INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016

NOTICE OF NO AUDITORS' REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim condensed consolidated financial statements of Petrodorado Energy Ltd. have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditors.

PETRODORADO ENERGY LTD.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited, expressed in U.S. Dollars)	**June 30, 2016**	December 31, 2015
Assets		
Current Assets		
Cash and cash equivalents	**174,103**	$ 587,725
Short-term investments	**1,000,204**	13,607,584
Accounts receivable (Note 6)	**7,597**	1,527,001
Marketable securities (Note 7)	**-**	1,861,153
Restricted cash (Note 8)	**310,208**	365,027
Assets held for sale (Note 5(c))	**-**	103,789
	$ 1,492,112	$ 18,052,279
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 6)	**$ 322,048**	$ 892,337
Decommissioning obligations	**416,946**	416,946
Decommissioning obligations on assets held for sale (Note 5(c))	**-**	103,789
	738,994	1,413,072
Shareholders' Equity		
Share capital (Note 11)	**87,213,177**	103,203,242
Contributed surplus	**29,938,069**	29,948,500
Deficit	**(111,784,612)**	(110,732,745)
Accumulated other comprehensive loss	**(4,613,516)**	(5,779,790)
	753,118	16,639,207
	$ 1,492,112	$ 18,052,279

See accompanying notes to the interim condensed consolidated financial statements.

PETRODORADO ENERGY LTD.

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

For the three and six months ended June 30

(Unaudited, expressed in U.S. Dollars)	**For the three months ended** **2016**	2015	**For the six months ended** **2016**	2015
Revenue:				
Interest and other	**$ 8,719**	$ 31,733	**$ 23,330**	$ 66,022
Expenses:				
General and administrative	**256,676**	521,731	**688,479**	1,174,737
Impairment loss (recovery) of exploration and evaluation assets (Note 10)	**(291,332)**	5,518,614	**(291,332)**	6,138,212
Gain on investment (Note 7)	**-**	-	**(312,430)**	-
Foreign exchange loss (gain)	**169,400**	180,268	**990,480**	(979,642)
Stock-based compensation	**-**	29,292	**-**	94,073
Depletion and depreciation	**-**	7,721	**-**	16,046
Finance costs	**-**	5,863	**-**	12,315
	134,744	6,263,489	**1,075,197**	6,455,741
Loss for the period	**$ (126,025)**	$ (6,231,756)	**$ (1,051,867)**	$ (6,389,719)
Other comprehensive income:				
Currency translation adjustment	**(61,459)**	251,804	**1,006,934**	(1,053,297)
Transfer of translation loss realized on disposal of foreign operations (Note 5(c))	**159,340**	-	**159,340**	-
	97,881	251,804	**1,166,274**	(1,053,297)
Comprehensive income (loss) for the period	**$ (28,144)**	$ (5,979,952)	**$ 114,407**	$ (7,443,016)
Loss per share – basic and diluted (Note 11)	**$ (0.00)**	$ (0.13)	**$ (0.02)**	$ (0.13)
Weighted average number of common shares outstanding	**49,704,702**	48,254,702	**49,667,339**	48,254,702

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)	**2016**	2015	**2016**	2015
Cash flows provided by (used in):				
Operating activities				
Loss	**$ (126,025)**	$ (6,231,756)	**$ (1,051,867)**	$ (6,389,719)
Adjustments for:				
Impairment loss (recovery) of exploration and evaluation assets	**(291,332)**	5,518,614	**(291,332)**	6,138,212
Gain on investment	**-**	-	**(312,430)**	-
Unrealized foreign exchange loss (gain)	**374,634**	217,524	**955,118**	(909,896)
Stock-based compensation	**-**	29,292	**-**	94,073
Depletion and depreciation	**-**	7,721	**-**	16,046
Finance costs	**-**	5,863	**-**	12,315
Change in non-cash working capital (Note 14)	**(18,510)**	(126,941)	**(409,148)**	(142,828)
	(61,233)	(579,683)	**(1,109,659)**	(1,181,797)
Investing activities				
Acquisition of exploration and evaluation assets	**-**	(1,968,717)	**-**	(2,588,315)
Short-term investments	**176,616**	2,710,402	**12,609,674**	3,515,066
Marketable securities (Note 7)	**-**	-	**3,584,395**	-
Change in restricted cash	**-**	101,726	**55,404**	87,866
Change in non-cash working capital (Note 14)	**155,317**	(52,252)	**149,595**	(276,043)
	331,933	791,159	**16,399,068**	738,574
Financing activities				
Special distribution (Note 4)	**(16,014,095)**	-	**(16,014,095)**	-
Options exercised (Note 11)	**-**	-	**13,599**	-
	(16,014,095)	-	**(16,000,496)**	-
Net cash from operating, investing and financing	**(15,743,395)**	211,476	**(711,087)**	(443,223)
Effect of exchange rate on cash	**(276,753)**	5,432	**297,465**	(7,696)
Change in cash	**(16,020,148)**	216,908	**(413,622)**	(450,919)
Cash, beginning of period	**16,194,251**	237,158	**587,725**	904,985
Cash, end of period	**$ 174,103**	$ 454,066	**$ 174,103**	$ 454,066

