporation's business would be detrimental to its operations and have a material adverse effect on the Corporation's business, financial condition, results of operations, and the value of the Common Shares.

Banking System

The banking and other financial systems are not well developed or regulated and local legislation relating to banks and bank accounts is subject to varying interpretations and inconsistent applications. There are currently a limited number of creditworthy banks in Colombia that the Corporation can conduct banking relations with. Another prolonged or more serious economic crisis or the bankruptcy of one or more of the banks which receive or hold the Corporation's funds could materially adversely affect the Corporation's business, financial condition, results of operations, and the value of the Common Shares.

Competition

The crude oil and natural gas industry is intensely competitive and the Corporation competes with other companies which possess greater technical and financial resources, including seismic equipment and personnel, drilling equipment and personnel and transportation equipment and personnel. Many of these competitors not only explore for and produce crude oil and natural gas but, also carry on refining operations and market petroleum and other products on an international basis. Because of their geographic diversity, larger and more complex assets, integrated operations and greater resources, some of these competitors may be better able to compete on the basis of price and to bear the economic risks inherent in all phases of the energy industry. Further, the Corporation's ability to implement its business strategy will be dependent upon its ability to evaluate and select suitable opportunities and consummate transactions in a highly competitive environment. Crude oil and natural gas production operations are also subject to all the risks typically associated with such operations, including premature decline of reservoirs and invasion of water into producing formations.

Fluctuations in Foreign Currency Exchange Rates

All of the Corporation's operations are located in Colombia. Operating and capital costs are generally incurred in Colombian pesos, Canadian dollars, and U.S. dollars. Fluctuations in the Canadian dollar, U.S. dollar, and Colombian peso exchange rates may cause a negative impact on revenue and costs and could have a material adverse effect on the Corporation's business, financial condition, results of operations, and the value of the Common Shares.

The Corporation has not historically held or been required to hold a substantial amount of funds in local currency; however, this might not always be the case in the future. To the extent that the Corporation is required to hold currency positions in local currency, there is a risk from foreign exchange fluctuations. If the exchange rate of the relevant local currency fluctuates substantially, or the rate of inflation in such country materially increases, historic financial statements of the Corporation may not accurately reflect the Canadian dollars value of its assets or operations.

The Corporation cannot assure prospective investors that the local currency will not depreciate against the U.S. dollar. Further, to the extent the local currency are freely exchangeable into U.S. dollars, the Corporation cannot assure investors that such currencies will continue to be freely exchangeable or that the Corporation will be able to exchange sufficient amounts of such currencies into U.S. dollars to meet any foreign currency obligations. Such foreign exchange risk could materially adversely affect the Corporation's business, financial condition, results of operations, and the value of the Common Shares.

Insurance

Oil and natural gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blowouts, cratering, sour gas releases, and spills, each of which could result in substantial damage to oil and natural

gas wells, production facilities, other property and the environment or in personal injury. Although the Corporation has obtained insurance in accordance with industry standards to address certain of these risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not in all circumstances be insurable or, in certain circumstances, the Corporation may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or for other reasons. The payment of such uninsured liabilities would reduce the funds available to the Corporation. The occurrence of a significant event that the Corporation is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on the Corporation's business, financial condition, results of operations, and the value of the Common Shares.

The Corporation may be subject to certain events beyond its control which may have a material adverse effect on the Corporation's business, results of operation or financial condition

The Corporation's projects may be adversely affected by risks outside the control of the Corporation including labour unrest, civil disorder, war, acts of terrorism, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

Conflicts of Interest

Certain of the proposed directors and officers of the Corporation are also directors and officers of other oil and gas companies involved in natural resource exploration and development, which may in the future be involved in transactions with the Corporation, and conflicts of interest may arise between their duties as directors and officers of the Corporation and as officers and directors of such other companies.

Public Market Risk

There can be no assurance that an active trading market in the Corporation's securities will be sustained. The market price for the Corporation's securities could be subject to wide fluctuations. Factors such as commodity prices, government regulation, interest rates, share price movements of the Corporation's peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of the securities of the Corporation. The stock market has from time to time experienced extreme price and volume fluctuations, particularly in the oil and gas sector, which have often been unrelated to the operating performance of particular companies.

