

PETRODORADO ENERGY LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE MONTHS & YEAR ENDED DECEMBER 31, 2013

The following is management's discussion and analysis ("MD&A") of the operating and financial results of Petrodorado Energy Ltd. ("Petrodorado" or the "Company") for the three months and year ended December 31, 2013, as compared to 2012, as well as information and expectations concerning the Company's outlook based on currently available information.

The MD&A should be read in conjunction with the consolidated financial statements as at and for the years ended December 31, 2013 and 2012, prepared in accordance with IFRS (as defined below), together with the accompanying notes. Additional information including the Company's annual information form for the year ended December 31, 2013, is on SEDAR at www.sedar.com or on the Company's website at www.petrodorado.com.

All dollar values are expressed in US dollars, unless otherwise indicated, and are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB").

This MD&A is prepared as of April 25, 2014.

NON-IFRS MEASURES

Funds generated from operations include all cash from operating activities and are calculated before the change in non-cash working capital. A reconciliation of cash used in operating activities to funds used in operations for the three months and years ended December 31, 2013 and 2012 are as follows:

| Funds from operations (\$) | Q4 2013 | Q4 2012 | Year 2013 | Year 2012 |
|--------------------------------------|----------------|----------------|------------------|------------------|
| Cash used in operating activities | 1,280,274 | 252,783 | 4,149,058 | 3,070,784 |
| Increase in non-cash working capital | 680,153 | 390,221 | 338,846 | 143,901 |
| Funds used in operations | 1,960,427 | 643,004 | 4,487,904 | 3,214,685 |

The non-IFRS measure referred to above does not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures used by other companies. Management uses this non-IFRS measurement for its own performance measures and to provide its shareholders and investors with a measurement of the Company's efficiency and of its ability to fund a portion of its future growth expenditures.

BUSINESS PROFILE AND STRATEGY

The Company is engaged in petroleum and natural gas exploration and development activities in Colombia with one asset in California, USA. Petrodorado's head office is located in Calgary, Alberta, Canada and the Company's shares are traded on the TSX Venture Exchange under the trading symbol PDQ.

Petrodorado was formed to explore for and develop petroleum assets in South America, with an initial focus on Colombia, Peru and Paraguay. A significant portfolio of nine blocks was initially acquired. The Company evaluated approximately 55 blocks before selecting these final nine blocks. The Company exited Peru and Paraguay in 2012 in order to provide more investment focus on its core properties in Colombia.

ORGANIZATIONAL CHANGES

On October 21, 2013, Mr. Krishna Vathyam, President and Chief Executive Officer ("CEO"), resigned from the Company and relinquished his position as a Director. On October 25, 2013, Mr. Emir Arzola, Chief Reservoir Manager, and Mr. Max Rolla, Vice President of Exploration, also resigned from the Company.

Mr. Robert Cross, an original founder of Petrodorado, was re-appointed to the Board of Directors on the same date as the departure of Mr. Vathyam. Mr. Cross has an extensive resource and investment banking background and is currently a Director of a number of energy and mining companies (Bankers Petroleum, BNK Petroleum, B2Gold). Following the above changes, the Board of Directors consists of Mr. Douglas Urch, Mr. Gregg Vernon and Mr. Robert Cross as Chairman.

Mr. Gregg Vernon, a Director of the Company, has replaced Mr. Vathyam as interim President and CEO. Mr. Brian Smith joined the Company on September 9, 2013, in the role of Vice President of Operations. Mr. Vernon and Mr. Smith, and the team at Petrodorado, were tasked with refocusing the Company and conducting a critical review of the Company's position, assets, obligation, liabilities and potential. All aspects of the Company are being examined with the purpose of identifying the changes that will maximize shareholder value.

The Board of Directors and the new executive management team have completed a thorough review of the Company and its operations. This review has resulted in a 2014 projected plan focused on the prioritization of exploration activities in certain key properties as well as re-assessment of the Company's approach to future exploration endeavors within other oil and gas assets. The projected plan for 2014 in each of the Company's exploration areas is summarized below for each block.

PETROLEUM AND NATURAL GAS PROPERTIES AND OUTLOOK

At present, Petrodorado has beneficial participation in five oil and gas blocks in Colombia and one block in the San Joaquin basin in California. Multiple drilling prospects and leads have been identified in these blocks.

