PETRODORADO
Excellence with Agility

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011

PETRODORADO ENERGY LTD.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (unaudited)

(Expressed in U.S. Dollars)	**March 31, 2012**	December 31, 2011
Assets		
Current Assets		
Cash and cash equivalents	**$ 8,783,708**	$ 9,207,878
Short-term investments	**30,656,164**	30,863,984
Accounts receivable	**203,811**	182,235
Prepaid expenses and deposits	**8,377**	12,837
	39,652,060	40,266,934
Non-current Assets		
Restricted cash (Note 4)	**13,648,692**	13,394,447
Exploration and evaluation assets (Note 6)	**61,082,515**	59,697,822
Property, plant and equipment (Note 7)	**4,051,090**	4,125,180
	$ 118,434,357	$ 117,484,383
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities (Note 3)	**$ 4,512,235**	$ 3,727,943
Equity tax payable (Note 8)	**775,226**	703,540
	5,287,461	4,431,483
Non-current Liabilities		
Decommissioning obligations	**620,390**	615,916
Equity tax payable (Note 8)	**1,382,432**	1,254,599
	7,290,283	6,301,998
Shareholders' Equity		
Share capital (Note 9)	**102,918,335**	102,918,335
Warrants (Note 9)	**19,412,050**	19,412,050
Contributed surplus (Note 9)	**8,203,590**	7,698,893
Deficit	**(21,874,841)**	(19,262,918)
Accumulated other comprehensive income	**2,484,940**	416,025
	111,144,074	111,182,385
	$ 118,434,357	$ 117,484,383

Commitments (Note 10)

See accompanying notes to the interim condensed consolidated financial statements.

PETRODORADO ENERGY LTD.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS (unaudited)
For the three months ended March 31

(Expressed in U.S. Dollars)		**2012**		2011
Revenue:				
Interest and other	**$**	**208,370**	$	24,204
Expenses:				
Operating expenses		**141,725**		41,905
General and administrative		**655,317**		891,051
Foreign exchange loss		**1,493,155**		1,442,367
Stock-based compensation		**403,528**		446,928
Equity tax expense		**-**		2,580,852
Depletion and depreciation		**81,297**		2,271
Finance costs		**45,271**		93,448
		2,820,293		5,498,822
Loss for the period	**$**	**(2,611,923)**	$	(5,474,618)
Other comprehensive income:				
Currency translation adjustment		**2,068,915**		2,155,640
Comprehensive loss for the period	**$**	**(543,008)**	$	(3,318,978)
Loss per share – basic and diluted (Note 9)	**$**	**(0.01)**	$	(0.01)
Weighted average number of common shares outstanding		**482,547,066**		440,847,064

See accompanying notes to the interim condensed consolidated financial statements.

PETRODORADO ENERGY LTD.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

For the three months ended March 31

(Expressed in U.S. Dollars)	**2012**	2011
Cash flows provided by (used in):		
Operating activities		
Loss	**$ (2,611,923)**	$ (5,474,618)
Adjustments for:		
Stock-based compensation	**403,528**	446,928
Unrealized foreign exchange loss	**1,491,961**	1,554,486
Depletion and depreciation	**81,297**	2,271
Finance costs	**45,271**	93,448
Equity tax expense	**-**	2,580,852
	(589,866)	(796,633)
Change in non-cash working capital (Note 12)	**(120,691)**	(565,206)
	(710,557)	(1,361,839)
Investing activities		
Acquisition of exploration and evaluation assets	**(1,283,524)**	(11,349,976)
Acquisition of property, plant and equipment	**(7,207)**	(285,990)
Short-term investments	**741,752**	(39,325,346)
Change in restricted cash	**(94,151)**	-
Change in non-cash working capital (Note 12)	**887,867**	3,199,733
	244,737	(47,761,579)
Financing activities		
Shares issued, net of costs	**-**	33,929,240
Options and warrants exercised, net of costs	**-**	4,452,493
	-	38,381,733
Cash used in operating, investing and financing activities	**(465,820)**	(10,741,685)
Effect of exchange rate on cash	**41,650**	49,016
Change in cash	**(424,170)**	(10,692,669)
Cash, beginning of period	**9,207,878**	12,061,874
Cash, end of period	**$ 8,783,708**	$ 1,369,205

Cash is defined as cash and cash equivalents.