Cash is defined as cash and cash equivalents.

As at June 30, 2016, cash and cash equivalents and short-term investments include CDN$0.02 million, COP$310.4 million and USD$1.1 million (CDN$1.8 million, COP$ nil, and USD$10.7 million - June 30, 2015).

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 Loss	Total
Balance at December 31, 2014	48,254,702	$ 102,918,335	$ 29,836,794	$ (101,206,210)	$ (3,154,654)	$ 28,394,265
Loss				(6,389,719)		(6,389,719)
Currency translation adjustment					(1,053,297)	(1,053,297)
Stock-based compensation (Note 11)			94,073			94,073
Balance at June 30, 2015	48,254,702	$ 102,918,335	$ 29,930,867	$ (107,595,929)	$ (4,207,951)	$ 21,045,322

	Number of Common Shares	Share Capital	Contributed Surplus	Deficit	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2015	**49,604,702**	**$ 103,203,242**	**$ 29,948,500**	**$ (110,732,745)**	**$ (5,779,790)**	**$ 16,639,207**
Loss				**(1,051,867)**		**(1,051,867)**
Currency translation adjustment					**1,006,934**	**1,006,934**
Transfer of translation loss realized on disposal of foreign operations (Note 5(c))					**159,340**	**159,340**
Special distribution (Note 4)		**(16,014,095)**				**(16,014,095)**
Exercise of stock options (Note 11)	**100,000**	**24,030**	**(10,431)**			**13,599**
Balance at June 30, 2016	**49,704,702**	**$ 87,213,177**	**$ 29,938,069**	**$ (111,784,612)**	**$ (4,613,516)**	**$ 753,118**

See accompanying notes to the interim condensed consolidated financial statements.

1. REPORTING ENTITY

Petrodorado Energy Ltd. (“Petrodorado” or the “Company”) is a public company that, prior to 2015, was primarily engaged in exploration and development activities in Colombia. The Company’s head office is located in Calgary, Alberta, Canada, with an additional office located in Bogota, Colombia. The Company’s shares are listed and publicly traded on the TSX Venture Exchange (the “Exchange”) under the trading symbol “PDQ”.

The Company has undergone a strategic reassessment which commenced in early 2015 that has resulted in the disposal of the CPO-5 and Tacacho Blocks in the third quarter of 2015, the Moriche Block in the fourth quarter of 2015, and the Talora and La Maye Blocks in early 2016 (see Note 5). The Company is currently evaluating future strategic opportunities that will require additional financing to execute.

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. In 2015, the Company commenced a strategic reassessment which resulted in the aforementioned disposals of the Company’s participating interests several of exploration blocks (see Note 5). These divestitures have enabled the Company to eliminate a significant amount of existing operational obligations and future exploration and development commitments that were well in excess of capital available to the Company and that would have required additional financial resources. However, the instability in the political and legal environment in Colombia in addition to certain remaining contractual obligations creates continued uncertainty regarding potential financial commitments and guarantees on existing and previously owned exploration blocks (see Note 12).