Dividends

To date the Corporation has not paid any dividends on its outstanding securities and does not anticipate paying any dividends in the foreseeable future. There are no restrictions in the Corporation's articles or elsewhere which would prevent the Corporation from paying dividends. It is not contemplated that any dividends will be paid on the Common Shares in the immediate future as it is anticipated that all available funds will be invested to finance the growth of the Corporation's business. The directors of the Corporation will determine if, and when, dividends will be declared and paid in the future from funds properly applicable to the payment of dividends based on the Corporation's earnings, financial position and other conditions at the relevant time. All of the Common Shares are entitled to an equal share in any dividends declared and paid.

Failure to Maintain Listing of the Common Shares

The Common Shares are currently listed for trading on the facilities of the TSXV. The failure of the Corporation to meet the applicable listing or other requirements of the TSXV in the future may result in the Common Shares ceasing to be listed for trading on the TSXV, which would have a material adverse affect

on the value of the Common Shares. There can be no assurance that the Common Shares will continue to be listed for trading on the TSXV.

Structure of the Corporation

From time to time, the Corporation may take steps to organize its affairs in a manner that minimizes taxes and other expenses payable with respect to the operation of the Corporation and its subsidiaries. If the manner in which the Corporation structures its affairs is successfully challenged by a taxation or other authority, the Corporation and the holders of Common Shares may be adversely affected.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

With exception to the aforesaid, to the knowledge of the management of the Corporation, there are no outstanding legal proceedings material to the Corporation to which the Corporation is a party or in respect of which any of its properties are subject, nor are there any such proceedings known to be contemplated.

On October 4, 2013, a JV partner to the Company announced the commencement of an arbitration action through the International Chamber of Commerce against Petrodorado as the Operator of the Talora Block located in the Magdalena Basin of Colombia. The JV partner and Petrodorado entered into a Farmout Agreement dated October 16, 2011, ("Agreement") to further the exploration and development of the Talora Block. The JV partner contends that Petrodorado committed multiple breaches of the Agreement and is entitled to the return of all amounts paid with regards to the Agreement and associated activity in the Talora Block, which is estimated at approximately \$12.0 million.

With the drilling of the Verdal-2X well, the Company has received formal communication from the ANH that it has maintained the block in good standing. Petrodorado, therefore, believes that the underlying basis for the arbitration action commenced by the JV partner has been significantly reduced to certain well costs that may be disputed from previous operations. On December 20, 2013, Petrodorado submitted its response to the action asserting the Company's position that the well costs were properly incurred and that no amounts are owing to the JV partner. The final resolution of this matter and potential costs, if any, is indeterminable; however, under no circumstances are they anticipated to exceed \$2.1 million. Moreover, Petrodorado has issued a counterclaim of \$2.6 million for the JV partner's unpaid share of the costs related to the drilling of the Verdal-2X well.

The Company intends to vigorously defend itself with respect to this arbitration action and Management believes it is probable that they will be successful in their defense. Management views this action to be without merit and, as such, can not reliably measure the exposure to the Company at this time. However, Management believes that any amount incurred on account of this action will be negligible.

Regulatory Actions

To the knowledge of management of the Corporation, no penalties or sanctions have been imposed by a court relating to securities legislation or by a securities regulatory body or by any other court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision, nor have any settlement agreements been entered into by the Corporation with a court relating to securities legislation or with a securities regulatory authority during the most recently completed financial year.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as set out herein, none of the directors, executive officers of the Corporation, any person or company that is the direct or indirect beneficial owner of, or who exercises control or direction over, more than 10 percent of any class or series of outstanding voting securities of the Corporation, nor any associate or affiliate of the foregoing persons had any material interest, direct or indirect, in any transaction during the three most recently completed financial years or during the current financial year that has materially affected or will materially affect the Corporation.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares is TMX Equity Transfer Services Inc. at its office located in Calgary, Alberta.

