



PETRODORADO ENERGY LTD.

ANNUAL INFORMATION FORM

for the year ended December 31, 2015

April 27, 2016

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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. <i>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.</i>
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, as of a given date, 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 category (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 (for example, Crown royalties) that are not deductible in computing taxable income;
 - (c) taking into account estimated tax credits and allowances (for example, royalty tax credits); 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 (collectively sometimes referred to as “geological and geophysical costs”);
 - (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 or any properties in which the Corporation has an interest;
- 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 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;
- 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 in which the Corporation has an interest, 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. (the “**Corporation**” or the “**Company**”) and amended its articles under section 179 of the *Canada Business Corporations Act* (“**CBCA**”) accordingly. On November 27, 2014, the Corporation amended its articles to consolidate its outstanding Common Shares on the basis of one post-consolidation share for every ten pre-consolidation shares. Share numbers referenced herein prior to November 27, 2014 are to pre-consolidation shares and share numbers referenced after such date refer to post-consolidation shares.

On April 4, 2016, the Corporation filed articles of amendment which created a new class of common shares and a class of preferred shares and effected an exchange of the existing Common Shares for new class B common shares (“**Class B Shares**”) and preferred shares (“**Preferred Shares**”) on the basis of one Class B Share and one Preferred Share for every Common Share outstanding (hereinafter referred to as the “**Share Reorganization**”). The Preferred Shares were redeemed immediately in exchange for a special distribution of cash by way of a return of capital to the shareholders of the Corporation (the “**Return of Capital**”) as described further below. The Class B Shares are identical in all respects to the Common Shares, save for the fact that all Class B Shares have two votes per share at any shareholders meeting. As a result of the Share Reorganization, there are no longer any Common Shares or Preferred Shares issued and outstanding and the only class of shares in the capital of the Corporation outstanding are Class B Shares.

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**”) was an indirect wholly-owned subsidiary of the Corporation during fiscal 2015 with total assets exceeding 10% of the consolidated assets of Petrodorado. Petrodorado SA was incorporated and currently exists under the laws of Panama. Petrodorado SA has a registered branch in Colombia called Petrodorado South America S.A. Sucursal Colombia. On June 29, 2015, the Corporation executed a sale agreement with Amerisur Resources PLC (“**Amerisur**”) wherein Amerisur acquired all of the outstanding shares of Petrodorado SA and certain exploration assets.

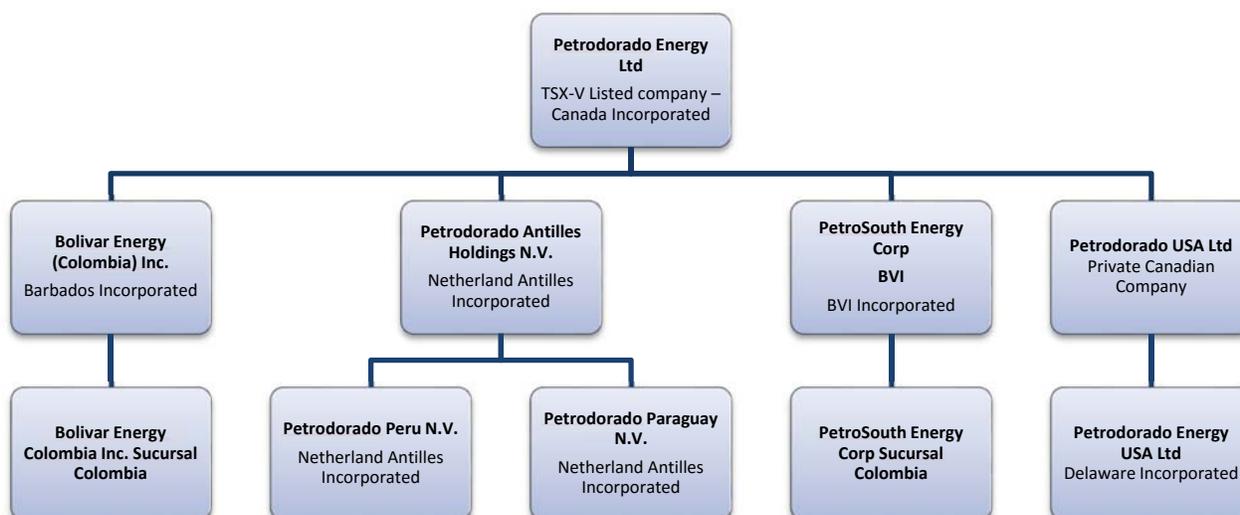
Petrodorado USA Ltd. is a wholly-owned subsidiary of the Corporation. It was incorporated under the laws of Alberta and has one subsidiary, Petrodorado Energy USA Ltd., which was incorporated under the laws of the state of Delaware of the United States of America.

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 (“**PetroSouth**”) is a wholly owned subsidiary of the Corporation. It was incorporated under the laws of the British Virgin Islands. It also has a registered branch in Colombia called PetroSouth Energy Corporation Sucursal Colombia. Subsequent to year end, on January 29, 2016, the Corporation executed a sale agreement with private third party buyer wherein all of the outstanding shares of PetroSouth and certain exploration assets were sold.

Bolivar Energy (Colombia) Inc. (“**Bolivar**”) is a wholly owned subsidiary of the Corporation, having been acquired from a private third party seller wherein all of the outstanding share of Bolivar were acquired by the Corporation. It was incorporated under the laws of Barbados. It also has a registered branch in Colombia called Bolivar Energy Colombia Inc. Sucursal Colombia. During the 2015 calendar year, the Corporation executed a share purchase agreement with a private third party seller wherein all of the outstanding shares of Bolivar were acquired by the Corporation.

The following chart illustrates the subsidiaries of the Corporation as of December 31, 2015, all of which are or were 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. The Corporation reduced its exploration portfolio in Colombia significantly in 2015 in light of the economic conditions in the oil & gas industry and sold its working interest in the vast majority of its properties, retaining a royalty interest in certain of such blocks. The Corporation also ceased exploration operations in the United States due to unfavorable economic factors.

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. As noted above, the Corporation has recently divested itself of the majority of its oil and gas assets and currently exists as a shell company with certain royalty interests in various blocks in which it formally had a working interest.

Components

Any 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.

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.

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.

Changes to Contracts

Other than disclosed herein, 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.

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 any properties in which the Corporation has an interest 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, 2015, Petrodorado had 5 employees. As at the date hereof, Petrodorado has 4 employees.

Foreign Operations

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

Re-organizations

In the current fiscal year, the Corporation undertook a reorganization pursuant to the Share Reorganization, as otherwise described herein. The Corporation has not undertaken any other re-organizations in the previous three fiscal years.

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 April 4, 2016, the Corporation carried out the Return of Capital, which was approved by the shareholders at the annual general and special meeting that was held on January 27, 2016 (the "**AGM**"). By way of the Return of Capital, a cash payment of CDN\$0.42 for each of the 49,704,702 Common Shares existing as of the date of distribution was realized, resulting in CDN\$20.9 million being distributed to the shareholders of the Corporation. This was achieved by way of the Share Reorganization (described above).