CPO-5 Block

On June 14, 2010, Petrodorado announced the signing of a farm-in agreement with the operating partner for a 30% participating interest in the CPO-5 Block of Colombia. On October 1, 2010, Petrodorado received official ANH approval of the 30% participation interest assignment. This 492,341 acre block (net 147,702 acres) is located in the Los Llanos basin (Meta Department) and was awarded to the operating partner in the 2008 Agencia Nacional de Hidrocarburos ("ANH") heavy oil bid round. The CPO-5 Block is flanked to the north and northwest by the discoveries of other operators in the blocks of Guatiquia (Yatay-1 discovery with 10,440 barrels per day ("bopd") of 43° API oil and similar performance from the earlier Candelilla discovery), Corcel (Taya discovery with 1,700 bopd of 15.5° API oil), and Cabrestero (Kitaro discovery with 2,385 bopd of 32° API oil), all such figures being taken from public disclosure of other reporting issues operating in the area.

During 2010, the Company, with its partner, completed the acquisition of 800 km² of 3D seismic and 240 lineal km of 2D seismic. On the northwestern corner of the block, closer to the discoveries mentioned above, several prospects and leads have been identified based on the existing 2D seismic data interpretations. On August 1, 2012, the environmental license was received for the CPO-5 Block, which allows for 15 locations.

The first of two exploration wells, Kamal-1X, was spudded on October 29, 2012, and reached a total measured depth ("MD") of 10,500 feet in December 2012. Of the multiple sands targeted, the primary target of the Mirador zone encountered a net pay of 20 feet. This zone was tested and yielded a peak rate of 210 barrels of oil a day of 14° API with high water cut. This test confirmed oil production and mobility; however, volumes were deemed non-commercial and the well was abandoned in mid February 2014. A 3D seismic program is planned over the Kamal area to enhance the clarity and will be used to re-evaluate the Kamal structure.

The second exploration well, Loto-1X, spudded on January 22, 2013, and was drilled to a total measured depth of 10,500 feet. This well targeted the Mirador, Guadalupe and Une sands. Petrophysical evaluation, supported by the conventional cores and cuttings descriptions, indicated that the Une, Guadalupe and Mirador reservoir sands were all oil charged, with the Mirador being of the most interest with a petrophysical evaluation showing a net pay of approximately 65 feet of high quality net pay. The testing of the Une zone resulted in extra heavy oil in non-commercial quantities and further testing was abandoned.

After casing the well, subsequent analysis indicated that there was poor cement bond between the casing and the formation which, after evaluation, led the Company to understand that this resulted in non-representative, high water cut test results from each of the three intervals tested in the Mirador formation, with water easily migrating up the annulus from other layers into the perforated intervals. Despite this poor hydraulic isolation of the well, a co-mingled test of the three perforated intervals was performed with an electro-submersible pump which not only confirmed the Mirador formation's high fluid deliverability but also achieved an oil rate of approximately 1,500 bopd of 17° API oil with a water cut of approximately 80%. This achieved oil rate is interpreted to validate the calculated oil pay seen on the electric well logs and inferred from drill cuttings, with the high water cut expected given the indications of poor cement bond. In June of 2013, the Company had a technical review performed on the two exploration wells drilled, Loto-1X and Kamal-1X, which substantiated initial assessments that poor cement bond causing a lack of vertical hydraulic isolation between the casing and the formation rock was the root cause of the high water cut tests of the Mirador zone in both wells.

The 2014 work plan for CPO-5 includes a remediation workover on the primary cement job of the Loto-1X well to achieve zonal isolation, which should lower the water cut thus improving well economics, followed by a re-test of the Mirador sands. The 2014 work plan also includes the acquisition, processing and interpretation of approximately 400 km² of 3D seismic in the northwest corner of CPO-5, which will also cover the Loto and Kamal structures, in order to guide development drilling and assess the exploration potential.

Phase I of Petrodorado's exploration commitment with the ANH was fulfilled upon drilling the exploration wells, Kamal-1X and Loto-1X. The ANH has informed the operator that Phase II of the exploration contract commenced in April 2013, which originally consisted of a commitment of 3 exploration wells within a 3 year time frame. This commitment was subsequently changed, with ANH approval, to 1 exploration well and a 205 km² 3D seismic program within the same 3 year time frame.

