INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 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)	**September 30, 2016**	December 31, 2015
Assets		
Current Assets		
Cash and cash equivalents	**$ 125,094**	$ 587,725
Short-term investments	**1,111,201**	13,607,584
Accounts receivable (Note 6)	**5,806**	1,527,001
Marketable securities (Note 7)	**-**	1,861,153
Restricted cash (Note 8)	**-**	365,027
Assets held for sale (Note 5(c))	**-**	103,789
	$ 1,242,101	$ 18,052,279
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 6)	**$ 86,053**	$ 892,337
Decommissioning obligations (Note 11)	**15,928**	416,946
Decommissioning obligations on assets held for sale (Note 5(c))	**-**	103,789
	101,981	1,413,072
Shareholders' Equity		
Share capital (Note 12)	**87,213,177**	103,203,242
Contributed surplus	**29,938,069**	29,948,500
Deficit	**(111,397,965)**	(110,732,745)
Accumulated other comprehensive loss	**(4,613,161)**	(5,779,790)
	1,140,120	16,639,207
	$ 1,242,101	$ 18,052,279

See accompanying notes to the interim condensed consolidated financial statements.

PETRODORADO ENERGY LTD.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS) & COMPREHENSIVE INCOME (LOSS)
For the three and nine months ended September 30

	For the three months ended		For the nine months ended	
(Unaudited, expressed in U.S. Dollars)	**2016**	2015	**2016**	2015
Revenue:				
Interest and other	**$ 151,209**	$ 15,905	**$ 174,539**	$ 81,927
Expenses:				
General and administrative	**166,447**	715,486	**854,926**	1,890,223
Impairment loss (recovery) of exploration and evaluation assets (Note 10)	**-**	-	**(291,332)**	6,138,212
Gain on settlement (Note 5(e))	**(397,842)**	-	**(397,842)**	-
Loss (gain) on investment (Note 7)	**-**	972,635	**(312,430)**	972,635
Foreign exchange loss (gain)	**(4,043)**	(990,902)	**986,437**	(1,970,544)
Stock-based compensation	**-**	42,200	**-**	136,273
Depletion and depreciation	**-**	7,714	**-**	23,760
Finance costs	**-**	5,971	**-**	18,286
	(235,438)	753,104	**839,759**	7,208,845
Income (loss) for the period	**$ 386,647**	$ (737,199)	**$ (665,220)**	$ (7,126,918)
Other comprehensive income:				
Currency translation adjustment	**355**	(1,365,239)	**1,007,289**	(2,418,536)
Transfer of translation loss realized on disposal of foreign operations (Note 5)	**-**	279,950	**159,340**	279,950
	355	(1,085,289)	**1,166,629**	(2,138,586)
Comprehensive income (loss) for the period	**$ 387,002**	$ (1,822,488)	**$ 501,409**	$ (9,265,504)
Loss per share – basic and diluted (Note 12)	**$ 0.04**	$ (0.08)	**$ (0.07)**	$ (0.74)
Weighted average number of common shares outstanding	**9,940,935**	9,650,935	**9,935,971**	9,650,935

See accompanying notes to the interim condensed consolidated financial statements.

PETRODORADO ENERGY LTD.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three and nine months ended September 30

