PETRODORADO
Excellence with Agility

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2014

PETRODORADO ENERGY LTD.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited, expressed in U.S. Dollars)		**June 30, 2014**		December 31, 2013
Assets				
Current Assets				
Cash and cash equivalents	**$**	**2,369,237**	$	3,102,848
Short-term investments		**15,965,298**		18,240,637
Accounts receivable (Note 5)		**474,640**		409,904
Prepaid expenses and deposits		**38,559**		545
Restricted cash (Note 6)		**2,032,642**		259,513
		20,880,376		22,013,447
Non-current Assets				
Restricted cash (Note 6)		**2,575,610**		7,625,757
Exploration and evaluation assets (Note 8)		**66,879,689**		63,907,290
Property, plant and equipment (Note 9)		**50,500**		67,603
Property, plant and equipment - held for disposal (Note 10)		**3,578,113**		3,578,113
	$	**93,964,288**	$	97,192,210
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities (Note 5)	**$**	**5,468,618**	$	5,827,444
Equity tax payable (Note 11)		**371,602**		706,396
		5,840,220		6,533,840
Non-current Liabilities				
Decommissioning obligations		**871,335**		949,009
		6,711,555		7,482,849
Shareholders' Equity				
Share capital (Note 12)		**102,918,335**		102,918,335
Contributed surplus		**29,639,976**		29,223,332
Deficit		**(43,418,084)**		(40,789,752)
Accumulated other comprehensive loss		**(1,887,494)**		(1,642,554)
		87,252,733		89,709,361
	$	**93,964,288**	$	97,192,210

See accompanying notes to the interim condensed consolidated financial statements.

PETRODORADO ENERGY LTD.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE LOSS

For the three and six months ended June 30

(Unaudited, expressed in U.S. Dollars)	For the three months ended **2014**	2013	For the six months ended **2014**	2013
Revenue:				
Interest and other	**$ 52,010**	$ 127,105	**$ 130,235**	$ 266,568
Expenses:				
General and administrative	**1,009,089**	878,027	**2,032,138**	1,458,927
Foreign exchange loss (gain)	**330,705**	(3,095,634)	**255,343**	(4,800,199)
Stock-based compensation	**105,451**	117,133	**416,644**	245,753
Depletion and depreciation	**8,276**	24,105	**17,103**	48,105
Finance costs	**17,345**	30,151	**37,339**	64,153
	1,470,866	(2,046,218)	**2,758,567**	(2,983,261)
Income (loss) for the period	**$ (1,418,856)**	$ 2,173,323	**$ (2,628,332)**	$ 3,249,829
Other comprehensive income:				
Currency translation adjustment	**558,077**	(3,836,791)	**(244,940)**	(6,203,839)
Comprehensive loss for the period	**$ (860,779)**	$ (1,663,468)	**$ (2,873,272)**	$ (2,954,010)
Income (loss) per share – basic and diluted (Note 12)	**$ (0.00)**	$ 0.00	**$ (0.01)**	$ 0.01
Weighted average number of common shares outstanding	**482,547,066**	482,547,066	**482,547,066**	482,547,066

See accompanying notes to the interim condensed consolidated financial statements.

PETRODORADO ENERGY LTD.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three and six months ended June 30