See accompanying notes to the interim condensed consolidated financial statements.

PETRODORADO ENERGY LTD.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (unaudited)

(Expressed in U.S. Dollars)	Number of Common Shares		Share capital		Warrants		Contributed Surplus		Deficit		Accumulated Other Comprehensive Income		Total
Balance at December 31, 2010	415,589,017	$	62,975,253	$	20,813,991	$	5,178,731	$	(10,516,410)	$	3,651,767	$	82,103,332
Loss									(5,474,618)				(5,474,618)
Currency translation adjustment											2,155,640		2,155,640
Warrants excercised for cash (Note 9)	12,621,453		4,452,493										4,452,493
Transfer of warrants assigned fair value			1,355,088		(1,355,088)								-
Stock-based compensation (Note 9)							553,717						553,717
Shares issued, net of costs	53,900,000		33,929,240										33,929,240
Balance at March 31, 2011	482,110,470	$	102,712,074	$	19,458,903	$	5,732,448	$	(15,991,028)	$	5,807,407	$	117,719,804

	Number of Common Shares		Share capital		Warrants		Contributed Surplus		Deficit		Accumulated Other Comprehensive Income		Total
Balance at December 31, 2011	**482,547,066**	**$**	**102,918,335**	**$**	**19,412,050**	**$**	**7,698,893**	**$**	**(19,262,918)**	**$**	**416,025**	**$**	**111,182,385**
Loss									**(2,611,923)**				**(2,611,923)**
Currency translation adjustment											**2,068,915**		**2,068,915**
Stock-based compensation (Note 9)							**504,697**						**504,697**
Balance at March 31, 2012	**482,547,066**	**$**	**102,918,335**	**$**	**19,412,050**	**$**	**8,203,590**	**$**	**(21,874,841)**	**$**	**2,484,940**	**$**	**111,144,074**

See accompanying notes to the interim condensed consolidated financial statements.

Note 1 Corporate Information

Petrodorado Energy Ltd. ("Petrodorado" or the "Company") is a public oil and natural gas exploration company primarily engaged in exploration and development activities in Colombia, Peru and Paraguay. The Company's head office is located at Suite 1000, 205 – 5th Avenue SW, Calgary, Alberta, T2P 2V7, Canada with an additional office located in Bogota, Colombia. The Company's shares are listed and publicly traded on the TSX Venture Exchange under the trading symbol PDQ. The Company's oil and gas interests are principally in the pre-production stage and other than for one block in Colombia, the Company has not yet determined whether all of its petroleum and natural gas properties contain reserves that are economically recoverable. Accordingly, the recoverability of amounts recorded as petroleum and natural gas properties is dependent upon the existence and discovery of economically recoverable oil and gas reserves, confirmation of the Company's interests in the properties, the political stability of Colombia, Peru and Paraguay and the ability of the Company to secure adequate sources of financing to fund the development of its assets and put them into production and then achieving future profitable operations. The outcome of these matters cannot be predicted with certainty at this time.

Note 2 Basis of presentation

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, of International Financial Reporting Standards as issued by the International Accounting Standards Board.

These interim condensed consolidated financial statements follow the same accounting policies and method of computation as the Company's annual consolidated financial statements for the year ended December 31, 2011, with the exception of certain disclosures that are normally required to be included in annual consolidated financial statements which have been condensed or omitted. These interim condensed consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2011.

The interim condensed consolidated financial statements have been prepared on a historical cost basis, are presented in U.S. dollars, and were authorized for issue by the Board of Directors on May 25, 2012.

Note 3 Cash Calls

Cash calls are comprised of funds advanced to operating partners with respect to exploration and development activities in blocks in which the Company is a non-operating partner. As these funds are expended by the operating partner, recognition of these expenditures is realized as they are booked to property, plant and equipment. At March 31, 2012, net expenditures applicable to the Company as realized by the operators were in excess of all previously advanced funds resulting in a payable position for the Company. Specifically, $3,927,739 of the accounts payables balance at March 31, 2012, is associated with cash calls payable (December 31, 2011 - $3,039,872).