	For the three months ended		For the nine months ended	
(Unaudited, expressed in U.S. Dollars)	**2016**	2015	**2016**	2015
Cash flows provided by (used in):				
Operating activities				
Income (loss)	**$ 386,647**	$ (737,199)	**$ (665,220)**	$ (7,126,918)
Adjustments for:				
Impairment loss (recovery) of exploration and evaluation assets	**-**	-	**(291,332)**	6,138,212
Gain on settlement	**(397,842)**	-	**(397,842)**	-
Loss (gain) on investment	**-**	972,635	**(312,430)**	972,635
Unrealized foreign exchange loss (gain)	**(620)**	(872,308)	**954,498**	(1,782,204)
Stock-based compensation	**-**	42,200	**-**	136,273
Depletion and depreciation	**-**	7,714	**-**	23,760
Finance costs	**-**	5,971	**-**	18,286
Change in non-cash working capital (Note 15)	**(90,517)**	(170,467)	**(499,665)**	(313,295)
	(102,332)	(751,454)	**(1,211,991)**	(1,933,251)
Investing activities				
Acquisition of exploration and evaluation assets	**-**	-	**-**	(2,588,315)
Short-term investments	**(110,997)**	295,826	**12,498,677**	3,810,892
Marketable securities (Note 7)	**-**	-	**3,584,395**	-
Change in restricted cash	**310,208**	40,319	**365,612**	128,185
Proceeds from Amerisur	**-**	2,372,856	**-**	2,372,856
Change in non-cash working capital (Note 15)	**(146,863)**	(212,272)	**2,732**	(488,315)
	52,348	2,496,729	**16,451,416**	3,235,303
Financing activities				
Special distribution (Note 4)	**-**	-	**(16,014,095)**	-
Options exercised (Note 12)	**-**	-	**13,599**	-
	-	-	**(16,000,496)**	-
Foreign exchange gain (loss) on cash	**975**	(50,419)	**298,440**	(58,115)
Increase (decrease) in cash	**(49,009)**	1,694,856	**(462,631)**	1,243,937
Cash, beginning of period	**174,103**	454,066	**587,725**	904,985
Cash, end of period	**$ 125,094**	$ 2,148,922	**$ 125,094**	$ 2,148,922

Cash is defined as cash and cash equivalents.

As at September 30, 2016, cash and cash equivalents and short-term investments include CDN$0.02 million, COP$156.7 million and USD$1.2 million (CDN$1.4 million, COP$ 772.4 million, and USD$12.4 million, and GBP £1.3 million - September 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	9,650,935	$ 102,918,335	$ 29,836,794	$ (101,206,210)	$ (3,154,654)	$ 28,394,265
Loss				(7,126,918)		(7,126,918)
Currency translation adjustment					(2,418,536)	(2,418,536)
Transfer of translation loss realized on disposal of foreign operations (Note 5(a))					279,950	279,950
Stock-based compensation (Note 12)			136,273			136,273
Balance at September 30, 2015	9,650,935	$ 102,918,335	$ 29,973,067	$ (108,333,128)	$ (5,293,240)	$ 19,265,034

	Number of Common Shares	Share Capital	Contributed Surplus	Deficit	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2015	**9,920,935**	**$ 103,203,242**	**$ 29,948,500**	**$ (110,732,745)**	**$ (5,779,790)**	**$ 16,639,207**
Loss				**(665,220)**		**(665,220)**
Currency translation adjustment					**1,007,289**	**1,007,289**
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 12)	**20,000**	**24,030**	**(10,431)**			**13,599**
Balance at September 30, 2016	**9,940,935**	**$ 87,213,177**	**$ 29,938,069**	**$ (111,397,965)**	**$ (4,613,161)**	**$ 1,140,120**

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 as well as withdrawal from further operational involvement and responsibilities in the Buganviles Block in the third quarter of 2016 (see Note 5). The Company is currently evaluating future strategic opportunities that will require additional financing to execute.

On September 13, 2016, the Company received final approval from the TSX Venture Exchange, and obtained Articles of Amendment in the days that followed, to perform a consolidation of the issued and outstanding Class B common shares of the Company (the "Consolidation") on a basis of five pre-Consolidation common shares for one post-Consolidation common share. The completed Consolidation follows ratification and approval for the Board of Directors to perform such a Consolidation on a basis of up to ten pre-Consolidation common shares for one post-Consolidation common share as given by the shareholders at the annual general and special meeting of shareholders held on January 27, 2016. Effective at the opening of trading on September 16, 2016, Petrodorado's shares commenced trading on the TSX Venture Exchange on a consolidated basis. As a result, all share and per share amounts including those related to stock options have been restated for all periods to reflect this five for one consolidation.

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 and operational renunciation of the Company's participating interests in several exploration blocks (see Note 5). These events 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 creates continued uncertainty regarding potential financial commitments for guarantees on previously owned exploration blocks (see Note 13).