	For the three months ended		For the six months ended	
(Unaudited, expressed in U.S. Dollars)	**2014**	2013	**2014**	2013
Cash flows provided by (used in):				
Operating activities				
Income (loss)	**$ (1,418,856)**	$ 2,173,323	**$ (2,628,332)**	$ 3,249,829
Adjustments for:				
Unrealized foreign exchange loss (gain)	**376,971**	(3,088,868)	**255,450**	(4,835,167)
Stock-based compensation	**105,451**	117,133	**416,644**	245,753
Depletion and depreciation	**8,276**	24,105	**17,103**	48,105
Finance costs	**17,345**	30,151	**37,339**	64,153
Equity taxes paid	**(372,121)**	(385,132)	**(372,121)**	(385,132)
Abandonment costs paid	**-**	-	**(80,781)**	-
Change in non-cash working capital (Note 15)	**(160,613)**	(191,132)	**(331,423)**	(367,530)
	(1,443,547)	(1,320,420)	**(2,686,121)**	(1,979,989)
Investing activities				
Acquisition of exploration and evaluation assets	**(1,714,884)**	(2,687,718)	**(2,981,618)**	(6,690,833)
Short-term investments	**663,062**	3,840,927	**1,794,327**	5,724,197
Change in restricted cash	**3,329,064**	1,910,746	**3,278,009**	10,055,306
Change in non-cash working capital (Note 15)	**731,868**	(2,890,527)	**(130,153)**	(9,000,479)
	3,009,110	173,428	**1,960,565**	88,191
Cash from operating and investing activities	**1,565,563**	(1,146,992)	**(725,556)**	(1,891,798)
Effect of exchange rate on cash	**19,633**	(15,858)	**(8,055)**	(36,848)
Change in cash	**1,585,196**	(1,162,850)	**(733,611)**	(1,928,646)
Cash, beginning of period	**784,041**	1,934,733	**3,102,848**	2,700,529
Cash, end of period	**$ 2,369,237**	$ 771,883	**$ 2,369,237**	$ 771,883

Cash is defined as cash and cash equivalents.

As at June 30, 2014, cash and cash equivalents and short-term investments include CDN$3.2 million, COP$280.0 million and USD$15.2 million (CDN$24.7 million, COP$35.2 million, and USD$9.9 million - June 30, 2013).

See accompanying notes to the interim condensed consolidated financial statements.

PETRODORADO ENERGY LTD.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited, expressed in U.S. Dollars)	**Number of Common Shares**	**Share Capital**	**Contributed Surplus**	**Deficit**	**Accumulated Other Comprehensive Income**	**Total**
Balance at December 31, 2012	482,547,066	$ 102,918,335	$ 28,735,976	$ (39,444,311)	$ 2,940,356	$ 95,150,356
Income				3,249,829		3,249,829
Currency translation adjustment					(6,203,839)	(6,203,839)
Stock-based compensation (Note 12)			245,753			245,753
Balance at June 30, 2013	482,547,066	$ 102,918,335	$ 28,981,729	$ (36,194,482)	$ (3,263,483)	$ 92,442,099

	Number of Common Shares	**Share Capital**	**Contributed Surplus**	**Deficit**	**Accumulated Other Comprehensive Loss**	**Total**
Balance at December 31, 2013	**482,547,066**	**$ 102,918,335**	**$ 29,223,332**	**$ (40,789,752)**	**$ (1,642,554)**	**$ 89,709,361**
Loss				**(2,628,332)**		**(2,628,332)**
Currency translation adjustment					**(244,940)**	**(244,940)**
Stock-based compensation (Note 12)			**416,644**			**416,644**
Balance at June 30, 2014	**482,547,066**	**$ 102,918,335**	**$ 29,639,976**	**$ (43,418,084)**	**$ (1,887,494)**	**$ 87,252,733**

See accompanying notes to the interim condensed consolidated financial statements.

1. REPORTING ENTITY

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. The Company's head office is located at Suite 3100, 250 – 6th Avenue SW, Calgary, Alberta, Canada, T2P 3H7, 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 which is held for disposal, 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, and the ability of the Company to secure adequate sources of financing to fund the development of its assets and put them into production consequently achieving future profitable operations. The outcome of these matters cannot be predicted with certainty at this time.

2. GOING CONCERN

These interim condensed consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to discharge its obligations and realize its assets in the normal course of operations for the foreseeable future. The Company has budgeted exploration and development plans for 2014 plus other committed exploration and development expenditures as further outlined in Note 13, that are in excess of those 2014 budgeted amounts, that may require additional financial resources in order to fully finance all of these operational activities. During the six months ended June 30, 2014, expenditures were financed principally from proceeds from past share issuances.