Note 4 Restricted Cash

On June 12, 2009, the Company entered into a joint farm-in participation agreement with an unrelated company (the La Maye Operator) to earn a 20% working interest in four wells in the La Maye Block in the country of Colombia. This agreement required Petrodorado to advance $3,500,000 into an escrow account. Petrodorado authorizes draws on this escrow account as certain development milestones are met. As at March 31, 2012, $1,699,582 (December 31, 2011 - $1,699,582) had been drawn from this account, leaving $1,800,418 (December 31, 2011 - $1,800,418) in the escrow account.

As of March 31, 2012, funds totalling $3,368,530 (December 31, 2011 - $3,182,714) are also included in restricted cash, which relate to projected exploration activities in the Talora Block in the near future. Of this balance, $3,068,530 constitutes assigned funds of the Company as the operator of the Talora block as well as cash calls paid by non-operator partners. Another $300,000 is held as a guarantee deposit on committed exploration activities in the Talora Block as required by the Agencia Nacional De Hidrocarburos ("ANH").

Additionally, term deposits totalling $8,479,744 (December 31, 2011 - $8,411,315), which were established to secure the Credit Facility and the Letters of Credit referred to in Note 5 of these statements, are also included in the restricted cash balance.

Note 5 Credit Facility

The Company has a $5 million revolving demand loan facility (the "Credit Facility") with a Canadian chartered bank (the "Lender"). The Credit Facility is available by way of account overdraft in US dollars or by letters of credit up to $4.8 million. As at March 31, 2012, no overdrafts were drawn under this Credit Facility. Any outstanding amounts will bear interest at the Lender's US base rate plus an applicable margin. The Credit Facility is secured by security agreement over cash, credit balances and deposit instruments in the amount of $5 million. On July 7, 2010, a letter of credit for $4.8 million was issued under the credit facility to guarantee the Company's drilling obligations with ONGC Videsh Ltd. on the CPO-5 Block in Colombia, that are required to be completed in 2012.

On December 21, 2010, a further $3.0 million letter of credit was issued through a Colombian bank to Agencia Nacional De Hidrocarburos ("ANH") in respect of the drilling obligations on this CPO-5 Block. This letter of credit is secured by a $3,060,329 term deposit made at the Colombian bank.

A $403,920 letter of credit was issued through a Colombian bank on December 20, 2010 to ANH to guarantee the Company's capital expenditure obligations with its partner, Pacific Rubiales, in the Tacacho Block. This letter of credit is secured by a $413,100 term deposit made at the Colombian bank.

Note 6 Exploration and Evaluation assets

As at December 31, 2010	$ 42,739,226
Additions	$ 22,158,596
Disposal	(5,200,000)
As at December 31, 2011	59,697,822
Additions	1,384,693
As at March 31, 2012	**$ 61,082,515**

For the period ended March 31, 2012, the Company capitalized $143,415 of general and administrative expenses (March 31, 2011 - $133,916) and $101,169 of stock-based compensation (March 31, 2011 - $106,789) to exploration and evaluation assets. The Company does not hold any tangible exploration assets.

The Corporation has applied and is awaiting approval from the Colombian government on an extension to an existing exploration license. In the event the license is not extended $12,240,784 of exploration and evaluation costs incurred would be considered impaired. The current exploration license is set to expire on June 30, 2012. The Company considers it probable that the extension will be granted.

Note 7 Property, Plant and Equipment

Cost		Oil and Gas Properties		Furniture and equipment		Total
As at December 31, 2010	$	9,882,070	$	63,552	$	9,945,622
Additions		184,367		379,791		564,158
As at December 31, 2011		10,066,437		443,343		10,509,780
Additions		-		7,207		7,207
As at March 31, 2012	**$**	**10,066,437**	**$**	**450,550**	**$**	**10,516,987**
Accumulated depletion and depreciation						
As at December 31, 2010	$	841,042	$	12,734	$	853,776
Additions		946,247		184,577		1,130,824
Impairment loss		4,400,000		-		4,400,000
As at December 31, 2011		6,187,289		197,311		6,384,600
Additions		-		81,297		81,297
As at March 31, 2012	**$**	**6,187,289**	**$**	**278,608**	**$**	**6,465,897**
Net book value						
As at December 31, 2011	$	3,879,148	$	246,032	$	4,125,180
As at March 31, 2012	**$**	**3,879,148**	**$**	**171,942**	**$**	**4,051,090**

Note 8 Equity Tax

The Colombian Congress passed a law, effective January 1, 2011, which imposed a one-time 6% equity tax levied on Colombian operations. As at December 31, 2011, the Company has recognized an equity tax expense of $2,580,852 which is based on the Company’s net worth in Colombia at January 1, 2011 and is payable in eight equal instalments between 2011 and 2014. The amount recognized is calculated by discounting the future net worth tax payments by the credit-adjusted risk-free rate of 8%.