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). During the nine months ended September 30, 2016, the Company incurred a net loss of $0.7 million and used $0.7 million of cash flows in its operating activities, which were financed principally from proceeds from past share issuances. As at September 30, 2016, the Company is left with minimal working capital of $1.1 million to sustain future operations. 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. Furthermore, while management continues to work towards eliminating the aforementioned potential financial commitments for guarantees, there is no certainty at this time that this will be achieved. These conditions may raise significant doubt about the Company's ability to continue as a going concern 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, and eliminate the remaining potential financial commitments for guarantees.

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 for 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 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 November 9, 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 in 2015 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. By Q2 2016, those conditions had been fulfilled and the corresponding reimbursable amounts were 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 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 in 2015 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.

As of December 31, 2015, the remaining $0.5 million balance owed to the Company on this disposal was still outstanding but had not been included in accounts receivable subsequent to the finalization of the sale due to concerns of collectability. However, during the three months ended September 30, 2016, the Company successfully finalized an agreement with the operating partner of the Moriche Block wherein the Company agreed to release the operating partner from payment of these remaining considerations owed in exchange for release from further operational involvement and the associated abandonment obligations on the Buganviles Block (see Note 5(e)).

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) was to be released back to the Company upon the establishment of a comparable term deposit by the Purchaser. As of September 30, 2016, the term deposit had been successfully released back to the Company. Moreover, the Company has received $150,000 in payments from the Purchaser as liquidated damages for failure to successfully release the aforementioned term deposit back to the Company by the stipulated deadline as per the terms of the definitive agreement. These payments have been recognized as other revenue for the period ended September 30, 2016.

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.

e) Buganviles Block

On September 9, 2016, the Company successfully executed a settlement agreement with the operating partner of the Buganviles Block with regards to the release of Petrodorado from future involvement in this exploration area. Under the terms of the settlement agreement, the operating partner indemnifies and saves harmless Petrodorado from any further obligations under the Joint Operating Agreement between the joint venture partners as well as the Association Contract with Empresa Colombiana de Petroleos ("Ecopetrol") for the Buganviles Block. Pursuant to the settlement agreement, the operating partner will also take all necessary actions, with the cooperation of the Company, to terminate the Joint Operating Agreement and the Association Contract, and the operating partner will take full responsibility for the completion of all reclamation obligations for the wells existing on the Buganviles Block as required under the Association Contract while maintaining the indemnifications awarded to Petrodorado. In return, the Company agreed to release the operating partner from payment of the remaining considerations owed to the Company on the sale of Petrodorado's participating interest in the Moriche Block that were, to date, not recognized as a receivable due to concerns of collectability, as previously mentioned (see Note 5(b)).

On account of this settlement agreement, Petrodorado has no further contractual commitments on the Buganviles Block. Furthermore, the Company has eliminated $401,018 of associated decommissioning obligations and relinquished its right to $3,176 of joint venture receivables that were owed to Petrodorado by the operating partner from operations on this exploration block. The elimination of these amounts has resulted in a gain on settlement of $397,842 for the period ended September 30, 2016.

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 September 30, 2016 and December 31, 2015, are as follows:

	2016	2015
Trade accounts receivable	$ 5,806	$ 27,001
Due from Amerisur (Note 5(a))	-	1,500,000
Accounts receivable	**$ 5,806**	$ 1,527,001

Trade accounts payable	$ 47,710	$ 565,394
Cash calls payable	38,343	43,942
Joint venture payables	-	283,001
Accounts payable and accrued liabilities	**$ 86,053**	$ 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 nine months ended September 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, September 30, 2016	**$ -**

8. RESTRICTED CASH

As of December 31, 2015, funds totalling $365,027 were included in restricted cash, which consisted entirely of funds associated with the Talora Block with $54,819 relating 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 and $310,208 consisting of a term deposit held 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. As of September 30, 2016, none of these funds remained classified as restricted cash on account of the Talora Block divestiture outlined in Note 5(c) of these financial statements.