During the six months ended June 30, 2014, the Company incurred a net loss of $2.6 million and used $2.7 million of cash flow in its operating activities. As at June 30, 2014, the Company only had working capital of $15.0 million which is not considered sufficient to fund the remaining 2014 budgeted capital and administrative costs estimated at $15.7 million, in addition to other potential capital commitments during the upcoming year and beyond. The Company anticipates that it will be released from its $3.0 million accounts payable related to the conditional sale of the Moriche Block, which would increase working capital; however, there is no certainty regarding this matter. As the Company will use the majority of its financial resources to fund the remaining 2014 capital and administrative budget there is considerable uncertainty as to the future operating ability of the Company as it will be contingent upon the successful identification of hydrocarbons on these exploration blocks during 2014.

The Company also has other committed exploration and development amounts as further outlined in Note 13. The most significant of these commitments relates to the Tacacho Block totaling $18.2 million, which is presently contractually required to be incurred in 2015. However, as the Company is not the operator of the Tacacho Block there can be no certainty of the timing of these capital commitments, which may occur sometime in 2014, leaving the Company potentially cash deficient, depending also on the success and outcome of the 2014 budgeted capital activity. In the event that funds are not available to meet the Tacacho commitment there is approximately $3.4 million of capitalized exploration and evaluation costs that could be subject to impairment. As a result, these conditions may raise significant doubt about the Company's ability to continue as a going concern.

Management believes that the going concern assumption is appropriate for these interim condensed consolidated financial statements and that the Company will be able to meet the remaining 2014 budgeted capital and administrative costs, in addition to other potential capital commitments during the upcoming year and beyond through realized cash flows from the development of producing assets or, alternatively, through the issuance of shares, debt or the sale of assets to fund ongoing operations and exploration and development activities. There is no guarantee that the Company will be successful in these endeavors and no certainty as to the timing of the Company's impending non-operated exploration commitments, in particular Tacacho. Should the going concern assumption not be appropriate and the Company is not able to realize its assets and settle its liabilities, these interim condensed consolidated financial statements would require adjustments to the amounts and classifications of assets and liabilities, and these adjustments could be significant.

3. BASIS OF PRESENTATION

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” under International Financial Reporting Standards (“IFRS”) 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, 2013, with the exception of certain disclosures that are normally required to be included in annual consolidated financial statements which have been condensed or omitted and except as described below. 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, 2013.

These 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 August 27, 2014.

4. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

Amendments to IAS 32 “Financial Instruments: Presentation” were published by the IASB clarifying the requirements for offsetting financial instruments. The amendments introduce new disclosure requirements for financial assets and financial liabilities that are offset in the Consolidated Balance Sheets, or are subject to enforceable master netting arrangements or similar agreements. The amendments to IAS 32 are applied retrospectively for annual periods beginning on or after January 1, 2014. The amendments to this standard had no impact on the amounts presented for the periods in these interim condensed consolidated financial statements.

On January 1, 2014, the Company adopted IFRIC 21 “Levies” which clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that no liability should be recognized before the specified minimum threshold to trigger that levy is reached. The adoption of this standard had no impact on the amounts recorded in the financial balances for the periods presented in these interim condensed consolidated financial statements.

5. CASH CALLS AND JOINT VENTURE RECEIVABLES AND PAYABLES

Cash calls receivable 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 exploration and evaluation assets. Cash calls payable are comprised of funds received from non-operating partners with respect to the same activities in blocks in which the Company is the operating partner. As these funds are expended by the Company, the payable is drawn down. Joint venture receivables and payables are amounts due from or to partners on account of capital and operating activities in blocks.

Amounts that constitute total accounts receivable and accounts payable and accrued liabilities for the periods ended June 30, 2014 and December 31, 2013, are as follows:

	2014	2013
Trade accounts receivable	**$ 380,125**	$ 127,671
Cash calls receivable	**-**	282,233
Joint venture receivables	**94,515**	-
Accounts receivable	**$ 474,640**	$ 409,904

Trade accounts payable	**$ 1,368,369**	$ 1,939,104
Cash calls payable	**-**	7,417
Joint venture payables	**1,040,233**	547,708
Capital accruals	**58,000**	1,131,737
Moriche payable (Note 10)	**3,002,016**	2,201,478
Accounts payable and accrued liabilities	**$ 5,468,618**	$ 5,827,444

6. 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. Draws were to be authorized by Petrodorado on this escrow account as certain development milestones were met. As at June 30, 2014, this escrow account had a balance of $1,615,967 (December 31, 2013 - $1,615,697). Subsequent to June 30, 2014, the balance of this escrow account was released back to the Company by the La Maye Operator and is included within the current restricted cash balance at period end.