December 31, 2011	$	1,958,139
Unwinding of discount		40,797
Net foreign exchange loss		158,722
March 31, 2012		2,157,658
Current portion		(775,226)
Non-current portion	$	1,382,432

Note 9 Share Capital

At March 31, 2012, the Company was authorized to issue an unlimited number of common shares with holders of common shares entitled to one vote per share and to dividends, if declared.

Warrants

A summary of the changes in share purchase warrants is presented below:

	Number of Warrants		Amount
Balance, December 31, 2010	193,824,294	$	20,813,991
Warrants exercised	(13,058,049)		(1,401,941)
Balance, December 31, 2011 and March 31, 2012	180,766,245		19,412,050

The warrants are exercisable immediately at a price of CDN $0.35 per share until December 3, 2012 when they expire.

Stock Options

The Company has adopted a formal rolling stock option plan whereby options can be granted from time to time to directors, employees and consultants at the discretion of the Board of Directors. The number of options that can be granted is limited to 10% of the total shares issued and outstanding. A summary of the changes in stock options is presented below:

	Number of Options	Weighted Average Exercise Price (CDN$)	
Balance, December 31, 2010	28,666,667	$	0.49
Options issued	10,980,000		0.36
Expired options	(1,000,001)		0.49
Forfeitures	(666,666)		0.49
Balance, December 31, 2011	37,980,000		0.45
Options issued	1,185,000		0.25
Expired options	(666,667)		0.73
Forfeitures	(333,333)		0.73
Balance, March 31, 2012	38,165,000	$	0.44
Exercisable, March 31, 2012	**30,388,330**	**$**	**0.47**

On February 1, 2012, the Company granted 750,000 options to acquire common shares to a new officer, at a price of CDN $0.25 per common share. The options are for a five year term, expiring on February 1, 2017, and vest one-third on February 1, 2012, one-third on the first anniversary date and one-third on the second anniversary date from the date of grant. On March 30, 2012, the Company granted 435,000 options to acquire common shares to two employees, at a price of CDN $0.25 per common share. The options are for a five year term, expiring on March 30, 2017 and vest one-third on March 30, 2012, one-third on the first anniversary date and one-third on the second anniversary date from the date of grant. Of the options previously granted to exiting officers, 333,333 were forfeited and another 666,667 expired on January 12, 2012.

The following summarizes information about stock options outstanding as at March 31, 2012:

Exercise Prices (CDN$)	Number of Options Outstanding	Weighted Average Term to Expiry (Years)	Number of Options Exercisable
0.25	8,185,000	4.70	2,728,332
0.35	730,000	4.45	243,331
0.49	27,750,000	2.89	26,916,667
0.55	1,500,000	4.09	500,000
	38,165,000	3.36	30,388,330

The options were allocated a value using the Black-Scholes option pricing model to estimate the fair value with the following weighted average assumptions:

	2012	2011
Expected forfeiture rate	10.00%	10.00%
Risk-free interest rate	1.25% to 1.32%	1.46% to 2.34%
Expected dividend yield	0%	0%
Expected stock price volatility	85% to 88%	79% to 85%
Expected option life	5 years	5 years
Fair value of options granted	CDN $0.151 to $0.162	CDN $0.099 to $0.476

During the period ended March 31, 2012, the Company recognized $403,528 (March 31, 2011 - $446,928) of stock-based compensation expense and capitalized $101,169 (March 31, 2011 - $106,789) to exploration and evaluation assets, for a total of $504,697 (March 31, 2011 - $553,717) that was recorded as contributed surplus.

Loss per Share

For purposes of the loss per share calculations for the periods ended March 31, 2012 and 2011, there is no difference between the basic loss per share and the diluted loss per share amounts. This is due to exercisable stock options and warrants being anti-dilutive given the Company realized losses in both periods.