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, which was secured by a $310,208 term deposit made at a Colombian bank. In Q3 2016, this letter of credit and the associated term deposit were released by the ANH back to the Company as part of the Talora Block divestiture outlined in Note 5(c) of these financial statements.

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 September 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 September 30, 2016 did not result in the recovery of any previously recognized impairments with the exception of certain reimbursement amounts recognized in relation to 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 during Q2 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 nine months ended September 30, 2016.

During the nine months ended September 30, 2015, the Company determined that impairments of $6,138,212 were to be recognized on its exploration and evaluation assets related to the Company's Colombian exploration blocks.

11. DECOMMISSIONING OBLIGATIONS

A summary of the changes in decommissioning obligations is presented below:

Balance, January 1, 2015	$ 884,380
Liabilities disposed of during the year	(387,947)
Liabilities transferred to held for sale during the year	(103,789)
Accretion expense for the year	24,302
Balance, December 31, 2015	416,946
Buganviles settlement (Note 5(e))	(401,018)
Balance, September 30, 2016	**$ 15,928**

12. 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 in Note 4. 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.

On September 16, 2016, the Company completed a share consolidation in which one post-consolidation Class B Share replaced five pre-consolidation Class B Shares. All information relating to the weighted average number of common shares outstanding, issued and outstanding common shares, stock options and per share amounts have been adjusted retroactively to reflect the impact of the five for one share consolidation in these interim condensed consolidated financial statements.

At September 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 September 30, 2016, are as follows:

	Common shares	Amount
Balance, January 1, 2015	9,650,935	$ 102,918,335
Options exercised for cash	270,000	174,172
Transfer of assigned fair value from contributed surplus	-	110,735
Balance, December 31, 2015	9,920,935	103,203,242
Options exercised for cash	20,000	13,599
Transfer of assigned fair value from contributed surplus	-	10,431
Special distribution (Note 4)	-	(16,014,095)
Balance, September 30, 2016	**9,940,935**	**$ 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	590,200	$ 4.75
Options issued	290,000	0.90
Options exercised	(270,000)	0.90
Options forfeited	(89,267)	4.40
Expired options	(150,533)	6.56
Balance, December 31, 2015	370,400	$ 3.89
Options exercised	(20,000)	0.90
Expired options	(233,500)	4.21
Balance, September 30, 2016 (outstanding & exercisable)	**116,900**	**$ 3.76**

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

Exercise prices (CDN$)	Number of options outstanding & exercisable	Weighted average term to expiry (years)
3.50	110,900	2.35
8.50	6,000	1.05
	116,900	**2.28**

All options were allocated an estimated fair value using the Black-Scholes option pricing model. For options granted during the nine months ended September 30, 2015, assumptions of an expected forfeiture rate of 10%, a risk-free interest rate of 0.79%, an expected dividend yield of 0%, an expected stock price volatility of 118%, and an expected option life of 5 years were used to estimate a fair value of CDN $0.690. No options were granted during the nine months ended September 30, 2016.

The Company recognized nil in stock-based compensation expense for the period ended September 30, 2016 (September 30, 2015 - $136,273) 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 income (loss) per share calculations for the three and nine months ended September 30, 2016 and 2015, there is no difference between the basic income (loss) per share and the diluted income (loss) per share amounts. For the periods ended September 30, 2016 and 2015, 116,900 and 640,400 options, respectively, were excluded as their impact was anti-dilutive.

13. COMMITMENTS

On account of the transactions outlined in Note 5, the Company's previous commitments relating to exploration activities in Colombia 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 the CPO-5 and Tacacho Blocks were still in place as of September 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 September 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 September 30, 2016 and the moment when the Company is released from these guarantees is considered remote.

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 periods ended September 30, 2016 and 2015.