As of June 30, 2014, funds totalling $716,675 (December 31, 2013 - $872,428) are also included in restricted cash, which relate to projected exploration activities in the Talora Block. Of this balance, $416,675 constitutes assigned funds of the Company as the operator of the Talora Block as well as cash calls paid by a non-operator partner. Another $300,000 is held as term deposits which secure the letters of credit on committed exploration activities in the Talora Block as required by the Agencia Nacional De Hidrocarburos ("ANH") referred to in Note 7 of these statements.

Additionally, term deposits totalling $2,275,610 (December 31, 2013 - $5,397,145), which were established to secure the letters of credit referred to in Note 7 of these statements, are also included in the restricted cash balance.

Accordingly, amounts that constitute total current and non-current restricted cash balances for the periods ended June 30, 2014 and December 31, 2013, are as follows:

	2014	2013
Talora Block joint venture funds	**$ 416,675**	$ 259,513
La Maye escrow account	**1,615,967**	-
Current restricted cash	**$ 2,032,642**	$ 259,513

Term Deposit - Talora Block Phase I Guarantee	**$ -**	$ 312,915
Term Deposit - Talora Block Phase II Guarantee	**300,000**	300,000
Term Deposit - CPO-5 Block Phase I Guarantee	**-**	3,121,535
Term Deposit - CPO-5 Block Phase II Guarantee	**1,850,000**	1,850,000
Term Deposit - Tacacho Block Phase I Guarantee	**425,610**	425,610
La Maye escrow account	**-**	1,615,697
Non-current restricted cash	**$ 2,575,610**	$ 7,625,757

7. LETTERS OF CREDIT

Letters of credit are issued through Colombian banks to the ANH for contractual exploration obligations for each phase on the exploration blocks in which the Company has a participation interest. A $300,000 letter of credit for Phase II obligations was issued to the ANH on October 12, 2013, and is secured by a $300,000 term deposit made at the Colombian bank. The $300,000 guarantee, and the $312,915 underlying term deposit, previously issued to the ANH for Phase I exploration obligations were released by the ANH as obligations for Phase I were fulfilled by the Company.

On July 8, 2013, a $1,850,000 letter of credit was issued through a Colombian bank to the ANH with respect to Phase II drilling obligations on the CPO-5 Block. This letter of credit is secured by a $1,850,000 term deposit made at the Colombian bank. The $3.0 million guarantee, and the underlying $3,121,535 term deposit, previously issued to the ANH for Phase I drilling obligations were released by the ANH as obligations for Phase I were fulfilled by the Company.

A further $403,920 letter of credit was issued through a Colombian bank on December 20, 2010 to the 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 $425,610 term deposit made at the Colombian bank.

8. EXPLORATION AND EVALUATION ASSETS

As at January 1, 2013	$ 49,227,831
Additions	14,679,459
As at December 31, 2013	63,907,290
Additions	2,972,399
As at June 30, 2014	**$ 66,879,689**

For the six month ended June 30, 2014, the Company capitalized $71,014 of general and administrative expenses (June 30, 2013 - $266,176) and nil of stock-based compensation (June 30, 2013 - nil) to exploration and evaluation assets. The Company does not hold any tangible exploration assets.

9. PROPERTY, PLANT AND EQUIPMENT

Cost	Oil and gas properties	Furniture and equipment	Total
As at January 1, 2013	$ 10,066,437	$ 514,573	$ 10,581,010
Reclassified to held for disposal (Note 10)	(10,066,437)	-	(10,066,437)
As at December 31, 2013, and June 30, 2014	**$ -**	**$ 514,573**	**$ 514,573**
Accumulated depletion and depreciation			
As at January 1, 2013	$ 6,488,324	$ 354,613	$ 6,842,937
Additions	-	92,357	92,357
Reclassified to held for disposal (Note 10)	(6,488,324)	-	(6,488,324)
As at December 31, 2013	-	446,970	446,970
Additions	-	17,103	17,103
As at June 30, 2014	**$ -**	**$ 464,073**	**$ 464,073**
Net book value			
As at December 31, 2013	$ -	$ 67,603	$ 67,603
As at June 30, 2014	**$ -**	**$ 50,500**	**$ 50,500**