MATERIAL CONTRACTS

The Corporation has entered into the following contracts or agreements during the recently completed financial years which remain in effect and which would be considered to be material to the Corporation as set forth below:

1. Farm-Out Agreement dated May 1, 2013 between Solimar Energy Ltd and Petrodorado (Kreyenhagen Heavy Oil Lease);
2. Farm-Out Agreement dated August 17, 2011 between Sintana Energy Inc and Petrodorado (Talora Block);
3. Purchase Agreement dated November 29, 2010 between PetroThahab Energy Inc and Petrodorado (Talora Block);
4. Share Purchase Agreement dated October 27, 2010 between West Canyon Inc and Petrodorado (PetroSouth Energy Corp. acquisition);
5. Farm out Agreement dated September 21, 2010 between Loon Energy and Petrodorado (Buganviles Block);
6. Farm-Out Agreement dated June 14, 2010 between ONGC and Petrodorado (CPO-5 Block);
7. Participation Agreement dated January 11, 2010 between PRE and Petrodorado (Moriche Block);
8. Participation Agreement dated January 11, 2010 between PRE and Petrodorado (Peru 135 and 138);
9. Farm-Out Agreement dated January 11, 2010 between PRE and Petrodorado (Tacacho Block);
10. Share Purchase Agreement dated December 1, 2009 among the Corporation, Petrodorado Ltd. and the shareholders of Petrodorado Ltd.; and
11. Filing Statement dated December 15, 2009 relating to the reverse take-over transaction between Petrodorado Ltd. and the Corporation (then Cap-Link Ventures Ltd.).

For a description of the particulars of the contracts listed above, please see “Business of the Corporation – Relevant Three Year History” in this AIF and those released in previous financial years.

INTERESTS OF EXPERTS

KPMG LLP has confirmed that it is independent of the Corporation in accordance with the relevant rules and related interpretation prescribed by the Institute of Chartered Accountants of Alberta.

ADDITIONAL INFORMATION

Additional information relating to the Corporation may be found on SEDAR at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans, if applicable, will be contained in the Corporation's information circular for its upcoming Annual General Meeting. Additional financial information is also provided in the Corporation's consolidated financial statements and MD&A for the year ended December 31, 2013.

SCHEDULE “A” MANDATE OF THE AUDIT COMMITTEE

Role and Objective

The Audit Committee (the “**Committee**”) is a committee of the Board of Directors of Petrodorado Energy Ltd. (“**Petrodorado**” or the “**Corporation**”) to which the Board has delegated its responsibility for oversight of the nature and scope of the annual audit, management’s reporting on internal accounting standards and practices, financial information and accounting systems and procedures, financial reporting and statements and recommending, for Board of Director approval, the audited financial statements and other mandatory disclosure releases containing financial information. The objectives of the Committee are as follows:

- To assist Directors to meet their responsibilities in respect of the preparation and disclosure of the financial statements and related matters.
- To provide better communication between directors and external auditors.
- To ensure the external auditors’ independence.
- To increase the credibility and objectivity of financial reports.
- To strengthen the role of the outside directors by facilitating in-depth discussions between directors on the Committee, management and external auditors.

Mandate and Responsibilities of Committee

It is the responsibility of the Committee to satisfy itself on behalf of the Board with respect to Petrodorado’s internal control systems, including in particular relating to derivative instruments, identifying, monitoring and mitigating business risks and ensuring compliance with legal and regulatory requirements.

It is a primary responsibility of the Committee to review the annual and quarterly financial statements prior to their submission to the Board of Directors for approval. The process should include but not be limited to:

- reviewing changes in accounting principles, or in their application, which may have a material impact on the current or future years’ financial statements;
- reviewing significant accruals, reserves or other estimates such as the ceiling test calculation;
- reviewing accounting treatment of unusual or non-recurring transactions;
- ascertaining compliance with covenants under any loan agreements;
- reviewing financial reporting relating to asset retirement obligations;
- reviewing disclosure requirements for commitments and contingencies;
- reviewing adjustments raised by the external auditors, whether or not included in the financial statements;
- reviewing unresolved differences between management and the external auditors;
- obtain explanations of significant variances with comparative reporting periods; and determine through inquiry if there are any related party transactions and ensure the nature and extent of such transactions are properly disclosed.