Tacacho Block

In January 2010, Petrodorado acquired a 49.5% working interest in the Tacacho Block within the prolific Putumayo area of Colombia, and two (2) large leads have been identified on the block. Tacacho measures approximately 598,008 acres (net 296,014 acres) and is located in the foreland basin of the Putumayo mountain range, in the Eastern Cordillera area of Colombia. The operating partner of the block retains the remaining 50.5% working interest. The 24 month-long exploration program includes the acquisition, processing and interpretation of 521 km of 2D seismic data. The ANH has already issued multiple extensions to the 24 month period due to security concerns in this geographic area. Meanwhile, initial environmental assessments of the area are planned in preparation for the seismic program. The commencement of the seismic acquisition is planned and is awaiting the region to be declared secure. The Company plans to finance this activity from the funds that may be generated from a successful 2014 work program in the CPO-5 Block. The Company may also look at other strategic alternatives in order to obtain financing to fund this project once the region has been declared secure. The current estimated deadline for this activity is in 2015; however, if the region is declared secure, the acquisition of the seismic may occur sooner. As well, the operator has informed Petrodorado that it has decided to reschedule the previously planned stratigraphic well until evaluation of the new seismic data is completed.

Talora Block

Petrodorado initially earned a 55% interest in the Talora Block, located in the Upper Magdalena basin of Colombia. In the fourth quarter of 2010, Petrodorado acquired an additional 20% interest from a third party and acquired PetroSouth Energy Ltd, which also owned a 20% interest, to increase its aggregate working interest to 95%. On October 16, 2011, Petrodorado executed a farmout agreement allocating a 30% working interest to a new joint venture ("JV") partner decreasing Petrodorado's overall working interest to 65%. The terms of the farmout included: 1) a bonus payment of \$5.2 million; 2) the farmee paying 60% of first well costs up to a maximum of \$3.9 million, with costs after the maximum to be paid at 30%; and 3) the farmee paying 45% of the second well costs up to a maximum of \$2.925 million, with costs after the maximum to be paid at 30%. Petrodorado's interest, via a wholly owned subsidiary, has been approved by the ANH. The Talora Block consists of 58,905 acres (net 38,289 acres), after the first relinquishment, and is located to the southwest of the city of Bogota.

The Company acquired 122 km of 2D seismic data during the first quarter of 2010. After the analysis of the acquired seismic data, the first exploration well (Verdal-1) was spudded on September 15, 2010, targeting the Tetuan and Caballos formations. Verdall-1 reached a target depth of 7,657 feet MD in

November 2010, without encountering the Caballos formation. The Tetuan formation was tested and yielded a peak rate of 770 thousand standard cubic feet per day (mscf/d) of gas with indications of associated condensate after further compositional analysis.

The exploratory well Dorados-1X was spudded on July 31, 2012, reached a total measured depth of 7,282 feet, and was tested in the Upper and Lower Dorados sands within the Cretaceous sandstone unit. The main objectives were the Cretaceous Caballos and Tetuan formations, but these formations were not encountered due to impediments encountered in the well enroute to these zones. However, an exceptionally thick Cretaceous-Cenomanian sand of 1,850 ft gross was found that had not been previously identified or reported in this basin. Despite encountering what appeared to be a thick and well-defined gas and oil column, with a possible basal water contact, the testing did not produce hydrocarbons.

After an in-depth evaluation of the results from the Dorados-1X well, future plans could include a new exploration well with an undamaged borehole designed to overcome the sensitivity of this reservoir to formation damage due to low pressure conditions found to be common in this part of the basin, in order to further evaluate the Dorados structure, interpreted as a large thrust anticline with 4-way closure with a thick potential reservoir section. Petrodorado is reviewing data that indicated the Dorados sands have a better pressure regime than the nearby Guando Oil Field (approximately 120 MMBO recoverable), located 40 km to the southeast of the Dorados-1X well.

When the ANH approved the one year post exploration extension of the Talora license, it came with a commitment of one exploration well. This commitment was fulfilled with the drilling of the Dorados-1X well. Moreover, an ANH evaluation commitment of one well within the Verdal structure, which was to reach a True Vertical Depth ("TVD") of 5,000 feet, was to be drilled on or before November 29, 2013. On November 17, 2013, the Company spudded the Verdal-2X well and successfully reached a TVD of 5,000 feet on November 28, 2013, thus fulfilling the stipulated ANH commitment. On April 21, 2014, the Company received a letter from the ANH stating that all existing Evaluation Program commitments have been fulfilled on the block. This formal ANH communication confirmed for the Company that the Talora contract is in good standing, that the Company has complied with the Evaluation Program, and that it has officially entered into Phase II of the Post Exploration Program. In Phase II, the JV partners have committed to one additional exploration well by July 30, 2015.

Petrodorado is preparing a work plan to drill the Verdal-2X well deeper in order to re-test the Tetuan formation. The Company plans to finance this activity from the funds that may be generated from a successful 2014 work program in the CPO-5 Block. The Company may also look at other strategic alternatives in order to obtain financing to fund this project.