10. PROPERTY, PLANT AND EQUIPMENT - HELD FOR DISPOSAL

On March 20, 2013, Petrodorado executed a conditional sale agreement with the operating partner of the Moriche Block in which the Company will relinquish its 49.5% working interest held in the Mauritia Este Prospect within the Moriche Block for total consideration of $3.5 million. Under the agreement, the $3.5 million cash consideration will be paid to the Company by way of pre-determined quarterly installment payments over the 2013 and 2014 calendar years, during which the purchaser of the block has the option to return the rights of the Moriche Block, under specific circumstances including government approval, to the operating partner (and to the Company) for a 90% return of considerations paid to date. Final assignment of ownership to the rights to the Moriche Block will not be completed until all conditions of the conditional sale agreement are fulfilled.

As ownership of the Moriche Block has not transferred due to the conditions in the sale agreement, it remains on the Company's statement of financial position as "Property, plant and equipment - held for disposal". Any installment payments received by the Company prior to final assignment of ownership will be reflected as accounts payable to the operating partner. As of June 30, 2014, Petrodorado had received $3.0 million in installment payments with regards to this agreement that are included in accounts payable and accrued liabilities.

Cost	**$ 10,066,437**
Accumulated depletion	**(6,488,324)**
Net balance	**$ 3,578,113**

11. EQUITY TAX

The Colombian Congress passed a law, effective January 1, 2011, which imposed a one-time 6% equity tax levied on Colombian operations. In 2011, the Company recognized an equity tax expense of $2,580,852 which was 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, 2013	**$**	**706,396**
Unwinding of discount		**25,013**
Net foreign exchange loss		**12,314**
Payments made in this period		**(372,121)**
June 30, 2014	**$**	**371,602**

12. SHARE CAPITAL

Common shares

At June 30, 2014, the Company was authorized to issue an unlimited number of common shares, with no par value, with holders of common shares entitled to one vote per share and to dividends, if declared. Outstanding common shares as of June 30, 2014, were 482,547,066 (December 31, 2013 - 482,547,066).

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:

	Stock options	Weighted average exercise price (CDN$)
Balance, January 1, 2013	41,665,000	$ 0.33
Options issued	4,000,000	0.10
Forfeitures	(6,000,000)	0.23
Balance, December 31, 2013	39,665,000	$ 0.32
Options issued	21,075,000	0.07
Options forfeited	(25,000)	0.25
Expired options	(12,550,000)	0.41
Balance, June 30, 2014	**48,165,000**	**$ 0.19**
Exercisable, June 30, 2014	**29,039,996**	**$ 0.26**

On February 3, 2014, the Company granted 21,075,000 options to acquire common shares to certain directors, officers, employees and consultants of the Company at a price of CDN $0.07 per common share. The options are for a five year term, expiring on February 3, 2019, and vest one-third on February 3, 2014, 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 and employees, 12,500,000 expired in January 2014, 25,000 were forfeited in April 2014, and another 50,000 expired in May 2014.

The following summarizes information about stock options outstanding as at June 30, 2014:

Exercise prices (CDN$)	Number of options outstanding	Weighted average term to expiry (years)	Number of options exercisable
0.07	21,075,000	4.60	7,024,996
0.10	4,000,000	4.20	-
0.17	2,550,000	3.30	1,700,000
0.25	14,040,000	1.56	13,815,000
0.49	6,500,000	0.59	6,500,000
	48,165,000	**3.07**	**29,039,996**

All options were allocated an estimated fair value using the Black-Scholes option pricing model. For options granted during the six months ended June 30, 2014, assumptions of an expected forfeiture rate of 10%, a risk-free interest rate of 1.51%, an expected dividend yield of 0%, an expected stock price volatility of 102%, and expected option life of 5 years were used to estimate a fair value of CDN $0.036 per option.