On February 25, 2016, the Corporation announced an agreement with a private third party buyer to divest the Corporation's 20% beneficial ownership in the La Maye Block (the "**La Maye Interest**"). Consideration received by the Corporation through this agreement included a 1% gross overriding royalty that will be calculated on the percentage of oil production attributed to the La Maye Interest resulting from the La Maye Block after all applicable government royalties. The Corporation was also advised by the operator of the Moriche Block, Pacific Exploration and Productions Corp. ("**Pacific**"), that the conditional sale of the Moriche Block that was originally executed on March 20, 2013, has been completed between Pacific and a third party buyer.

On February 9, 2016, the Corporation announced an agreement with a private third party buyer to sell all of the issued and outstanding shares of its wholly owned subsidiary PetroSouth resulting in the divestiture of the Corporation's operatorship and 70% beneficial ownership in the Talora Block. Consideration received by the Corporation through this agreement included the release of the existing \$0.3 term deposit held by the National Hydrocarbon Agency of Colombia ("**ANH**") for commitments existing on the Tacacho Block, a back in after payout option of 2% on the first well drilled, and a right of first refusal of 2% on any subsequent wells drilled in the Talora Block.

On January 28, 2016, Lynn Chapman was appointed as the Vice President of Finance and Chief Financial Officer and Chris Reid was appointed to the position of President and Chief Executive Officer.

On January 27, 2016, the shareholders of the Corporation voted in favor of all of the items of business put forward for consideration at the AGM, including the approval for the Share Reorganization. The shareholders also approved the fixing of the number of directors of the Corporation at three (3) and elected three (3) individuals as directors of the Corporation to hold office until the next annual meeting of shareholders. Also at the AGM, the shareholders approved the retention of KPMG LLP as auditors of the Corporation and re-approved the existing stock option plan. Further, the shareholders gave approval for the Board to perform a consolidation of the issued and outstanding common shares of the Corporation on a basis of up to ten pre-consolidated shares for one post-consolidation share as well as approval for the Board to change the name of the Corporation. Although approval for a potential share consolidation and name change was achieved, such measures would only become effective at a future date if the Board considers it to be in the best interests of the Corporation to implement such a consolidation and/or corporate name change.

On December 8, 2015, the Corporation announced the proposal to shareholders of a special return of capital distribution by which the Corporation intended to achieve a distribution of CAD \$0.40 per common share of the Corporation based on the combination of cash and common shares of Amerisur held by the Corporation, such proposal to be brought before the shareholders of the Corporation for approval at the AGM.

On June 29, 2015, the Corporation reached an agreement with Amerisur to sell all of the issued and outstanding shares of its wholly owned subsidiary Petrodorado SA resulting in the divestiture of the Corporation's 30% beneficial ownership in the CPO-5 Block and 49.5% beneficial ownership in the Tacacho Block. Consideration received by the Corporation through this agreement included \$6 million to be paid in cash or common shares of Amerisur, approximately \$1.92 million in cash for the existing term deposit held by the ANH for commitments existing on the CPO-5 Block, approximately \$0.44 million in cash for the existing term deposit held by the ANH for commitments existing on the Tacacho Block, and a 2.5% gross overriding royalty that will be calculated on Amerisur's percentage of oil production resulting from the CPO-5 and Tacacho Blocks after all applicable government royalties. In connection with the sale of these assets, Mr. Brian Smith resigned as an executive officer of the Corporation effective July 31, 2015.

On May 21, 2015, an Engineering, Procurement and Construction Agency Contract ("**EPC Contract**") was finalized between the Corporation and the CPO-5 Block operating partner. Under the terms of this EPC Contract, the operating partner appointed the Corporation as technical advisor to drill, test, complete and conduct field operations of the Loto-2 well project on the CPO-5 Block.

On February 6, 2015, Mr. Gregg Vernon resigned as Interim President and CEO as well as a Director of the Corporation. On this same date, Mr. Chris Reid was appointed as Interim President and CEO and Mr. Peter Yates was appointed as a Director of the Corporation.

On November 27, 2014, the Corporation received final approval from the TSX Venture Exchange and filled Articles of Amendment to perform a consolidation of the issued and outstanding common shares of the Corporation (the "**Consolidation**") on a basis of ten pre-Consolidation common shares for one post-Consolidation common share. The completed Consolidation follows ratification and approval for the Board of Directors to perform such a Consolidation on a basis of up to twenty pre-Consolidation common shares for one post-Consolidation common share as given by the shareholders at the annual general and special meeting of shareholders held on July 25, 2014. Effective at the opening of trading on December 1, 2014, Petrodorado's shares commenced trading on the TSX Venture Exchange on a consolidated basis. As a result, all share and per share amounts including those related to stock options have been restated for all periods to reflect this ten for one Consolidation.

On September 2, 2014, 18,465,000 stock options of the Corporation (“**Options**”) held by various officers, directors and employees of the Corporation were voluntarily surrendered by the holders of such Options. The surrender of the Options was completed for nil consideration. The cancelled options had a weighted average exercise price of \$0.33, being significantly in excess of the recent trading price of the Corporation's common shares. Management and the directors of the Corporation were in agreement that the surrendered options were providing limited motivational benefit for those that held them. The option cancellations were entirely voluntary and no agreements or commitments were made to holders with respect to the receipt of new options.

On July 10, 2014, the Corporation announced that the workover program on the discovery well Loto-1X (non-operated, 30% WI) was aimed at gathering technical information from the Mirador formation, including flow test rates for the previously untested sand of the top interval of the Mirador formation (“**Top Mirador**”). Following partial hydraulic isolation of the oil-bearing Mirador formation, the testing program results confirmed mobile 17° API oil in the Lower and Middle Mirador sand as well as a lighter 22° API mobile oil in the Top Mirador sand.

The Loto-1X Top Mirador sand produced 22° API oil over a four day test period, including an average pump-restricted rate of 453 bopd over the last 42 hours of the test with declining water cut that did not stabilize, dropping to 50%. A continual increase in oil flow rate was measured during the testing period, highlighting the potential for a 20% to 30% increase in oil flow rates (versus the measured 453 bopd rate) from the Top Mirador sand using a larger pump. Production data from the Lower and Middle Mirador sand suggests poor zone isolation, which could be leading to water, instead of oil, flowing through the annulus. Operations for the Loto-1X well have been suspended with no further testing or evaluation activities currently planned. As previously mentioned, the Corporation divested its participating interest in the CPO-5 Block where the Loto-1X is located well during the 2015 calendar year.

On May 27, 2014, the Corporation reached terms of settlement on the arbitration action with its joint venture (“**JV**”) partner, under which both parties withdrew their claims against each other. Moreover, both parties agreed that Petrodorado will not collect for the JV partner's agreed upon 30% working interest in the costs related to the Verdial-2X well that equated to \$1.8 million, which have been previously included in exploration and evaluation assets. The Corporation also agreed to pay \$300,000 towards technical work being performed by the JV partner, which reflects the only additional cost to the Corporation pursuant to the settlement. Going forward, the JV partner were to pay their working interest percentage of all future expenditures. Further, both parties were to use reasonable efforts to seek additional farm-out opportunities on the Talora Block, with Petrodorado to receive first rights on any bonus / past cost payments. Subsequent to year end, the Corporation divested its participation interest in the Talora Block to a third party private buyer, as previously mentioned.

On April 25, 2014, the Corporation announced that it had received a letter from the ANH stating that all of the Corporation's existing Evaluation Program commitments in the Talora Block had been fulfilled as outlined in the ANH Exploration and Evaluation contract for the block.