Note 10 Commitments

A summary of the Company's estimated capital commitments (in millions of dollars) are as follows:

Block/Country	Interest	2012	2013	2014	2015	Total
Talora, Colombia (1)	65%	-	3.9	-	-	3.9
Tacacho, Colombia (2)	49.5%	7.4	-	-	-	7.4
CPO-5, Colombia (3)	30.0%	4.8	-	-	3.6	8.4
Block 135, Peru (4)	45%	10	-	-	-	10
Buganviles(5)	55%	-	-	3.0	-	3.0
Total		**22.2**	**3.9**	**3.0**	**3.6**	**32.7**

1) Net commitment represents 2 wells required by 2013.
2) Petrodorado to pay 100% of costs to acquire and process 480 km^2 of 2D seismic data (up to a maximum of USD$8 million).
3) Includes Petrodorado's 30% share of 2 exploration wells in 2012 and 30% share of the second phase of the exploration program by 2015.
4) Petrodorado to pay 45% of the second exploration phase of the block. The Commitment amount represents currently budgeted cost to gather and process 400 km of seismic data.
5) The operator has submitted a license extension of 2 years to Ecopetrol S.A. with a corresponding work commitment. The present license expires in June 2012 and once the extension is approved there will be a corresponding work commitment for 35 km^2 of 3D seismic data (up to a maximum of USD$3 million).

The expenditures provided in the above table represent the Company's estimated cost to satisfy contract requirements. Actual expenditures to satisfy these commitments, initiate production or create reserves may differ from these estimates.

Note 11 Segmented Information

The Company defines its reportable segments based on geographical locations and the information for this is reported in the following tables for the three months ended March 31, 2012 and 2011.

For the period ended March 31, 2012

	Canada	Colombia	Paraguay	Peru	Total
Revenue:					
Interest and other	$ 94,332	$ 114,038	$ -	$ -	$ 208,370
Expenses:					
Operating expenses	-	141,725	-	-	141,725
General and administrative	351,807	303,510	-	-	655,317
Foreign exchange loss	1,381,599	111,556	-	-	1,493,155
Stock-based compensation	403,528	-	-	-	403,528
Depletion and depreciation	2,305	78,992	-	-	81,297
Finance costs	-	45,271	-	-	45,271
	2,139,239	681,054	-	-	2,820,293
Loss for the period	$ (2,044,907)	$ (567,016)	$ -	$ -	$ (2,611,923)
Assets, March 31, 2012	$ 44,243,174	$ 63,263,020	$ -	$ 10,928,163	$ 118,434,357
Additions to exploration and evaluation assets	$ -	$ 767,329	$ -	$ 617,364	$ 1,384,693
Additions to property, plant and equipment	$ -	$ 7,207	$ -	$ -	$ 7,207

For the period ended March 31, 2011

	Canada	Colombia	Paraguay	Peru	Total
Revenue:					
Interest and other	$ 24,203	$ 1	$ -	$ -	$ 24,204
Expenses:					
Operating expenses	-	41,905	-	-	41,905
General and administrative	508,760	382,291	-	-	891,051
Foreign exchange (gain) loss	1,541,442	(99,075)	-	-	1,442,367
Stock-based compensation	446,928	-	-	-	446,928
Equity tax expense	-	2,580,852	-	-	2,580,852
Depletion and depreciation	2,271	-	-	-	2,271
Finance costs	-	93,448	-	-	93,448
	2,499,401	2,999,421	-	-	5,498,822
Loss for the period	$ (2,475,198)	$ (2,999,420)	$ -	$ -	$ (5,474,618)
Assets, March 31, 2011	$ 55,343,019	$ 65,137,418	$ -	$ 4,193,643	$ 124,674,080
Additions to exploration and evaluation assets	$ -	$ 7,368,549	$ -	$ 4,052,616	$ 11,421,165
Additions to property, plant and equipment	$ 8,955	$ 312,635	$ -	$ -	$ 321,590

Note 12 Supplemental Cash Flow Information

		March 31, 2012		March 31, 2011
Accounts receivable	**$**	**(21,576)**	$	2,169,986
Prepaid expenses and deposits		**4,460**		(818)
Inventory		**-**		(484,717)
Accounts payable and accrued liabilities		**784,292**		950,076
Change in non-cash working capital	**$**	**767,176**	$	2,634,527
Relating to:				
Operating activities		**(120,691)**		(565,206)
Investing activities		**887,867**		3,199,733
Change in non-cash working capital	**$**	**767,176**	$	2,634,527