During the six months ended June 30, 2016, the Company incurred a net loss of $1.1 million and used $0.7 million of cash flows in its operating activities which were financed principally from proceeds from past share issuances. In April 2016, the Company realized a return of capital distribution of $16.0 million (CDN$20.9 million) to Company shareholders (see Note 4), which left the Company with minimal working capital of $0.8 million at June 30, 2016, to sustain future operations. As the Company currently has no operations that generate positive cash flows and still carries certain potential financial commitments and guarantees related to previous exploration ventures (see Note 12), coupled with the aforementioned instability in the political and legal environment in Colombia, there remains continued uncertainty. While management continues to work towards eliminating these remaining potential financial commitments and guarantees, there is no certainty at this time that this will be achieved. Further, as the Company has no assets capable of generating cash flow, it will continue to exhaust its minimal financial resources to fund existing administrative budgets and potential strategic transactions for the foreseeable future. As a result, there is considerable uncertainty as to the future operating ability of the Company as it will be contingent upon the Company’s ability to successfully identify and procure necessary capital, which may be by way of strategic transactions to obtain financing and/or generate profitable operations that are beneficial to the Company and its shareholders. 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 its budgeted administrative costs and eliminate any potential financial commitments and guarantees during the upcoming year and beyond when considering the Company’s current financial forecast. However, there is no certainty as to the timing and likelihood of realizing a strategic transaction that would provide additional financial resources beyond those currently retained by the Company, nor is there certainty around the potential obligations regarding financial commitments and guarantees. Should the going concern assumption not be appropriate and the Company is not able to realize its assets and settle its liabilities, these 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, 2015, 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, 2015.

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 24, 2016.

4. SPECIAL DISTRIBUTION

On April 4, 2016, the Company carried out the special distribution of cash by way of a return of capital to the shareholders of the Company (the "Special Distribution") as was previously approved by the shareholders at the annual general and special meeting that was held on January 27, 2016. By way of this Special Distribution, a cash payment of CDN$0.42 for each of the 49,704,702 common shares existing as of the date that the Special Distribution was realized, resulting in $16.0 million (CDN$20.9 million) being distributed to the shareholders of the Company. Directors and officers of the Company received $1.2 million (CDN$1.6 million) by way of the Special Distribution.

5. DIVESTITURES

a) CPO-5 and Tacacho Blocks

On June 29, 2015, the Company announced the signing of a definitive agreement with Amerisur Resources PLC ("Amerisur") that resulted in the divestiture of its participating interest in the CPO-5 and Tacacho Blocks. The transaction closed and the risks and rewards of ownership were transferred subsequently in early July 2015. Under the terms of the agreement, the Company was to receive, at the option of Amerisur, cash or a variable number of common shares of Amerisur totalling to consideration of $6 million, and a further $2.4 million in cash for existing term deposits plus accrued interest that are in place for the CPO-5 and Tacacho Blocks (see Note 7). The consideration of $6 million was to be paid in three installments: one payment of $3 million at the closing date, and two payments of $1.5 million each to be received three months and six months after closing. During the first week of July 2015, the Company received the cash amount of $2.4 million from Amerisur for the before-mentioned term deposits together with accrued interest, and 5,148,447 common shares of Amerisur representing the first installment payment of $3 million under the agreement. In October 2015 and February 2016, the Company received 4,140,279 and 4,702,972 common shares of Amerisur, respectively, representing the second and third installments of $1.5 million each.

The Company also retains a 2.5% gross overriding royalty ("GORR") on Amerisur's percentage of oil production resulting from the CPO-5 and Tacacho Blocks after all applicable government royalties as compensation for the blocks, and a further 2.5% GORR on Amerisur's percentage of oil production resulting from the CPO-5 Block after all applicable government royalties which was received in exchange for certain seismic costs incurred by the Company on the CPO-5 Block. The Company originally valued the GORR's at $0.9 million at the initial time of disposal. However, subsequent valuations for the GORR's with the further deterioration in commodity prices and lack of technical success post disposal has eliminated this value with corresponding impairments recognized during the fourth quarter of 2015.

Recognized amounts of identifiable assets and liabilities disposed of are as follows:

Exploration and evaluation assets	$ 6,250,103
Restricted cash	2,275,610
Accounts receivable	167,810
Decommissioning obligations	(95,991)
Accounts payable	(224,676)
Total net assets disposed	**$ 8,372,856**

Amerisur installment payments	$ 6,000,000
Cash for block term deposits plus accrued interest	2,372,856
Total consideration	**$ 8,372,856**

This divestiture also resulted in $0.3 million of foreign currency translation losses previously included in accumulated other comprehensive loss that corresponded to the foreign operations that were disposed of being reclassified as a part of the net loss concurrently with the closing of the transaction in 2015.