On February 3, 2014, the Corporation announced that an amending agreement had been executed with Solimar Energy Ltd. that reduced the Farm-in commitment to \$1.8 million with a proportional reduction in the earned Working Interest from 15% to 13.5 % on the heavy oil opportunity in the San Joaquin Basin of California, and that confirms that Petrodorado will not participate in a second farm-in phase to earn additional rights or working interest on the exploration property.

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.

Strategy

Petrodorado’s strategic priorities are to:

- identify and carry out strategic transactions in the best interest of the shareholders of the public Corporation;
- focus on controlling debt and managing capital expenditures effectively;
- control costs through efficient management of operations;
- 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 interests either in the form of participation interests or royalty interests in five oil and gas blocks in Colombia and one block in the San Joaquin basin in California. 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 ANH heavy oil bid round.

As previously mentioned, on June 29, 2015, the Company announced the signing of a definitive agreement with Amerisur that resulted in the divestiture of its participating interest in the CPO-5 and Tacacho Blocks. As part of this agreement, the Company has retained a 2.5% GORR on Amerisur's percentage of oil production resulting from the CPO-5 Block after all applicable government royalties, and a further 2.5% GORR on Amerisur's percentage of oil production resulting from the CPO-5 Block after all applicable government royalties received in exchange for certain seismic costs incurred by the Company on the CPO-5 Block. Moreover, Amerisur's participation in the CPO-5 Block also includes the assumption of the rights and responsibilities as technical advisor and the undertaking of those work programs planned under the mandate of the Engineering, Procurement and Construction Agency Contract that was previously finalized between Petrodorado and the CPO-5 operating partner on May 21, 2015.

Tacacho Block

In January 2010, Petrodorado acquired a 49.5% working interest in the Tacacho Block within the Putumayo area of Colombia. 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 existing exploration program includes the acquisition, processing and interpretation of 512 km of 2D seismic data as originally agreed to with the operating partner. Due to security concerns in the region, the commencement of the seismic acquisition continues to be delayed until such time that the exploration area is declared secure.

As previously mentioned, on June 29, 2015, the Company announced the signing of a definitive agreement with Amerisur that resulted in the divestiture of its participating interest in the CPO-5 and Tacacho Blocks. As part of this agreement, the Company has retained a 2.5% GORR on Amerisur's percentage of oil production resulting from the Tacacho Block after all applicable government royalties.

Talora Block

Petrodorado held 70% interest in the Talora Block, located in the Upper Magdalena basin of Colombia. The Talora Block consists of 58,905 acres (net 41,234 acres) and is located 64 km to the southwest of the city of Bogota.

The exploration endeavors within the Talora Block included the acquisition of 122 km of 2D seismic data during Q1 2010, the drilling of the Verdál-1 exploration well in Q3 2010, the drilling of the Dorados-1X exploration well in Q3 2012, and the drilling of the Verdál-2X exploration well in Q4 2013. From

these exploration activities, the Company encountered gas shows within the Tetuan formation during the drilling of the Verdalen-1 well which during testing yielded a peak rate of 770 thousand standard cubic feet per day (mscf/d) of gas with indications of associated condensate from further compositional analysis.

As previously mentioned, on February 9, 2016, the Company announced the signing of a definitive agreement with the Purchaser that resulted in the divestiture of its participating interest in the Talora Block. Under the terms of the agreement, the Company retains a Back In After Payout Option (“BIAPO”) of 2% on the first well drilled and a Right of First Refusal (“ROFR”) of 2% on any subsequent wells drilled in the Talora Block. Furthermore, the Company’s existing term deposit plus accrued interest of \$310,208 that is in place for the Talora Block will also be released back to the Company upon the establishment of a comparable term deposit by the Purchaser.

La Maye Block

Petrodorado had an undivided 20% beneficial working interest in an exploration and production contract for 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).

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 2014, the operating partner of the block informed the ANH that the Noelia-1 well did not encounter commercial quantities of hydrocarbons and that no further testing would be performed going forward. In September 2014, the La Maye JV partners received approval from the ANH to move forward with a seismic program, which was approved as the new Phase II ANH commitment in place of the original commitment to drill a second exploration well.

As previously mentioned, on February 25, 2016, the Company announced the successful divestiture of its 20% participating interest in the La Maye Block in Colombia (the “La Maye Interest”) to a private oil and gas company. The Company received a Gross Overriding Royalty of 1% on the La Maye Interest’s percentage of oil production resulting after applicable government royalties. This transaction also eliminated \$0.8 million in future exploration commitments of the Company.

Buganviles Block

Petrodorado has a varying working interest 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). 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 explorations activities executed by Petrodorado and the operating partner within the Buganviles Block included the drilling of the Visure-1X exploration well and the Tuqueque-1X exploration well in Q4 2010. Testing of these wells did not result significant economically-viable discoveries with both wells subsequently suspended with the intention to evaluate alternative completion techniques before further testing and/or development efforts were to be performed.

The operating partner applied to Ecopetrol for a two year extension of the contract when the existing exploration license expired on June 30, 2012. As of April 27, 2016, an official response from Ecopetrol regarding the requested license extension has yet to be received. The Company recognized impairments as of December 31, 2012, in relation to exploration and evaluation costs incurred within this exploration area. Petrodorado is currently working with the operating partner towards the relinquishment of this exploration block contract back to Ecopetrol with the objective to eliminate obligations related to this exploration block, namely existing reclamation obligations.

Moriche Block

Petrodorado formerly maintained an undivided 49.5% working interest in the Mauritia Este Prospect in the Moriche Block. As previously mentioned, on November 20, 2015, the operating partner and the purchaser successfully executed a definitive agreement wherein all of the previously existing conditions of the conditional sale agreement were satisfied and ownership of the Moriche Block was transferred to the purchaser. The remaining balance owed to the Company of \$474,316 on this disposal is still outstanding.

United States

California Block

On May 9, 2013, the Company entered into an agreement with a new JV partner regarding a heavy oil opportunity (gross: 1,720 acres) in the San Joaquin basin of California for a non-operated working interest of 15%. On February 3, 2014, an amending agreement was executed that reduced the farm-in commitment and the earned working interest from 15% to 13.5%. This amending agreement also confirmed that Petrodorado would not participate in the second farm-in phase outlined in the original agreement. Petrodorado fulfilled all remaining commitments in the days subsequent to the amendment.

Exploration efforts carried out as part of the initial farm-in commitment resulted in the drilling of the K 2-33 and K 8-33 exploration wells in Q3 2013. Testing results included production rates ranging from 2 to 10 bopd of mainly oil, a range of production rates consistent with previous wells in the region.

In December 2014, the operating partner entity announced the resignation of all of its directors. In January 2015, it was announced by the operating partner entity that it was ceasing all operations as it was unable to appoint additional directors and, furthermore, that the holder of the secured debentures issued by the operating entity had effectively taken control of all company assets. The Company continues to monitor the operating partner's situation and, as circumstances become more certain regarding the future of the block, the Company will evaluate all options available.

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, 2015, 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 years 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 years ended December 31, 2014 and 2015, Petrodorado had no revenue from its properties given it conditionally sold its working interest in the Moriche Block in Q1 2013, which was finalized in Q4 2015.