The Committee is to review the financial statements and related information included in prospectuses, management discussion and analysis (“**MD&A**”), information circular-proxy statements and annual information forms (“**AIF**”), prior to Board approval.

With respect to the appointment of external auditors by the Board, the Committee shall:

- be directly responsible for overseeing the work of the external auditors engaged for the purpose of issuing an auditors' report or performing other audit, review or attest services for Petrodorado, including the resolution of disagreements between management and the external auditor regarding financial reporting;
- review management's recommendation for the appointment of external auditors and recommend to the Board appointment of external auditors and the compensation of the external auditors;
- review the terms of engagement of the external auditors, including the appropriateness and reasonableness of the auditors' fees;
- when there is to be a change in auditors, review the issues related to the change and the information to be included in the required notice to securities regulators of such change; and
- review and approve any non-audit services to be provided by the external auditors' firm and consider the impact on the independence of the auditors.

Review with external auditors (and internal auditor if one is appointed by Petrodorado) their assessment of the internal controls of Petrodorado, their written reports containing recommendations for improvement, and management's response and follow-up to any identified weaknesses.

The Committee shall also review annually with the external auditors their plan for their audit and, upon completion of the audit, their reports upon the financial statements of Petrodorado and its subsidiaries.

Review all public disclosure containing audited or unaudited financial information before release.

Review financial reporting relating to risk exposure.

Satisfy itself that adequate procedures are in place for the review of the Corporation's public disclosure of financial information from the Corporation's financial statements and periodically assess the adequacy of those procedures.

Establish procedures for:

- the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and
- the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

Review any other matters that the Audit Committee feels are important to its mandate or that the Board chooses to delegate to it.

Undertake annually a review of this mandate and make recommendations to the Board of Directors as to proposed changes.

Composition

This Committee shall be composed of at least three individuals appointed by the Board from amongst its members, all of which members will be independent (within the meaning of Multilateral Instrument 52-110 Audit Committees) unless the Board determines to rely on an exemption in NI 52-110. "Independent" generally means free from any business or other direct or indirect material relationship with Petrodorado

that could, in the view of the Board of Directors, reasonably interfere with the exercise of the member's independent judgment.

The Secretary to the Board shall act as Secretary of the Committee.

A quorum shall be a majority of the members of the Committee.

All of the members must be financially literate within the meaning of NI 52-110 unless the Board has determined to rely on an exemption in NI 52-110. Being “financially literate” means members have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation’s financial statements.

Meetings

The Committee shall meet at least four times per year and/or as deemed appropriate by the Committee Chair.

The Committee shall meet not less than quarterly with the auditors, independent of the presence of management.

Agendas, with input from management, shall be circulated to Committee members and relevant management personnel along with background information on a timely basis prior to the Committee meetings.

Minutes of each meeting shall be prepared by the Secretary to the Committee.

The Chief Executive Officer and the Chief Financial Officer or their designates shall be available to attend at all meetings of the Committee upon the invitation of the Committee.

The Controller, Treasurer and such other staff as appropriate to provide information to the Committee shall attend meetings upon invitation by the Committee.

Reporting / Authority

Following each meeting, in addition to a verbal report, the Committee will report to the Board by way of providing copies of the minutes of such Committee meeting at the next Board meeting after a meeting is held (these may still be in draft form).

Supporting schedules and information reviewed by the Committee shall be available for examination by any director.

The Committee shall have the authority to investigate any financial activity of the Corporation and to communicate directly with the external auditors. All employees are to co-operate as requested by the Committee.

The Committee may retain, and set and pay the compensation for, persons having special expertise and/or obtain independent professional advice to assist in fulfilling its duties and responsibilities at the expense of Petrodorado.