Beyond the consideration amounts above, the Company is also entitled to reimbursement for certain other capital expenditure amounts incurred by the Company upon fulfillment of certain conditions, based on the terms of the definitive agreement. As at June 30, 2016, those conditions had been fulfilled and the corresponding reimbursable amounts have been primarily reflected in the elimination of certain joint venture payable balances as well as through the recognition of the recovery on impairment losses of $291,332 previously recorded at the time of this divestiture. These impairment losses were originally recorded in association with the valuation of those exploration and evaluation assets sold as part of this divestiture given the uncertainty associated with satisfying those conditions that would ultimately result in the reimbursement of these capital expenditure amounts to which the Company is now entitled.

b) Moriche Block

On March 20, 2013, Petrodorado executed a conditional sale agreement with the operating partner of the Moriche Block in which the Company would 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 was to be paid to the Company by way of pre-determined quarterly installment payments over the 2013 and 2014 calendar years, during which time the purchaser of the block had 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 would not be completed until all conditions of the conditional sale agreement were fulfilled. 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.

Recognized amounts of identifiable assets and liabilities disposed of are as follows:

Property, plant and equipment - held for disposal	$ 3,578,113
Decommissioning obligations	(291,956)
Total net assets disposed	**3,286,157**
Cash received	3,002,016
Loss on disposal of property, plant and equipment	**$ 284,141**

As ownership of the Moriche Block had not transferred prior to November 20, 2015 due to the conditions in the sale agreement, it remained on the Company's statement of financial position as "Property, plant and equipment - held for disposal". Furthermore, any installment payments received by the Company prior to final assignment of ownership were reflected as accounts payable to the operating partner. The execution of a definitive agreement on November 20, 2015 resulted in the removal of the associated property, plant and equipment and decommissioning obligations and the elimination of the $3.0 million in previously collected amounts from accounts payable. The remaining $0.5 million balance owed to the Company on this disposal is still outstanding and has not been included in accounts receivable due to concerns of collectability.

c) Talora Block

On February 9, 2016, the Company announced the signing of a definitive agreement with a third party private company (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 (see Note 8) will also be released back to the Company upon the establishment of a comparable term deposit by the Purchaser. As of June 30, 2016, the Company had received $150,000 in funds from the Purchaser as collateral while the Purchaser continues efforts towards the eventual release of the aforementioned term deposit back to the Company.

In Q2 2016, the transaction closed and the risks and rewards of ownership were transferred. As such, associated accounts receivable of $13,326 and exploration and evaluation assets of $90,463 as well as associated decommissioning obligations of $103,789, all previously classified as held for sale as at December 31, 2015, were disposed of. This transaction also eliminated $2.1 million in future exploration commitments of the Company.

Furthermore, this divestiture resulted in $0.2 million of foreign currency translation losses previously included in accumulated other comprehensive loss that corresponded to the foreign operations that were disposed of being reclassified as a part of the net loss concurrently with the closing of the transaction.

d) La Maye Block

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.

6. ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE

Accounts receivable and accounts payable consist of certain balances, including those identified as joint venture receivables, cash calls payable, and joint venture payables. Cash calls payable are comprised of funds received from non-operating partners with respect to exploration and development activities in blocks in which the Company was 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 in which the Company is the non-operating partner.

Amounts that constitute total accounts receivable and accounts payable and accrued liabilities for the periods ended June 30, 2016 and December 31, 2015, are as follows:

	2016	2015
Trade accounts receivable	**$ 4,460**	$ 27,001
Joint venture receivables	**3,137**	-
Due from Amerisur (Note 5(a))	**-**	1,500,000
Accounts receivable	**$ 7,597**	$ 1,527,001
Trade accounts payable	**$ 133,705**	$ 565,394
Held deposits (Note 5(c))	**150,000**	-
Cash calls payable	**38,343**	43,942
Joint venture payables	**-**	283,001
Accounts payable and accrued liabilities	**$ 322,048**	$ 892,337

7. MARKETABLE SECURITIES

Marketable securities represent common shares of Amerisur ("Amerisur Shares") received in relation to the CPO-5 and Tacacho Blocks divestiture outlined in Note 5(a) of these financial statements. Amerisur Shares are traded on the AIM market of the London Stock Exchange (the "AIM") in British pound sterling (£).