La Maye Block

Petrodorado has an undivided 20% working interest in an exploration and production contract with the ANH in the La Maye Block. The La Maye Block is located in the Lower Magdalena Valley of Colombia and consists of approximately 73,956 acres (net 14,791 acres).

In 2009, Petrodorado Ltd. paid \$3.5 million into an escrow account to satisfy its net commitment to the participation agreement. Petrodorado authorizes draws from this account as certain development milestones are met. As at December 31, 2013, \$1,884,303 had been withdrawn leaving \$1,615,697 in the escrow account.

The Noelia-1 well was drilled on the La Maye Block in October 2009 with operations being subsequently suspended due to flooding conditions. In January of this year, the operator of the block informed the ANH that the Noelia-1 well did not encounter commercial quantities of hydrocarbons and that the La Maye JV partners have agreed to a 2014 seismic acquisition program that will be acquired in the second half of 2014, subject to ANH approval.

Buganviles Block

Petrodorado has a varying working interest (30% to 59.5%) in the Buganviles Block, located in the Upper Magdalena basin of Colombia, obtained through three separate transactions. The Buganviles Block consists of approximately 73,794 acres (net 43,907 acres).

In February 2010, Petrodorado obtained a 20% undivided working interest in the Buganviles Block through the purchase of all of the issued and outstanding shares of Holywell Resources S.A. ("Holywell") from a private vendor for the aggregate cash purchase price of approximately \$6.3 million. Holywell was a private (Panama incorporated) oil & gas company with operations in Colombia. The name Holywell was changed to Petrodorado South America S.A. during the first quarter of 2010. Prior thereto, in November 2009, Petrodorado entered in to a farm-in agreement with the operating partner to acquire an additional 29.5% working interest in the Visure prospect and 25% working interest in the Tuqueque prospect. In addition, in September 2010, Petrodorado acquired an additional 10% working interest in the block through a farm-in agreement with another non-operating partner on the block. The farm-in terms were satisfied with Petrodorado having paid 100% (20% net) of the drilling costs for two exploration wells, Visure-1X and Tuqueque-1X.

Overall, Petrodorado's position in the block is as follows: 59.5% in the Visure Prospect, 55% in the Tuqueque Prospect, 30% in the rest of the block.

The first of the Company's exploration wells on Buganviles, the Visure-1X well, was drilled in the fourth quarter of 2010 to evaluate a structural trap similar to the nearby producing Abanico field. The well was tested in the Lower Guadalupe Formation at a stabilized average production rate of 46 bopd of 15.6° API with 14 barrels of water per day. The Visure-1X well was suspended with alternative completion techniques being evaluated based on the production test analysis in order to economically produce the oil encountered in the Lower Guadalupe Formation. Potentially, a cyclic steam injection pilot project could be conducted on the Visure structure.

The second exploration well, the Tuqueque-1X well, was spudded on November 4, 2010, with the Caballos formation at 11,300 feet as the primary target. The well was suspended after two side tracks to reach the Caballos formation at a depth of 9,303 feet. Two secondary target formations were identified as the Monsarrate formation and the Olini formation. Three intervals in the Olini formation were tested and did not produce significant hydrocarbons. The Monsarrate formation is planned to be tested at a later date via a new drill up dip from the Tuqueque-1X well location.

The operator applied for a two year extension of the contract, as the current exploration license expired on June 30, 2012. As of April 25, 2014, an official response from Ecopetrol regarding the requested license extension has yet to be received. The Company recognized impairments as of December 31, 2012, in relation to exploration and evaluation costs incurred within this exploration area. If the license extension is eventually received from the Colombian government, recovery of previously recorded impairments of these exploration and evaluation costs will be analyzed by management.

Moriche Block

Petrodorado acquired an undivided 49.5% working interest in the Mauritia Este Prospect in the Moriche Block.

On March 20, 2013, Petrodorado executed a conditional sale agreement with the operating partner of the Moriche Block in which the Company relinquished 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 installments 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 lack of government approval, to the Company for a 90% return of considerations paid to date. Final assignment of ownership of the rights to the Moriche Block will not be completed until all conditions of the sale agreement are fulfilled. To date, Petrodorado has received \$2.2 million in installment payments with regards to this agreement that are included in accounts payable and accrued liabilities. The Company received \$0.8 million in installment payments subsequent to the 2013 year end.