During the six months ended June 30, 2014, the Company recognized $416,644 (June 30, 2013 - $245,753) of stock-based compensation expense and capitalized nil (June 30, 2013 - nil) to exploration and evaluation assets, for a total of $416,644 (June 30, 2013 - $245,753) that was recorded as contributed surplus.

Income (loss) per share

For purposes of the income (loss) per share calculations for the three and six months ended June 30, 2014 and 2013, there is no difference between the basic income (loss) per share and the diluted income (loss) per share amounts. For the periods ended June 30, 2014, 48,165,000 options (June 30, 2013 - 41,665,000) were excluded as their impact was anti-dilutive.

13. COMMITMENTS

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

Block/Country	Interest	2014	2015	2016	Total
Talora, Colombia (1)	65.0%	-	2.0	-	2.0
Tacacho, Colombia (2)	49.5%	-	18.2	-	18.2
CPO-5, Colombia (3)	30.0%	-	-	3.6	3.6
La Maye, Colombia (4)	20.0%	0.8	-	-	0.8
Total		**0.8**	**20.2**	**3.6**	**24.6**

1) Represents Petrodorado's 65% share of the commitment value stipulated in the ANH block contract to drill 1 exploration well by July 2015.
2) Petrodorado's commitment to acquire and process 512 km^2 of 2D seismic data (to pay 100% of costs up to a maximum of $8 million, 49.5% of costs thereafter). Currently, budgeted operations are delayed due to security concerns in the region with current ANH deadlines by 2015 with extensions. The commencement date for seismic acquisition is unknown at this time.
3) Includes Petrodorado's 30% share of the commitment value stipulated in the ANH block contract to drill 1 exploration well and acquire 205 km^2 of 3D seismic for the second phase of the exploration program by 2016.
4) Represents Petrodorado's 20% share of the Phase II ANH commitment to drill 1 exploration well or, alternatively, the acquisition and processing of seismic data in the northern area of the block as currently proposed, subject to ANH approval and pending resolution of operator issues.

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. The expenditures in the above table are based on the latest possible date required per contract and may be incurred at an earlier date which may be out of the control of the Company when they serve in a non-operator partner role. The Company is the non-operator partner on all blocks except Talora.

14. 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 and six months ended June 30, 2014 and 2013.

For the three months ended June 30, 2014

	Canada	Colombia	United States	Total
Revenue:				
Interest and other	$ 29,263	$ 22,747	$ -	$ 52,010
Expenses:				
General and administrative	631,146	377,114	829	1,009,089
Foreign exchange loss (gain)	379,745	(49,040)	-	330,705
Stock-based compensation	105,451	-	-	105,451
Depletion and depreciation	558	7,718	-	8,276
Finance costs	-	17,234	111	17,345
	1,116,900	353,026	940	1,470,866
Loss for the period	$ (1,087,637)	$ (330,279)	$ (940)	$ (1,418,856)
Assets, June 30, 2014	$ 14,696,718	$ 76,949,735	$ 2,317,835	$ 93,964,288
Additions to exploration and evaluation assets	$ -	$ 1,714,884	$ -	$ 1,714,884

For the six months ended June 30, 2014

	Canada	Colombia	United States	Total
Revenue:				
Interest and other	$ 72,622	$ 57,613	$ -	$ 130,235
Expenses:				
General and administrative	1,259,807	771,379	952	2,032,138
Foreign exchange loss (gain)	268,362	(13,019)	-	255,343
Stock-based compensation	416,644	-	-	416,644
Depletion and depreciation	1,115	15,988	-	17,103
Finance costs	-	37,118	221	37,339
	1,945,928	811,466	1,173	2,758,567
Loss for the period	$ (1,873,306)	$ (753,853)	$ (1,173)	$ (2,628,332)
Assets, June 30, 2014	$ 14,696,718	$ 76,949,735	$ 2,317,835	$ 93,964,288
Additions to exploration and evaluation assets	$ -	$ 2,560,390	$ 412,009	$ 2,972,399