At December 31, 2015, the fair market value of the 5,148,447 Amerisur Shares held by the Company was $1.86 million (£1.26 million) based on a December 31, 2015 closing price of $0.3615 (£0.2452) per share. On February 5, 2016, the Company received 4,702,972 Amerisur Shares in relation to the final installment payment of $1.5 million as part of the aforementioned divestiture. Subsequent to this final share receipt, the Company sold the entire balance of Amerisur Shares held, resulting in cash proceeds of $3.6 million upon settlement that was used to partially fund the Special Distribution discussed in Note 4. A net gain on investment of $0.3 million was recognized during the three months ended March 31, 2016 due to an increase in the value of Amerisur Shares from the weighted average value of $0.3412 (£0.2303) per share held to the cumulative sales achieved on the Amerisur Shares during the period at a weighted average realized price of $0.3638 (£0.2512), net of foreign exchange.

The following table presents activity in the Amerisur Shares for the six months ended June 30, 2016:

Balance, December 31, 2015	$ 1,861,153
Amerisur Shares received	1,500,000
Change in market value	312,430
Foreign exchange loss	(89,188)
Proceeds on Amerisur Shares sold	(3,584,395)
Balance, June 30, 2016	**$ -**

8. RESTRICTED CASH

As of June 30, 2016, funds totalling $310,208 (December 31, 2015 - $365,027) are included in restricted cash, which consists entirely of funds associated with the Talora Block. As at December 31, 2015, $54,819 related to assigned funds of the Company as the operator as well as cash calls paid by a non-operator partner for capital activities of the Talora Block. As of June 30, 2016, no such assigned funds existed on account of the Talora Block divestiture outlined in Note 5(c) of these financial statements.

Remaining restricted cash amounts consist of a term deposit of $310,208 held as of December 31, 2015 and June 30, 2016 to secure the letter of credit on committed exploration activities in the Talora Block as required by the Agencia Nacional de Hidrocarburos ("ANH") referred to in Note 9 of these financial statements. This term deposit is to be released to the Company in accordance with the terms of the definitive agreement between the Company and the Purchaser for the aforementioned divestiture of the Talora Block in 2016.

Accordingly, amounts that constitute total current restricted cash balances for the periods ended June 30, 2016 and December 31, 2015, are as follows:

	2016	2015
Talora Block joint venture funds	**$ -**	$ 54,819
Term Deposit - Talora Block Phase II Guarantee	**310,208**	310,208
Current restricted cash	**$ 310,208**	$ 365,027

9. LETTERS OF CREDIT

Letters of credit are issued through Colombian banks to the ANH as a guarantee 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 on the Talora Block was issued to the ANH on October 12, 2013, and is secured by a $310,208 term deposit made at a Colombian bank. This term deposit is to be released back to the Company as part of the Talora Block divestiture outlined in Note 5(c) of these financial statements. Meanwhile, the ANH still has the right to draw down on this term deposit constituted within the letter of credit in the event of non-compliance with Talora Block contractual arrangements by the Purchaser.

Letters of credit issued through a Colombian bank to the ANH with respect to Phase II drilling obligations on the CPO-5 Block of $1,850,000 (secured by a term deposit of $1,850,000) and with respect to Phase I capital expenditure obligations on the Tacacho Block of $403,920 (secured by a term deposit of $425,610) were removed in 2015 as part of the disposal of these exploration assets as outlined in Note 5(a) of these financial statements.

10. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation ("E&E") assets for the periods ended June 30, 2016 and December 31, 2015 were recognized at a carrying balance of nil. After consideration for asset disposals (see Note 5), remaining E&E assets were fully impaired for the year ended December 31, 2015 based on identified impairment triggers and management's estimates of E&E asset fair values as of year end 2015. The assessment of facts and circumstances existing as of June 30, 2016 did not result in the recovery of any previously recognized impairments with the exception of certain reimbursement amounts recognized as of June 30, 2016, for capital expenditures previously incurred and subsequently impaired at the time of the CPO-5 and Tacacho Blocks divestiture that are now to be reimbursed based on the fulfillment of certain conditions of the definitive sale agreement as of June 30, 2016, as outlined in Note 5(a) of these financial statements. This has resulted in the recognition of a recovery of previous impairment losses of $291,332 in Q2 2016. No additional E&E capital expenditures were incurred during the six months ended June 30, 2016.