California Block

On May 9, 2013, the Company entered into an agreement with a new JV partner regarding a heavy oil opportunity (gross: 1,720 acres) in the San Joaquin basin of California for a non-operated working interest of 15% wherein the Company will pay 100% of Phase I assessment/development up to a maximum of \$2.5 million, with costs in excess of the maximum to be paid at 15%, towards the appraisal and development of the Kreyenhagen Field. This includes drilling, coring, testing and hydraulic fracturing of up to 4 wells as well as creating reservoir models and thermal simulations. Within 30 days of the completion of this initial phase, the Company has the option to enter Phase II and increase its working interest to 40% (non-operated) by committing up to an additional \$4 million, with costs in excess of this amount to be paid at 40%, towards a thermal steam pilot.

On July 20, 2013, the first well (K 2-33) of the Phase I program reached a total measured depth of 1,472 feet and was subsequently logged and cased. The well was directionally drilled up to a 48 degree angle and encountered close to 600 feet (measured depth) gross interval of the Temblor heavy oil formation.

On September 21, 2013, the second well (K 8-33) of the Phase I program was successfully drilled and reached a total measured depth of 1,590 feet and was subsequently logged and cased. The well was directionally drilled up to a 48 degree angle and preliminary analysis indicates that approximately 900 feet gross measured depth of the Temblor heavy oil formation was encountered.

Testing is ongoing on the K 2-33 well, with results in line with expected cold flow rates of oil and water.

On February 3, 2014, an amending agreement was executed that reduced the farm-in commitment for Phase I on the Kreyenhagen Heavy Oil Project in the San Joaquin Basin of California to \$1.8 million with a proportional reduction in the earned Working Interest from 15% to 13.5%. This amending agreement also confirmed that Petrodorado will not participate in a second farm-in phase which provided the option to earn additional rights or working interest. Petrodorado fulfilled the remaining portion of this \$1.8 million commitment in the days subsequent to this amendment as the necessary funds were allocated for the remaining budgeted work program for Phase I.

COMMITMENT SUMMARY UPDATE

A summary of the Company's estimated capital commitments (in millions of dollar) 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% | 1.5 | - | 3.6 | 5.1 |
| La Maye, Colombia ⁽⁴⁾ | 20.0% | 0.8 | - | - | 0.8 |
| San Jaoquin, California ⁽⁵⁾ | 15.0% | 0.6 | - | - | 0.6 |
| Total | | 2.9 | 20.2 | 3.6 | 26.7 |

- 1) Represents Petrodorado's 65% share of the ANH commitment to drill 1 exploration well required by the end of July 2015.
- 2) Petrodorado's commitment to acquire and process 512 km² 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 ANH commitment of the workover of the Loto-1 well in 2014 as well as 1 exploration well and a 205 km² 3D seismic program 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 and subject to ANH approval.
- 5) Petrodorado's commitment as at December 31, 2013, towards Phase I of the exploration program.

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.

DISCUSSION OF OPERATING RESULTS

Revenue

During the three months and year ended December 31, 2013, the Company generated no oil and gas revenues (nil and \$111,429 for the three months and year ended December 31, 2012, respectively). To date, all oil and gas revenue realized by the Company has been on account of oil and gas production from the ME-1 well of the Moriche Block. Oil and gas production was suspended during the three months ended March 31, 2012, due to required work-over maintenance, with production resuming in the second quarter of 2012. However, this well was shut-in during the third quarter of 2012 and remains shut-in. Overall 2012 revenue was the result of the sale of 1,020 barrels of oil at an average sales price of \$109 per barrel of oil. In Q1 2013, the Company relinquished its working interest in the ME-1 well as part of the sale of the Moriche Block by the operating partner, as previously discussed.

In addition, interest and other revenue on cash balances and short-term investments was \$109,912 and \$142,654 for the three months ended December 31, 2013 and 2012, respectively, and \$500,483 and \$596,795 for the years ended December 31, 2013 and 2012, respectively. Decreases in interest and other revenue is primarily due to the gradual reduction of the average short-term investment principal upon which interest revenue is generated as these invested funds are withdrawn and used in operating activities as well as exploration and evaluation capital expenditures.

| Revenue (\$) | Q4 2013 | Q4 2012 | Year 2013 | Year 2012 |
|-------------------------------------|----------------|----------------|------------------|------------------|
| Oil and gas sales, net of royalties | - | - | - | 111,429 |
| Interest and other | 109,912 | 142,654 | 500,483 | 596,795 |
| Total Revenue | 109,912 | 142,654 | 500,483 | 708,224 |

No production was realized from the ME-1 well for the three months and year ended December 31, 2013 (0 bbls and 1,020 bbls, net to Petrodorado, for the three months and year ended December 31, 2012, respectively). Production from the ME-1 well is shipped via truck and pipeline to oil storage facilities located on the northwest coast of Colombia, pending sales, which occur on an infrequent basis. As of December 4, 2011, production on the ME-1 well was suspended due to required work-over maintenance necessary in order to sustain production that would be economically feasible. As of April 17, 2012, the necessary maintenance had been completed and production of 131 bbl/d was being realized before being reduced in May 2012 due to issues with the surface equipment. Ultimately, this well was shut-in during the third quarter of 2012 and remains shut-in. Petrodorado subsequently relinquished its working interest in the ME-1 well in Q1 2013 (see previous discussion of Moriche Block sale above).