Competition

There is strong competition relating to all aspects of the oil and natural gas industry. The Corporation, through its royalty interest in the properties in which it formally had a working interest, will indirectly 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 27, 2016:

Name and Municipality of Residence	Office⁽⁴⁾	Principal Occupation	Director Since⁽⁵⁾ and Shares currently held, directly or indirectly
Chris Reid Calgary, Alberta Canada	President, Chief Executive Officer	Mr. Reid was Interim Chief Executive Officer since February 6, 2015, and was appointed formally to such position on January 28, 2016. Previously, Mr. Reid was Chief Financial Officer of the Corporation from January 2012 to January 2016 and, prior thereto, 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 896,600
Lynn Chapman Calgary, Alberta Canada	Vice President of Finance, Chief Financial Officer	Mr. Chapman was appointed Chief Financial Officer of the Corporation on January 28, 2016. Prior thereto, Mr. Chapman was the controller of the Corporation from January 2012 to January 2016, and manager of financial reporting from September 2011 to January 2012. Prior thereto, Mr. Chapman worked for KPMG LLP Calgary from January 2008 to September 2011. Mr. Chapman has a Bachelor of Business Administration from Mount Royal College (now Mount Royal University) and is a member of the Canadian Institute of Chartered Accountants.	N/A 100,000
Robert Cross ⁽¹⁾⁽²⁾⁽³⁾ Vancouver, British Columbia Canada	Chairman of the Board of Directors	Mr. Cross has more than 25 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 nil
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 403,000
Peter Yates ⁽¹⁾ Calgary, Alberta Canada	Director, Corporate Secretary	Associate at Field LLP in the corporate/securities department since November, 2015. Prior thereto, Partner in the securities/corporate finance group at Dentons Canada LLP (formerly Fraser Milner Casgrain LLP) from May 2012 to October 2015. Formerly an Associate in the securities, corporate finance and mergers and acquisitions group with Heenan Blaikie LLP from 2004 to 2012.	February 6, 2015 100,000

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 3,771,786 of the Corporation's common shares, constituting approximately 7.6% 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

Except as otherwise disclosed herein, to the knowledge of management of the Corporation, other than as disclosed herein, no director or executive officer as at the date hereof or within 10 years before the date hereof, was 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.

Douglas Urch was a director of Underground Corporation ("**Underground Canada**"). On July 4, 2013, the British Columbia Securities Commission issued a cease trade order on all of the securities of Underground Canada. As a result of the cease trade order, the TSXV suspended trading of Underground Canada's shares effective as of the same date. The cease trade order and suspension in share trading are the result of Underground Canada's failure to file financial statements and management's discussion and analysis for both the year ended December 31, 2012, and the three months ended March 31, 2013, prior to the required deadlines.

Bankruptcies

Except as otherwise disclosed herein, to the knowledge of management of the Corporation, 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 was a director of Underground Energy, Inc. ("**Underground USA**"). Underground USA is a wholly-owned US subsidiary of 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. On January 5, 2015, Underground USA emerged from the protection of Chapter 11 of the U.S. Bankruptcy Code, coincident with the resignation of all directors.

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 December 22, 2015, 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, Robert Cross, and Peter Yates. 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**"), except for Mr. Yates, who is legal counsel to the Corporation. Each of the members is financially literate within the meaning of section 1.6 of NI 52-110, except for Mr. Yates.

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, 2015	KPMG	\$176,000	NIL	\$79,910	NIL
December 31, 2014	KPMG	\$154,000	NIL	\$33,900	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 class A common shares, an unlimited number of Class B Shares and an unlimited number of Preferred Shares, of which 49,704,702 Class B Shares were issued and outstanding as at April 27, 2016. The Corporation’s articles of incorporation have been filed on SEDAR at www.sedar.com.

Class A Shares

Holders of Class A Shares are entitled to (a) one vote per Class A Share at all meetings of shareholders of the Corporation; (b) receive dividends if, as and when declared by the Board, as a class equally although either class of common shares of the Corporation may be issued a dividend to the exclusion of the other class of common shares; 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.

Class B Shares

Holders of Class B Shares are entitled to (a) two votes per Class B Share at all meetings of shareholders of the Corporation; (b) receive dividends if, as and when declared by the Board, as a class equally although either class of common shares of the Corporation may be issued a dividend to the exclusion of the other class of common shares; 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.

Preferred Shares

The Preferred Shares are non-voting, entitled to priority on the distribution of assets in the event of a dissolution of the Corporation up to the amount of the redemption price for such shares as well as any accumulated dividends to that point in time and are redeemable by the Corporation at any time and with notice to the holder thereof by way of press release and at a redemption price payable in cash.

DIVIDENDS

Other than pursuant to the Return of Capital, the Corporation has not declared or paid any dividends on any class of securities of the Corporation. 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. There are no restrictions in the Corporation's constating documents that restrict the payment of dividends to any class of securities of the Corporation.

MARKET FOR SECURITIES

Trading Price and Volume

Common Shares

The Class B Shares have been listed and posted for trading on the TSXV under the trading symbol "PDQ" since April 5, 2016. Prior to that date, the Common Shares were listed and posted for trading on the TSXV under the same trading symbol. 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
2015			
January	0.14	0.11	579,741
February	0.16	0.11	844,427
March	0.15	0.09	1,003,358
April	0.12	0.09	1,026,281
May	0.13	0.09	1,751,750
June	0.11	0.07	6,648,890
July	0.28	.10	14,724,287
August	0.22	0.17	1,596,470
September	0.22	0.17	1,289,986
October	0.28	0.18	1,645,288
November	0.25	0.21	1,047,678
December	0.36	0.23	4,525,224

STOCK OPTION GRANTS

In the twelve month period ended December 31, 2015, the Corporation granted, under the Corporation's stock option plan (the "**Option Plan**"), options ("**Options**") to acquire an aggregate of 1,450,000 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>
July 23, 2015	1,450,000 ⁽²⁾	\$0.18	July 23, 2020

Note:

- (1) Each Option entitled the holder thereof to acquire one Common Share on the terms and conditions set forth in the Option Plan.
- (2) Of these Options granted, 1,350,000 and 100,000 were exercised to acquire Common Shares of the Corporation in December 2015 and March 2016, respectively. There are currently 1,339,500 Options outstanding at a weighted average exercise price of \$0.80.

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 current 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 interest in 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 current 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.

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 its interest in 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.

Addition of Reserves and Resources

The Corporation currently does not have reserves in any of its blocks as of December 31, 2015. 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 or otherwise acquiring an interest therein. 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 or in which it has an interest 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 properties in which the Corporation has an interest 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 properties in which it has interest 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 the properties in which it has an interest. The inability of the Corporation to estimate these costs could affect the commerciality of the resources and reserves discovered on these properties or any other properties the Corporation may have an interest in from time to time, the economic viability of the products and the ability to transport these 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 these properties or any other properties the Corporation may have an interest in from time to time.

Limited Operating and Earnings History

The Corporation commenced operations relatively recently 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 may require significant expenditure, particularly capital expenditure. 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 any 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 Class B Shares.

Any future profitability from the Corporation's business will depend upon the successful development of the properties in which it has an interest or any other properties the Corporation may have an interest in 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 Class B 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 commenced operations relatively recently in the United States and Colombia, has no current production and has only a short history of earnings or 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 in which it has or may have an interest from time to time and generates sufficient revenues to fund continuing operations. The development of any properties the Corporation may have an interest in from time to time will require the commitment of substantial resources to conduct the 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 an interest in 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 Class B Shares.