During the six months ended June 30, 2015, the Company determined that impairments of $6,318,212 were to be recognized on its exploration and evaluation assets related to the Company's Colombian exploration blocks.

11. SHARE CAPITAL

Common shares

On April 4, 2016, the Company 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 the Special Distribution as previously described. The Class B Shares are identical in all respects to the previously existing 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 Company outstanding are Class B Shares.

At June 30, 2016, the Company was authorized to issue an unlimited number of Class B Shares, with no par value, with holders of Class B Shares entitled to two votes per share and to dividends, if declared. Outstanding common shares as of December 31, 2015 and June 30, 2016, are as follows:

	Common shares	Amount
Balance, January 1, 2015	48,254,702	$ 102,918,335
Options exercised for cash	1,350,000	174,172
Transfer of assigned fair value from contributed surplus	-	110,735
Balance, December 31, 2015	49,604,702	103,203,242
Options exercised for cash	100,000	13,599
Transfer of assigned fair value from contributed surplus	-	10,431
Special distribution (Note 4)	-	(16,014,095)
Balance, June 30, 2016	**49,704,702**	**$ 87,213,177**

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. Options issued typically vest one-third on the date of the grant, one-third after one year following the date of the grant, and one-third after two years following the grant date. Options issued expire five years following the date of the grant.

A summary of the changes in stock options is presented below:

	Stock options	Weighted average exercise price (CDN$)
Balance, January 1, 2015	2,951,000	$ 0.95
Options issued	1,450,000	0.18
Options exercised	(1,350,000)	0.18
Options forfeited	(446,333)	0.88
Expired options	(752,667)	1.31
Balance, December 31, 2015	1,852,000	$ 0.78
Options exercised	(100,000)	0.18
Expired options	(1,167,500)	0.84
Balance, June 30, 2016 (outstanding & exercisable)	**584,500**	**$ 0.75**

The following summarizes information about stock options outstanding as at June 30, 2016:

Exercise prices (CDN$)	Number of options outstanding & exercisable	Weighted average term to expiry (years)
0.70	554,500	2.60
1.70	30,000	1.30
	584,500	**2.53**

All options were allocated an estimated fair value using the Black-Scholes option pricing model. No options were granted during the six months ended June 30, 2016 and 2015.

During the period ended June 30, 2016, the Company recognized nil (June 30, 2015 - $94,073) in stock-based compensation expense given that all options were vested by year end 2015. Recognized stock-based compensation expense is recorded as contributed surplus.

Loss per share

For purposes of the loss per share calculations for the three and six months ended June 30, 2016 and 2015, there is no difference between the basic loss per share and the diluted loss per share amounts. For the periods ended June 30, 2016 and 2015, 584,500 and 2,261,000 options, respectively, were excluded as their impact was anti-dilutive.

12. COMMITMENTS

On account of the divestitures outlined in Note 5, the Company's remaining commitments relate solely to the Buganviles Block in Colombia for Petrodorado's net share of abandonment and reclamation obligations on existing wells, which are currently estimated at approximately $0.4 million by the operator of the exploration block. Best estimates currently forecast these commitment expenditures to be incurred during the 2016 year.

The aforementioned commitment amounts represent the Company's estimated cost to satisfy contract requirements. Actual expenditures to satisfy these commitments may differ from these estimates. Furthermore, the timing of the aforementioned commitments is based on the best estimate of the possible date of realization within contract requirements and may be incurred at an earlier date, which may be out of the control of the Company given the Company's role as non-operating partner.

As a result of the divestiture of the Company's participating interests in the CPO-5 and Tacacho Blocks, exploration commitments related to these exploration blocks are no longer projected to be the obligation of the Company.

However, certain guarantees as originally provided by the Company on behalf of its Colombian subsidiary recognized by the ANH as the participating party in the associated exploration contracts for each of these blocks were still in place as of June 30, 2016. While the Company is in the process of obtaining the release from these guarantees given that the Company is no longer a participating party in these exploration contracts, the Company still had exposure to $11.9 million of existing exploration responsibilities as of June 30, 2016 in the event that they are not ultimately fulfilled by those parties who carry on the associated exploration activities in these blocks. However, the likelihood that events will transpire that would result in these guarantees being enforced between June 30, 2016 and the moment when the Company is released from these guarantees is considered remote.