Operating Costs

During the three months and year ended December 31, 2013, the Company incurred nil in operating costs, while for the three months and year ended December 31, 2012, the Company incurred (\$6,469) and \$424,643, including transportation, in operating costs, respectively. Given the ME-1 well was shut-in during the third quarter of 2012, no operating costs have been incurred in 2013. While minimal production was realized in 2012, operating costs included work-over maintenance performed on the ME-1 well that were incurred in the first quarter of 2012 during which production had been suspended.

Impairment Loss

During the year ended December 31, 2013, no impairments were recognized by the Company.

During the year ended December 31, 2012, the Company recognized impairments relating to the Moriche cash generating unit ("CGU") of \$284,000. These impairments were the result of the difference between the period-end net book value of the Moriche CGU and the assessed recoverable amount at year end. The recoverable amount was determined based on fair value less costs to sell. Fair value measurements were derived based on market information for the Moriche CGU. Following completion of the write-down, the CGU had a carrying value of approximately \$3.6 million.

During the year ended December 31, 2012, the Company recognized impairments of \$18,735,892 in relation to exploration and evaluation costs incurred within an exploration area for which the exploration license had expired as of June 30, 2012. The Company has applied and is awaiting approval from the

Colombian government on an extension to the exploration license, but an official response from the Colombian government regarding the requested license extension has yet to be received. If the license extension is eventually received from the Colombia government, recovery of previously recorded impairments of these exploration and evaluation costs will be analyzed by management.

General and Administrative Expenses

General and administrative expenses (“G&A”) for the three months and year ended December 31, 2013, were \$2,010,637 and \$4,203,922, respectively (\$1,084,350 and \$2,821,617 for the three months and year ended December 31, 2012, respectively). The increase in G&A for the three months and year ended December 31, 2013, when compared to the same periods in December 31, 2012, is primarily due to an increase in overall professional fees incurred as well as wages & salaries paid in 2013. The increase in professional fees can be contributed to the commencement of operations in California as well as additional legal expenses incurred on account of the ongoing arbitration proceedings on the Talora Block. Severance payments accumulating to \$1.0 million are the primary reason for increases in wages & salaries during the 2013 year. Petrodorado budgeted \$4.0 million for G&A expenses for the 2013 year (\$4 million for the 2012 year). When excluding severance paid to exiting employees, management, and officers, G&A was \$3.2 million for the year ended December 31, 2013.

| General and Administrative Expenses (\$) | Q4 2013 | Q4 2012 | Year 2013 | Year 2012 |
|---|------------------|------------------|------------------|------------------|
| Professional Fees | 322,537 | 134,846 | 878,381 | 563,290 |
| Wages & Salaries | 1,244,275 | 285,771 | 2,258,696 | 1,076,753 |
| Fees, Rent, Investor Relations and Other | 443,825 | 663,733 | 1,066,845 | 1,181,574 |
| Total | 2,010,637 | 1,084,350 | 4,203,922 | 2,821,617 |

Finance Costs

During the three months and year ended December 31, 2013, the Company incurred \$18,742 and \$109,669, respectively, in finance costs due to the recording of accretion expense on provisions related to decommissioning obligations and equity tax payable (\$33,589 and \$161,540 for the three months and year ended December 31, 2012, respectively). The overall decrease in finance costs is due to the effect of less accretion being generated on outstanding equity tax payable balances as the principal of this balance is reduced by way of statutory payments realized periodically each year.

| Finance Costs (\$) | Q4 2013 | Q4 2012 | Year 2013 | Year 2012 |
|--|----------------|----------------|------------------|------------------|
| Accretion of decommissioning obligations | 6,142 | 5,655 | 24,413 | 19,840 |
| Accretion of equity tax payable | 12,600 | 27,934 | 85,256 | 141,700 |
| Total | 18,742 | 33,589 | 109,669 | 161,540 |

Foreign Exchange Loss (Gain)

The Company generated a foreign exchange gain of \$99,939 and \$3,047,380 for the three months and year ended December 31, 2013, and a foreign exchange gain of \$1,296,737 and a foreign exchange loss of \$1,712,837 for the comparative periods to December 31, 2012, respectively. The gain for the year ended December 31, 2013, is due to an increase in the value of the US dollar when compared to the

Canadian dollar and Colombian peso. Conversely, the loss that occurred for the year ended December 31, 2012 was due to an increase in the value of the Canadian dollar and Colombian peso relative to the US dollar.