Going Concern

The Corporation has included a "going concern" qualification in the notes to the Corporation's audited condensed consolidated financial statements for the year ended December 31, 2015 (see "Going Concern" under note 2). Current cash resources of the Corporation may not be sufficient to continue its business activities. In the event that the Corporation is unable to raise additional capital and/or attain sufficient revenues from its operations, as to which in each case there can be no assurance, the Corporation may not be able to continue its operations.

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, changes in legislation and even government holidays could substantially impede the timing of receiving essential permits and delay or stall 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, 2015, 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 an interest in 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 the 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 the plan. Additionally, the Corporation's current exploration and development plan could change depending on the results of the 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 an interest in 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 the 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 Class B 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 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 the 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 also 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 Class B 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. To the extent necessary, 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 Class B 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 Class B 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 Class B 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 interest 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 operations at properties in which the Corporation has an interest may 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.

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 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). 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 Class B 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. 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, if necessary, 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 properties in which the Corporation has an interest 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 properties in which the Corporation has an interest are conducted, as well as risks of loss due to civil strife, corruption, acts of war, guerrilla activities and insurrections. The properties in which the Corporation has an interest 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 operations in the countries where the properties in which the Corporation has an interest are located, 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 activities in the countries in which it has an interest in properties 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 Class B Shares.

The Corporation's business, financial condition, results of operations, and the value of the Class B 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. 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 Class B Shares. In addition, the production and exploration rights for the properties in which the Corporation has an interest 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 an interest in 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 ability to market oil, natural gas and NGLs, and therefore receive payment for its production, depends on the ability to transport oil, natural gas and NGLs to market. If there is an inability to transport 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 Class B 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 Class B 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 Class B Shares. The countries in which the Corporation operates have limited refinery and pipeline capacity. Refinery capacity may be insufficient to accommodate the 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 Class B 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 Class B 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 an interest in 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 Class B 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 the properties in which the Corporation may have an interest 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 Class B 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 may 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 Class B 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 Class B 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 with the exception of one exploration area in the United States. 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 Class B 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 dollar's 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 is 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 Class B 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 Class B 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

Other than pursuant to the Return of Capital, 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 Class B 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 Class B Shares are entitled to an equal share in any dividends declared and paid, subject to the right of the Preferred Shares to receive dividends in preference to the common shares in the capital of the Corporation.

Failure to Maintain Listing of the Class B Shares

The Class B 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 Class B Shares ceasing to be listed for trading on the TSXV, which would have a material adverse effect on the value of the Class B Shares. There can be no assurance that the Class B 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 Class B Shares may be adversely affected.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

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.

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. Share Purchase Agreement dated June 26, 2015 between Amerisur Resources PLC and Petrodorado (Petrodorado SA, CPO-5 Block, Tacacho Block);
2. Farm-Out Agreement dated May 1, 2013 between Solimar Energy Ltd and Petrodorado (Kreyenhagen Heavy Oil Lease);
3. Farm-Out Agreement dated August 17, 2011 between Sintana Energy Inc. and Petrodorado (Talora Block);
4. Purchase Agreement dated November 29, 2010 between PetroThahab Energy Inc. and Petrodorado (Talora Block);
5. Share Purchase Agreement dated October 27, 2010 between West Canyon Inc. and Petrodorado (PetroSouth Energy Corp. acquisition);
6. Farm out Agreement dated September 21, 2010 between Loon Energy and Petrodorado (Buganviles Block);
7. Farm-Out Agreement dated June 14, 2010 between ONGC and Petrodorado (CPO-5 Block);
8. Participation Agreement dated January 11, 2010 between PRE and Petrodorado (Moriche Block); and
9. Farm-Out Agreement dated January 11, 2010 between PRE and Petrodorado (Tacacho Block).

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, are contained in the Corporation's most recent information circular dated December 22, 2015 and available on SEDAR. Additional financial information is also provided in the Corporation's consolidated financial statements and MD&A for the year ended December 31, 2015.

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.

SCHEDULE “B” COMPENSATION OF EXECUTIVE OFFICERS

The Corporation has a compensation committee (the “**Compensation Committee**”) comprised of Robert Cross and Douglas Urch. The Compensation Committee utilizes several different resources identified by management and approved by the Compensation Committee in reviewing elements of executive compensation and making compensation decisions. However, the Compensation Committee’s results are ultimately an exercise of business judgment and discretion rather than purely formulaic performance measures. The design of each compensation element and 2015 pay decisions are described further in the sections that follow.

The objectives of the Corporation’s compensation program are as follows: (i) to attract and retain the best talent available in the energy sector to the Corporation; (ii) to align the short-term and long-term behaviour of senior management with the interests of Shareholders; and (iii) to motivate senior management by rewarding both individual and corporate performance. The Corporation’s compensation program is designed to reward the chief executive officer, chief financial officer and other senior employees of the Corporation.

In this AIF, Named Executive Officer (“**NEO**”) means each Chief Executive Officer, each Chief Financial Officer and each of the three most highly compensated executive officers, other than each Chief Executive Officer and Chief Financial Officer, or each individual who would be a NEO but for the fact that the individual was neither an executive officer of the company, nor acting in a similar capacity at the end of the most recently completed fiscal year and whose total salary and bonus exceeds \$150,000. For the financial year ended December 31, 2015, the Named Executive Officers were Chris Reid, Interim President and Chief Executive Officer and Chief Financial Officer of the Corporation, Gregg Vernon, the former Interim President and Chief Executive Officer of the Corporation, Brian Smith, Vice President of Operations, Arturo Lara, Chief Geoscientist, and Jorge Garcia, General Manager.

The Compensation Committee’s primary focus in 2015 was to set levels of compensation for the Named Executive Officers and other members of management (collectively, the “**Management**”) that properly recognized and rewarded the role of Management in the operations of the Corporation, while providing a base package of incentives to future performance. In doing so, the Compensation Committee employed three forms of compensation: base salary, cash bonus and the grant of Options. The relative role of each in the 2015 compensation of the Management is described below.

Base salary provides an immediate cash incentive for the Corporation’s executive officers. Effective January 1, 2015, the Corporation established base annual salaries of \$270,000 for the former Interim President and Chief Executive Officer, \$165,000 for the Chief Financial Officer, US\$240,000 for the former Vice-President of Operations, \$180,000 for the former Chief Geoscientist, and \$200,000 for the General Manager. Later in the 2015 year, the Corporation established a base annual salary of \$165,000 for the newly appointed Interim President and Chief Executive Officer to take effect immediately. The base salaries were recommended by the Compensation Committee after an internal analysis of the Corporation’s industry peers and were intended to represent the mean salary amount paid by such peers. The Compensation Committee will review the base salaries of Management at least annually. In recommending an adjustment in the base salaries to the Board, the Compensation Committee considered an internal analysis of the base salaries paid by industry peers with similar production or cash flow profiles and the scope and complexity of the duties of the Named Executive Officers in light of the Corporation’s activities during 2015.

Bonuses are intended to reward performance by the Corporation’s executive officers in the achievement of the Corporation’s strategic goals and objectives. The Corporation did pay bonuses in the amount of

\$100,000 to the Interim President and Chief Executive Officer of the Corporation during the 2015 year. Bonuses are typically recommended by the Compensation Committee based on its assessment of the contributions of Management in the expansion of the Corporation since December 2009 when the Corporation began significant operations in South America. The Compensation Committee also typically considers performance parameters established by the Corporation which include traditional industry measures.