For the three months ended September 30, 2016

	Canada	Colombia	Total
Revenue:			
Interest and other	$ 151,209	$ -	$ 151,209
Expenses:			
General and administrative	113,431	53,016	166,447
Gain on settlement	-	(397,842)	(397,842)
Foreign exchange gain	(2,991)	(1,052)	(4,043)
	110,440	(345,878)	(235,438)
Net income for the period	$ 40,769	$ 345,878	$ 386,647
Assets, September 30, 2016	$ 1,186,639	$ 55,462	$ 1,242,101

For the nine months ended September 30, 2016

	Canada	Colombia	Total
Revenue:			
Interest and other	$ 174,539	$ -	$ 174,539
Expenses:			
General and administrative	723,810	131,116	854,926
Impairment recovery of exploration and evaluation assets	-	(291,332)	(291,332)
Gain on settlement	-	(397,842)	(397,842)
Gain on investment	(312,430)	-	(312,430)
Foreign exchange loss (gain)	1,004,638	(18,201)	986,437
	1,416,018	(576,259)	839,759
Net income (loss) for the period	$ (1,241,479)	$ 576,259	$ (665,220)
Assets, September 30, 2016	$ 1,186,639	$ 55,462	$ 1,242,101

For the three months ended September 30, 2015

	Canada	Colombia	United States	Total
Revenue:				
Interest and other	$ 15,905	$ -	$ -	$ 15,905
Expenses:				
General and administrative	591,775	123,711	-	715,486
Impairment of exploration and evaluation assets	-	-	-	-
Loss on investments	972,635	-	-	972,635
Foreign exchange gain	(989,046)	(1,856)	-	(990,902)
Stock-based compensation	42,200	-	-	42,200
Depletion and depreciation	-	7,714	-	7,714
Finance costs	-	5,854	117	5,971
	617,564	135,423	117	753,104
Net loss for the period	$ (601,659)	$ (135,423)	$ (117)	$ (737,199)
Assets, September 30, 2015	$ 18,485,817	$ 5,175,057	$ -	$ 23,660,874

For the nine months ended September 30, 2015

	Canada	Colombia	United States	Total
Revenue:				
Interest and other	$ 56,449	$ 25,478	$ -	$ 81,927
Expenses:				
General and administrative	1,136,649	752,351	1,223	1,890,223
Impairment of exploration and evaluation assets	-	6,138,212	-	6,138,212
Loss on investment	972,635	-	-	972,635
Foreign exchange gain	(1,910,306)	(60,238)	-	(1,970,544)
Stock-based compensation	136,273	-	-	136,273
Depletion and depreciation	607	23,153	-	23,760
Finance costs	-	17,941	345	18,286
	335,858	6,871,419	1,568	7,208,845
Net loss for the period	$ (279,409)	$ (6,845,941)	$ (1,568)	$ (7,126,918)
Assets, September 30, 2015	$ 18,485,817	$ 5,175,057	$ -	$ 23,660,874
Additions to exploration and evaluation assets	$ -	$ 2,588,315	$ -	$ 2,588,315

15. SUPPLEMENTAL CASH FLOW INFORMATION

For periods ending September 30	**Three months ended**		**Nine months ended**	
	2016	2015	**2016**	2015
Accounts receivable	**$ 1,791**	$ (3,320,761)	**$ 1,521,195**	$ (3,246,851)
Accounts payable and accrued liabilities	**(235,995)**	(61,978)	**(806,284)**	(611,625)
Amerisur payments received through marketable securities (Note 5(a))	**-**	(3,000,000)	**(1,500,000)**	(3,000,000)
Accounts receivable from Amerisur on disposition (Note 5(a))	**-**	6,000,000	**-**	6,000,000
Working capital adjustment due to recognized impairment recovery (Note 5(a))	**-**	-	**291,332**	-
Working capital adjustment due to Buganviles settlement (Note 5(e))	**(3,176)**		**(3,176)**	
Working capital transferred to assets held for sale	**-**	-	**-**	56,866
Change in non-cash working capital	**(237,380)**	(382,739)	**(496,933)**	(801,610)
Relating to:				
Operating activities	**(90,517)**	(170,467)	**(499,665)**	(313,295)
Investing activities	**(146,863)**	(212,272)	**2,732**	(488,315)
Change in non-cash working capital	**$ (237,380)**	$ (382,739)	**$ (496,933)**	$ (801,610)