For the three months ended June 30, 2013

	Canada	Colombia	United States	Total
Revenue:				
Interest and other	$ 108,543	$ 18,562	$ -	$ 127,105
Expenses:				
General and administrative	462,383	291,833	123,811	878,027
Foreign exchange gain	(3,035,197)	(60,437)	-	(3,095,634)
Stock-based compensation	117,133	-	-	117,133
Depletion and depreciation	2,536	21,569	-	24,105
Finance costs	-	30,151	-	30,151
	(2,453,145)	283,116	123,811	(2,046,218)
Income (loss) for the period	$ 2,561,688	$ (264,554)	$ (123,811)	$ 2,173,323
Assets, June 30, 2013	$ 33,424,873	$ 64,933,201	$ 500,797	$ 98,858,871
Additions to exploration and evaluation assets	$ -	$ 2,687,718	$ -	$ 2,687,718

For the six months ended June 30, 2013

	Canada	Colombia	United States	Total
Revenue:				
Interest and other	$ 228,388	$ 38,180	$ -	$ 266,568
Expenses:				
General and administrative	788,787	546,329	123,811	1,458,927
Foreign exchange gain	(4,768,172)	(32,027)	-	(4,800,199)
Stock-based compensation	245,753	-	-	245,753
Depletion and depreciation	4,967	43,138	-	48,105
Finance costs	-	64,153	-	64,153
	(3,728,665)	621,593	123,811	(2,983,261)
Income (loss) for the period	$ 3,957,053	$ (583,413)	$ (123,811)	$ 3,249,829
Assets, June 30, 2013	$ 33,424,873	$ 64,933,201	$ 500,797	$ 98,858,871
Additions to exploration and evaluation assets	$ -	$ 6,735,833	$ -	$ 6,735,833

15. SUPPLEMENTAL CASH FLOW INFORMATION

For periods ending June 30	**Three months ended**		**Six months ended**	
	2014	2013	**2014**	2013
Accounts receivable	**$ (64,981)**	$ (6,373)	**$ (64,736)**	$ 46,725
Prepaid expenses and deposits	**(38,311)**	14,683	**(38,014)**	8,249
Accounts payable and accrued liabilities	**674,547**	(3,089,969)	**(358,826)**	(9,422,983)
Change in non-cash working capital	**571,255**	(3,081,659)	**(461,576)**	(9,368,009)
Relating to:				
Operating activities	**(160,613)**	(191,132)	**(331,423)**	(367,530)
Investing activities	**731,868**	(2,890,527)	**(130,153)**	(9,000,479)
Change in non-cash working capital	**$ 571,255**	$ (3,081,659)	**$ (461,576)**	$ (9,368,009)

16. ARBITRATION SETTLEMENT

On October 4, 2013, a JV partner to the Company announced the commencement of an arbitration action through the International Chamber of Commerce against Petrodorado as the Operator of the Talora Block located in the Magdalena Basin of Colombia. The JV partner and Petrodorado entered into a Farm-out Agreement dated October 16, 2011, ("Agreement") to further the exploration and development of the Talora Block. The JV partner contended that Petrodorado committed multiple breaches of the Agreement and is entitled to the return of all amounts paid with regards to the Agreement and associated activity in the Talora Block, which is estimated at approximately $12.0 million. The Company had issued a counterclaim of $2.7 million for the JV partner's unpaid share of the costs related to the drilling of the Verdal-2X well.

On May 27, 2014, the Company reached terms of settlement on the arbitration action with its JV partner, under which both parties have withdrawn their claims against each other. Moreover, both parties have agreed that Petrodorado will not collect for the JV partner's agreed upon 30% working interest in the costs related to the Verdal-2X well that equate to $1.8 million, which have been previously included in exploration and evaluation assets. The Company also agreed to pay $300,000 towards technical work being performed by the JV partner, which reflects the only additional cost to the Company pursuant to the settlement. Going forward, the JV partner will pay their working interest percentage of all future expenditures. Further, both parties will use reasonable efforts to seek additional farm-out opportunities on the Talora Block, with Petrodorado to receive first rights on any bonus or past cost payments. At this time farm-out partners have not been identified, nor is there any certainty on the type of farm-out arrangement that might be negotiated.