Grants of Options under the Plan are intended to provide the Corporation's executive officers with a long term incentive to increase shareholder value. In 2015, the Corporation granted a total of 1,450,000 Options to the Management and members of the Board of Directors. These grants were recommended by the Compensation Committee based on its assessment of the appropriate base level of Option holdings by the Management after considering the Corporation's development to date and the current capital base of the Corporation.

In determining the 2015 compensation of the Management, the Compensation Committee followed a relatively simple process, primarily involving discussion among Compensation Committee members and the executive officers of the Corporation as to appropriate compensation, as well as internal surveys of the compensation paid by the Corporation's peers and data within the Mercer Total Compensation Survey for the Energy Sector. The Compensation Committee did not engage any outside consultants to assist in setting the 2015 compensation, nor did it develop and adopt a formal and specific group of the Corporation's peers against which it could establish performance benchmarks.

The compensation paid to the Named Executive Officers during the Corporation's three most recently completed financial years is as set out below:

Name and principal position	Year	Salary (\$)	Share-based awards (\$)	Option-based awards ⁽⁶⁾ (\$)	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation ⁽⁷⁾ (\$)	Total compensation (\$)
					Annual incentive plans	Long-term incentive plans			
Chris Reid ⁽¹⁾ Interim Chief Executive Officer and Chief Financial Officer	2015	165,000	Nil	69,042	Nil	Nil	Nil	497,294	731,336
	2014	165,000	Nil	107,129	Nil	Nil	Nil	8,949	281,078
	2013	165,000	Nil	Nil	Nil	Nil	Nil	8,748	173,748
Gregg Vernon ⁽²⁾ Former Interim Chief Executive Officer	2015	25,315	Nil	Nil	Nil	Nil	Nil	97,942	123,257
	2014	272,523	Nil	151,766	Nil	Nil	Nil	Nil	424,289
	2013	Nil	Nil	Nil	Nil	Nil	Nil	88,952	88,952
Brian Smith ⁽³⁾ VP of Operations	2015	148,185	Nil	Nil	Nil	Nil	Nil	68,864	217,048
	2014	264,959	Nil	35,710	Nil	Nil	Nil	Nil	300,669
	2013	78,139	Nil	126,400	Nil	Nil	Nil	51,830	256,368
Arturo Lara ⁽⁴⁾ Chief Geoscientist	2015	180,000	Nil	Nil	Nil	Nil	Nil	225,959	405,959
	2014	180,000	Nil	53,564	Nil	Nil	Nil	39,744	273,308
	2013	180,000	Nil	Nil	Nil	Nil	Nil	37,064	217,064
Jorge Garcia ⁽⁵⁾ General Manager	2015	200,000	Nil	Nil	Nil	Nil	Nil	Nil	200,000
	2014	200,000	Nil	71,419	Nil	Nil	Nil	Nil	271,419
	2013	200,000	Nil	Nil	Nil	Nil	Nil	Nil	200,000

Notes:

- (1) *Mr. Reid commenced employment with the Corporation on July 18, 2011 as the Controller of the Corporation. He was subsequently appointed to the position of Vice President, Finance and Chief Financial Officer on February 1, 2012, and Interim President and Chief Executive Officer on February 6, 2015.*
- (2) *Mr. Vernon commenced employment with the Corporation on October 22, 2013, as the Interim President and CEO of the Corporation. He resigned as both Interim President and CEO and as a director on February 6, 2015. Salary and severance amounts for Mr. Vernon are based partially in Canadian dollars and partially in Colombian pesos. Salary and severance amounts based in Colombian pesos have been converted to Canadian dollars for purposes of this AIF at an average foreign exchange rate multiplier of 0.0005 (2014 - 0.0006).*
- (3) *Mr. Smith commenced employment with the Corporation on September 9, 2013, as the Vice President of Operations of the Corporation. He resigned from the Corporation on July 31, 2015. Compensation amounts for Mr. Smith are based in US dollars and have been converted to Canadian dollars for purposes of this AIF at an average foreign exchange rate multiplier of 1.2349 (2014 - 1.1040, 2013 - 1.0455) for salary amounts and 1.3079 (2014 - 1.1600, 2013 - 1.0366) for all other compensation amounts.*
- (4) *Mr. Lara commenced employment with the Corporation on December 22, 2009, as Chief Geoscientist of the Bogota office of the Corporation. He resigned from the Corporation on December 29, 2015. While salary and severance amounts for Mr. Lara are based in Canadian dollars, certain other compensation amounts are based in US dollars and have been converted to Canadian dollars for purposes of this AIF at an average foreign exchange rate multiplier of 1.2767 (2014 - 1.1040, 2013 - 1.0295).*
- (5) *Mr. Garcia commenced employment with the Corporation on May 1, 2010, as General Manager of the Bogota office of the Corporation. He resigned from the Corporation on February 29, 2016. Salary amounts are based in Canadian dollars.*
- (6) *Option based awards amounts do not represent cash received. They represent the theoretical value ascribed to options granted to the NEO during the period, which is determined using the Black-Scholes model with various assumptions made at the time of grant relating to share volatility and discount interest rates.*
- (7) *All other compensation includes:*
 - (a) *ongoing rental payments for select NEOs in Colombia;*
 - (b) *certain employment benefits provided by the Corporation.*
 - (c) *severance amounts paid to Messrs. Vernon, Smith, and Lara upon resignation in 2015; and*
 - (d) *performance bonus and one-time Change of Control amount paid to Mr. Reid.*

Long-Term Incentive Plan Awards

Long term incentive plan awards (“LTIP”) means “a plan providing compensation intended to motivate performance over a period greater than one financial year”. LTIPs do not include option or stock appreciation rights plans or plans for compensation through shares or units that are subject to restrictions on resale. The Corporation did not award any LTIPs to any NEO during the most recently completed financial year.

Stock Appreciation Rights

Stock appreciation rights (“SARs”) means a right, granted by the Corporation or any of its subsidiaries as compensation for services rendered or in connection with office or employment, to receive a payment of cash or an issue or transfer of common shares based wholly or in part on changes in the trading price of the Corporation's Shares. No SARs were granted to, or exercised by, any NEO or any directors during the most recently completed financial year.

Compensation Governance

The Corporation has a Compensation Committee that determines the compensation of the directors and executive officers of the Corporation. For details concerning the composition of the Compensation Committee and the responsibilities, powers and operation of the Compensation Committee, see above under the heading “Corporate Governance - Compensation”. The Compensation Committee is chaired by Douglas Urch with Robert Cross as the other member of the Committee. Both members of the Compensation Committee are independent within the meaning of NI 52-110. Please refer to the individual biographies for the members of the Compensation Committee above under the heading “Directors and Officers of the Corporation” for a description of the skills and experience of each member of the Compensation Committee as it relates to their ability to make decisions as to the suitability of the

Corporation's compensation policies and practices. In addition, both the members of the Compensation Committee have been or are currently directors of other reporting issuers and have served or currently serve as members of the Compensation Committee for certain of such issuers.

Option Grants During the Most Recently Completed Financial Year

Outstanding Option-Based Awards and Share-Based Awards

The following table (presented in accordance with Form 51-102F6) sets forth for each NEO all awards outstanding at the end of the most recently completed financial year, including awards granted before the most recently completed financial year.