Equity Tax Expense

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 is based on the Company's net worth in Colombia at January 1, 2011, and is payable in eight equal instalments between 2011 and 2014. The tax amount recognized is calculated by discounting the future instalment payments by the credit-adjusted risk-free rate of 8%. The accretion is expensed to finance costs as the discount unwinds as the liability approaches total payment. The Company made two payments for a total of \$761,990 during the year ended December 31, 2013.

Stock-Based Compensation

For the year ended December 31, 2013, the Company recorded stock-based compensation of \$487,356 (\$1,625,033 for the year ended to December 31, 2012), of which nil was capitalized in exploration and evaluation assets and property, plant and equipment (\$297,632 for the year ended to December 31, 2012).

The stock-based compensation arose due to a total of 10,980,000 and 30,000,000 options being granted during the year ended December 31, 2011 and 2010, respectively, 5,685,000 options being granted during the year ended December 31, 2012, and 4,000,000 options being granted during the year ended December 31, 2013. The decrease in stock-based compensation expense is primarily due to the fact that the majority of outstanding options were fully vested prior to the beginning of the 2013 year, resulting in a reduced stock-based compensation expense on account of the reduced amount of options still vesting.

On August 28, 2012, at the Company's annual general meeting, the resolution to re-price 13,980,000 outstanding options to acquire common shares with a price exceeding CDN \$0.25 per common share currently held by employees, non-director officers, and consultants, to a price of CDN \$0.25 per common share was approved by disinterested shareholders. All other terms for these options (vesting periods, expiry, etc.) were not modified as part of this re-pricing. As such, the amended options had a weighted average expiry term of 2.75 years as of the date of the re-pricing.

The overall weighted average incremental fair value granted on account of the re-pricing of the 13,980,000 options was measured using the Black-Scholes option pricing model to estimate the incremental increase in fair value of these options due to the modification of exercise price. Overall, the weighted average fair value calculated for these re-priced options as of the measurement date of August 28, 2012, was CDN \$0.089. This fair value was calculated based on the weighted average assumptions of a share price of CDN \$0.19, an exercise price of CDN \$0.25, expected stock price volatility of 87% (based on volatility of the historical share price to date), risk-free interest rate of 1.18%, expected dividend yield of 0%, and an expected option life of 2.75 years. The incremental fair value granted was computed based on the difference in the modified exercise price (from a weighted average of \$0.49 per option to \$0.25 per option) while using the same weighted average assumptions that existed as previously mentioned. The resulting weighted average incremental fair value granted on account of this re-pricing was \$0.0275 per option, which computed to \$385,972 of additional stock-based compensation, \$232,982 being expensed and \$152,990 being capitalized.

Stock-based compensation on options granted during the year ended December 31, 2013, was calculated using the Black-Scholes pricing model using a risk free rate of 2.10%, volatility of 96%, an expected life of five years, a forfeiture rate of 10% and a zero dividend yield. The resulting fair value of options granted were CDN\$0.032.

| Stock-Based Compensation (\$) | Year 2013 | Year 2012 |
|---------------------------------------|------------------|------------------|
| Expensed | 487,356 | 1,327,401 |
| Capitalized | - | 297,632 |
| Total (to Contributed Surplus) | 487,356 | 1,625,033 |

Depletion and Depreciation

For the three months and year ended December 31, 2013, the Company recorded depletion and depreciation expense of \$22,127 and \$92,357, respectively (\$10,512 and \$174,337 for the comparative periods to December 31, 2012). Expenses recorded in each of these time periods consist of depreciation of general fixed assets held by the Company and depletion of oil and gas properties. The decrease in the year ended December 31, 2013, depletion when compared to the year ended December 31, 2012, depletion was primarily due to the overall decrease in oil production (nil bbls in 2013, 1,020 bbls in 2012) with no inventory on hand in 2013 or 2012. Depletion is calculated on developed properties of the Moriche Block in Colombia for 2013 and 2012 based on oil and gas production from estimated oil and gas reserves.