13. 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 periods ended June 30, 2016 and 2015.

For the three months ended June 30, 2016

	Canada	Colombia	Total
Revenue:			
Interest and other	$ 8,719	$ -	$ 8,719
Expenses:			
General and administrative	229,688	26,988	256,676
Impairment recovery of exploration and evaluation assets	-	(291,332)	(291,332)
Foreign exchange loss (gain)	176,804	(7,404)	169,400
	406,492	(271,748)	134,744
Net income (loss) for the period	$ (397,773)	$ 271,748	$ (126,025)
Assets, June 30, 2016	$ 1,071,641	$ 420,471	$ 1,492,112

For the six months ended June 30, 2016

	Canada	Colombia	Total
Revenue:			
Interest and other	$ 23,330	$ -	$ 23,330
Expenses:			
General and administrative	610,379	78,100	688,479
Impairment recovery of exploration and evaluation assets	-	(291,332)	(291,332)
Gain on investment	(312,430)	-	(312,430)
Foreign exchange loss (gain)	1,007,629	(17,149)	990,480
	1,305,578	(230,381)	1,075,197
Net income (loss) for the period	$ (1,282,248)	$ 230,381	$ (1,051,867)
Assets, June 30, 2016	$ 1,071,641	$ 420,471	$ 1,492,112

For the three months ended June 30, 2015

	Canada	Colombia	United States	Total
Revenue:				
Interest and other	$ 19,292	$ 12,441	$ -	$ 31,733
Expenses:				
General and administrative	248,136	273,207	388	521,731
Impairment of exploration and evaluation assets	-	5,518,614	-	5,518,614
Foreign exchange loss (gain)	224,963	(44,695)	-	180,268
Stock-based compensation	29,292	-	-	29,292
Depletion and depreciation	-	7,721	-	7,721
Finance costs	-	5,748	115	5,863
	502,391	5,760,595	503	6,263,489
Net income (loss) for the period	$ (483,099)	$ (5,748,154)	$ (503)	$ (6,231,756)
Assets, June 30, 2015	$ 12,136,454	$ 13,681,382	$ -	$ 25,817,836
Additions to exploration and evaluation assets	$ -	$ 1,968,717	$ -	$ 1,968,717

For the six months ended June 30, 2015

	Canada	Colombia	United States	Total
Revenue:				
Interest and other	$ 40,544	$ 25,478	$ -	$ 66,022
Expenses:				
General and administrative	544,874	628,640	1,223	1,174,737
Impairment of exploration and evaluation assets	-	6,138,212	-	6,138,212
Foreign exchange gain	(921,260)	(58,382)	-	(979,642)
Stock-based compensation	94,073	-	-	94,073
Depletion and depreciation	607	15,439	-	16,046
Finance costs	-	12,087	228	12,315
	(281,706)	6,735,996	1,451	6,455,741
Net income (loss) for the period	$ 322,250	$ (6,710,518)	$ (1,451)	$ (6,389,719)
Assets, June 30, 2015	$ 12,136,454	$ 13,681,382	$ -	$ 25,817,836
Additions to exploration and evaluation assets	$ -	$ 2,588,315	$ -	$ 2,588,315

14. SUPPLEMENTAL CASH FLOW INFORMATION

For periods ending June 30	Three months ended		Six months ended	
	2016	2015	**2016**	2015
Accounts receivable	**$ 8,736**	$ 89,146	**$ 1,519,404**	$ 73,910
Accounts payable and accrued liabilities	**(163,261)**	(325,205)	**(570,289)**	(549,647)
Amerisur payments received through marketable securities (Note 5(a))	**-**	-	**(1,500,000)**	-
Working capital adjustment due to recognized impariment recovery (Note 5(a))	**291,332**	-	**291,332**	-
Working capital transferred to assets held for sale	**-**	56,866	**-**	56,866
Change in non-cash working capital	**136,807**	(179,193)	**(259,553)**	(418,871)
Relating to:				
Operating activities	**(18,510)**	(126,941)	**(409,148)**	(142,828)
Investing activities	**155,317**	(52,252)	**149,595**	(276,043)
Change in non-cash working capital	**$ 136,807**	$ (179,193)	**$ (259,553)**	$ (418,871)