Name	Number of securities underlying unexercised options (#)	Option-based Awards			Share-based Awards	
		Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ⁽¹⁾ (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
Chris Reid Interim Chief Executive Officer & Chief Financial Officer	30,000 300,000	1.70 0.70	October 17, 2017 February 3, 2019	Nil Nil	Nil	Nil
Arturo Lara Former Chief Geoscientist	150,000	0.70	February 3, 2019 ⁽²⁾	Nil	Nil	Nil
Jorge Garcia General Manager	60,000 200,000	1.70 0.70	October 17, 2017 ⁽²⁾ February 3, 2019 ⁽²⁾	Nil	Nil	Nil

Notes:

- (1) Based on the closing price of the shares at December 31, 2015 which was \$0.335 per share.
- (2) Pursuant to the terms of their option agreements, options held by Mr. Lara and by Mr. Garcia expired on January 28, 2016 and March 30, 2016, respectively. Options granted to Messrs. Smith and Vernon expired prior to the end of the financial year.

Aggregate Option Exercises during the Most Recently Completed Financial Year and Financial Year-End Option Values

Incentive Plan Awards – Value Vested or Earned During the Year

The following table (presented in accordance with Form 51-102F6) sets forth details of the value vested or earned during the most recently completed financial year for each incentive plan award.

Name	Option-based awards - Value vested during the year ⁽¹⁾ (\$)	Share-based awards - Value vested during the year (\$)	Non-equity incentive plan compensation - Value earned during the year (\$)
Chris Reid Interim Chief Executive Officer & Chief Financial Officer	15,000	Nil	Nil
Gregg Vernon Former Interim Chief Executive Officer	Nil	Nil	Nil

Name	Option-based awards - Value vested during the year ⁽¹⁾ (\$)	Share-based awards - Value vested during the year (\$)	Non-equity incentive plan compensation - Value earned during the year (\$)
Brian Smith VP of Operations	Nil	Nil	Nil
Arturo Lara Chief Geoscientist	Nil	Nil	Nil
Jorge Garcia General Manager	Nil	Nil	Nil

Notes:

(1) Represents the difference between the market price of the share and the exercise price on the date of vesting.

Director Compensation

The following table (presented in accordance with Form 51-102F6) sets out all amounts of compensation provided to the directors for the Corporation's most recently completed financial year:

Name	Fees Earned (\$)	Share-Based Awards (\$)	Option-Based Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Pension Value (\$)	All Other Compensation (\$)	Total (\$)
Douglas Urch	18,000	Nil	34,521	Nil	Nil	Nil	52,521
Robert Cross	18,000	Nil	69,042	Nil	Nil	Nil	87,042
Peter Yates	16,200	Nil	13,808	Nil	Nil	Nil	30,008

Outstanding Share-Based Awards and Option-Based Awards

The following table (presented in accordance with Form 51-102F6) sets out for each director all awards outstanding at the end of the most recently completed financial year, including awards granted before the most recently completed financial year.

Name	Option-based Awards ⁽¹⁾				Share-based Awards	
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
Douglas Urch	60,000	1.70	October 17, 2017	Nil	Nil	Nil
	200,000	0.70	February 3, 2109			
Robert Cross	45,000	1.70	October 17, 2017	Nil	Nil	Nil
	450,000	0.70	February 3, 2019			

Notes:

(1) Peter Yates exercised all 100,000 of his existing options held in December 2015, thus no unexercised options existed in his name at the end of the most completed financial year.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table (presented in accordance with Form 51-102F6) sets out details of the value vested or earned by each director during the most recently completed financial year for each incentive plan award.

Name	Option-based awards - Value vested during the year ⁽¹⁾ (\$)	Share-based awards - Value vested during the year (\$)	Non-equity incentive plan compensation - Value earned during the year (\$)
Douglas Urch	7,500	Nil	Nil
Robert Cross	15,000	Nil	Nil
Peter Yates	3,000	Nil	Nil

Notes:

(1) Represents the difference between the market price of the share and the exercise price on the date of vesting.

Termination of Employment, Change in Responsibilities and Employment Contracts

Gregg Vernon entered into a standard full-time employment agreement under the jurisdiction of Colombia to act as Interim President and Chief Executive Officer of the Corporation as of February 20, 2014, with a monthly salary of \$18,500,000 Colombian pesos per month and six weeks paid vacation per year. Mr. Vernon also entered into a contractor agreement with the Corporation as of March 14, 2014, under which Mr. Vernon was paid \$12,500 per month in contractor fees. Mr. Vernon's full-time employment agreement and contract agreement terminated with the Corporation effective February 6, 2015. Chris Reid entered into a full-time executive employment agreement with the Corporation to be Vice President, Finance and Chief Financial Officer of the Corporation as of February 1, 2012, with an annual salary of \$150,000 (subsequently increased to \$165,000) and five weeks paid vacation per year. Mr. Reid assumed the responsibilities of Interim President and Chief Executive Officer of the Corporation effective February 6, 2015 under the same executive employment agreement. Brian Smith entered into a full-time executive employment agreement with the Corporation to be Vice President of Operations of the Corporation as of September 9, 2013, with an annual salary of US\$240,000 and five weeks paid vacation per year. Mr. Smith resigned from the Corporation effective July 31, 2015. Arturo Lara entered into a full-time executive employment agreement with the Corporation to be Chief Geoscientist of the Corporation as of December 22, 2009, with an annual salary of \$180,000 and five weeks paid vacation per year. Mr. Lara resigned from the Corporation effective December 29, 2015. Jorge Garcia entered into a full-time executive employment agreement with the Corporation to be General Manager of the Corporation as of May 1, 2010, with an annual salary of \$200,000 and four weeks paid vacation per year (the agreements for each of the aforementioned individuals are collectively referred to herein as the "**Executive Agreements**").

Each Executive Agreement shall continue indefinitely until terminated upon mutual written agreement of the parties or as a result of the death, disability or retirement of the executive. The Corporation may terminate any executive for just cause without payment to the executive, save and except for the pro-rata annual base salary earned for services rendered up to and including the termination date, plus any accrued vacation pay and reimbursable expenses. An executive may resign from his employment with the Corporation by providing the Corporation with ninety (90) days written notice of termination to the Corporation, in which case the Corporation shall pay the executive the pro-rata annual base salary earned for services rendered up to and including the termination date, plus any accrued vacation pay and reimbursable expenses. Termination by the Corporation for any reason other than just cause for all executives entitles the executive to (i) the pro-rata annual base salary earned, but not yet paid, up to the termination date, (ii) all accrued vacation pay and expenses incurred and owing as of the termination date, (iii) a retiring allowance equal to a cash amount equal to the executive's annual base salary payable by the Corporation as at the end of the month immediately preceding the month in which the termination of employment takes effect, together with the average annual bonus representing the lost value of all benefits enjoyed by the executive, at the time of termination of employment (the "**Annual Compensation on**

Termination”) divided by twelve (12) and multiplied by the sum of (i) either six (6) (for Mr. Reid only) or eleven (11), plus (ii) one (1) for each additional two (2) months of active service completed following the effective date of the Executive Agreement which sum shall be referred to as the “Multiplier” and shall not exceed either eighteen (18) (for Mr. Reid only) or twelve (12), and which maximum payment therefrom shall not exceed two (2) times the Annual Compensation on Termination. If an executive’s employment is terminated without just cause, the executive shall be entitled to exercise immediately upon the termination date all vested options and unvested options that would have vested had the executive remained employed with the Corporation for that number of months represented by the Multiplier after the termination date. The executive shall have either thirty (30) or ninety (90) days to exercise such options in accordance with the timeframes set out in each respective stock option agreement. If any of the remaining NEO’s were terminated without cause on December 31, 2015, the Corporation would be required to compensate such executives in the following amounts: \$247,500 for Mr. Reid and \$200,000 for the Mr. Garcia. For Mr. Reid, a different amount would be payable if the termination resulted from a “triggering event”. See the disclosure below with respect to the definition of “triggering event” and the payments that would have been required to have been made if Mr. Reid were terminated on December 31, 2015.

In the event that: (i) an executive is assigned any responsibilities or duties inconsistent with or representing a material change from his present position, duties, responsibilities and status with the Corporation as contemplated by the Executive Agreement; (ii) there is failure by the Corporation to continue to provide the executive any benefit, bonus, profit sharing, incentive, remuneration or other compensation or benefit plan in which the executive was entitled to participate in as at the date of the Employment Agreement or the taking by the Corporation of any action materially adversely affecting the executive’s participation in or materially reducing his rights or benefits under or pursuant to any such plan, (iii) the Corporation requires the executive to relocate to any city or community other than the City of Calgary, except for required travel on the Corporation’s business to an extent substantially consistent with the executive’s business obligations; or (iv) there is any material breach by the Corporation of any material provision of the Executive Agreement, then each executive has the right for a period of ninety (90) days following such event to terminate the respective Executive Agreement and to be paid the compensation detailed above as if employment had been terminated without just cause.

In the event of change in control, Mr. Garcia has the right for a period of ninety (90) days following such event to terminate his Executive Agreement and to be paid the compensation detailed above as if employment had been terminated without just cause. “Change of control” is defined as meaning: (i) the occurrence of a transaction or a series of transactions whereby any person acquires or becomes the beneficial owner of voting securities representing 35% or more of the voting securities of the Corporation; (ii) a majority of the directors of the Corporation are removed from office at any annual or special meeting of shareholders or in any other manner whatsoever; (iii) the Corporation merges or is consolidated with, completes a successful take-over of or is successfully taken over by, or concludes an arrangement for the disposition of the Corporation to or for the acquisition of any other corporation(s) or legal entity(ies) and such transaction or series of transactions results in another person acquiring or becoming the beneficial owner of such number of voting securities of the resulting Corporation(s) or legal entity(ies), so as to gain effective control of the resulting Corporation(s); or (iv) the Corporation sells all or substantially all of its assets, over the reasonable objection of the executive, to any other corporation(s) or legal entity(ies).

With respect to Mr. Reid, in the event of change of control, and if a “triggering event” subsequently occurred within one year of the change in control, Mr. Reid would have been entitled to elect to terminate his employment with the Corporation and to receive a payment from the Corporation in an amount equal to three (3) times his annual base salary. Therefore, under these stipulations, if a change of control and a triggering event had occurred on December 31, 2015, the Corporation would be required to compensate

Mr. Reid in the amount of \$495,000. With regards to the executive employment agreement of Mr. Reid, a “change in control” means a transaction or series of transactions whereby directly or indirectly (i) any person or combination of persons obtains a sufficient number of securities of the Corporation to affect materially the control of the Corporation; (ii) the Corporation shall consolidate or merge with or into, amalgamate with, or enter into a statutory arrangement with, any other person and, in connection therewith, all or part of the outstanding voting shares shall be changed in any way, reclassified or converted into, exchanged or otherwise acquired for shares or other securities of the Corporation or any other person or for cash or any other property; (iii) any other person shall consolidate or merge with or into, amalgamate with, or enter into a statutory arrangement with, the Corporation, and, in connection therewith, all or part of the outstanding voting shares shall be changed in any way, reclassified or converted into, exchanged or otherwise acquired for shares or other securities of the Corporation or any other person or for cash or any other property; (iv) the Corporation shall sell or otherwise transfer, including by way of the grant of a leasehold interest, property or assets aggregating more than 50% of the consolidated assets of the Corporation or 50% of the operating revenue of the Corporation from the last year; or (v) there occurs a change in the composition of the Board, which occurs at a single meeting of the shareholders whereby such individuals who were members of the Board immediately prior to such meeting cease to constitute a majority of the Board.

A “triggering event” is defined as: (i) a change (other than those that are clearly consistent with a promotion) in the NEO’s position or duties, responsibilities, title or office in effect immediately prior to a change in control; (ii) a reduction by the Corporation in the NEO’s annual base salary or any failure by the Corporation to increase the NEO’s annual base salary payable by the Corporation in a manner consistent with practices in effect immediately prior to a change in control or with practices implemented subsequent to a change in control with respect to the senior executives of the Corporation; (iii) any failure by the Corporation to continue in effect or materially changing the terms any benefit plans in which the NEO is participating or entitled to participate immediately prior to a change in control; (iv) a change in the municipality in which the NEO is regularly required to carry out the terms of his employment with the Corporation at the date of a change in control; (v) any failure by the Corporation to provide the NEO with the number of paid vacation days to which he was entitled immediately prior to a change in control or the Corporation failing to increase such paid vacation on a basis consistent with practices in effect immediately prior to a change in control or with practices implemented subsequent to a change in control with respect to the senior executives of the Corporation; (vi) the Corporation taking any action to deprive the NEO of or materially adverse change any material fringe benefit not hereinbefore mentioned and enjoyed by him immediately prior to a change in control; (vii) any material breach by the Corporation of any provision of the executive employment agreement; (viii) the good faith determination by the NEO that, as a result of a change in control or any action or event thereafter, the NEO’s status or responsibility in the Corporation has been diminished or the NEO is being effectively prevented from carrying out his duties and responsibilities as they existed immediately prior to a change in control; or (ix) the failure by the Corporation to obtain, in a form satisfactory to the NEO, an effective assumption of its obligations hereunder by any successor to the Corporation, including a successor to a material portion of its business. The before-mentioned payment to either respective NEO will not be realized if the triggering event follows a change in control which involves a sale of securities or assets of the Corporation with which the respective NEO is involved as a purchaser in any manner. All termination rights of either NEO are conditional upon the NEO electing to exercise such rights by notice given to the Corporation within one hundred and twenty (120) days of the triggering event. Either NEO shall be entitled to a payment by the Corporation of the amount calculated above if a triggering event does not occur but the NEO is dismissed from his employment with the Corporation without just cause within one (1) year of the change in control.

Subsequent to year end, Mr. Reid entered into a new executive employment agreement which replaced and superceded the aforementioned executive employment agreement. This new employment agreement

provides for a salary of \$175,000, such amount being capable of reduction in the event that Mr. Reid secures secondary employment with another entity, and four weeks of paid vacation. In the event of a termination without Just Cause (as such term is defined in the executive employment agreement), Mr. Reid would be entitled to a payment equal to one year's salary plus the average of all bonuses paid over the past two years. In the event of a "change of control" with a "triggering event" occurring within one year thereafter for the executive, Mr. Reid is entitled to one year's salary only without any payment in respect of past bonuses.