Net Loss and Comprehensive Loss

For the three months and year ended December 31, 2013, the Company generated net losses of \$1,973,910 and \$1,345,441, respectively (net losses of \$19,096,885 and \$20,181,393 for comparative periods to December 31, 2012), and comprehensive income of \$1,085,555 and comprehensive losses of \$5,928,351, respectively (comprehensive losses of \$20,459,040 and \$17,657,062 for the same periods to December 31, 2012).

The decrease in the loss for the three months ended December 31, 2013, when compared to the prior period is primarily on account of the impairment of \$18,735,892 on exploration and evaluation assets and \$284,000 on oil and gas properties recognized in Q4 2012 (nil in Q4 2013). Offsetting factors to the decreased loss between the comparative periods are the noticeably higher general and administrative expenses (on account of severance payments realized in Q4 2013) as well as the difference in foreign exchange results for these comparative quarters (foreign exchange gain of \$1,296,737 in Q4 2012, smaller foreign exchange gain in Q4 2013 of \$99,939).

The decrease in loss in the year ended December 31, 2013 when compared to the prior period is due to similar factors that affected the comparative Q4 periods (large impairment loss in 2012 with the offsetting factor of noticeably larger general and administrative expenses in 2013). An additional factor that somewhat offsets the large impairment loss in 2012 is the \$4.8 million gain on divestiture of the Peru assets. However, foreign exchange differences also contribute to the greater loss in 2012 due to the contrasting foreign exchange loss in 2012 and foreign exchange gain in 2013. Each is on account of opposing movements in the strength of the US dollar when compared to the Canadian dollar and Colombian peso (strengthening in the 2013 year, weakening in the 2012 year).

Funds used in Operations

For the three months and year ended December 31, 2013, the Company used funds in operations of \$1,960,427 and \$4,487,904, respectively (funds used in operations of \$643,004 and \$3,214,685 for the comparative periods to December 31, 2012). The increase in funds used in operations relates primarily to the increase in general and administrative expenses in 2013, more specifically to the one-time severance payments to exiting employees and officers of the Company as discussed previously.

Employee Resignations

On October 21, 2013, Mr. Krishna Vathyam, President and CEO, resigned from the Company and relinquished his position as a Director. On October 25, 2013, Mr. Emir Arzola, Chief Reservoir Manager, Mr. Max Rolla, Vice President of Exploration, also resigned from the Company. One-time severance payments to these individuals were realized during the fourth quarter of 2013 for approximately \$1.0 million.

These individuals held 17,750,000 options to acquire common shares of which 5,250,000 expired in November 2013 and the remaining 12,500,000 expired in January 2014.

Arbitration Proceedings

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 Farmout Agreement dated October 16, 2011, ("Agreement") to further the exploration and development of the Talora Block. The JV partner contends 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.

With the drilling of the Verdal-2X well, the Company has received formal communication from the ANH that it has maintained the block in good standing. Petrodorado, therefore, believes that the underlying basis for the arbitration action commenced by the JV partner has been significantly reduced to certain well costs that may be disputed from previous operations. On December 20, 2013, Petrodorado submitted its response to the action asserting the Company's position that the well costs were properly incurred and that no amounts are owing to the JV partner. The final resolution of this matter and potential costs, if any, is indeterminable; however, under no circumstances are they anticipated to exceed \$2.1 million. Moreover, Petrodorado has issued a counterclaim of \$2.6 million for the JV partner's unpaid share of the costs related to the drilling of the Verdal-2X well.

The Company intends to vigorously defend itself with respect to this arbitration action and Management believes it is probable that they will be successful in their defense. Management views this action to be without merit and, as such, cannot reliably measure the exposure to the Company at this time. However, Management believes that any amount incurred on account of this action will be negligible.

CAPITAL EXPENDITURES

For the years ended December 31, 2013 and 2012, the Company spent \$14.4 million and \$18.9 million, respectively, in exploration and evaluation capital expenditures.

For the expenditures in the year ended December 31, 2013, the Company spent \$6.2 million in CPO-5 on the drilling of the Loto-1X well. In the Talora Block, the Company executed the abandonment of the Dorados-1X well and the drilling program with the Verdal-2X well for \$5.0 million. The Company also performed environmental and security work in preparation of the planned seismic program for \$0.7 million in Tacacho, remediation work for \$0.2 million in La Maye, and continued with the Phase I drilling program for \$1.4 million as well as the initial farm-in payment of \$0.5 million in California.

For the year ended December 31, 2013, the Company capitalized \$438,108 of general and administrative expenses (December 31, 2012 - \$409,862) and nil of stock-based compensation (December 31, 2012 - \$297,632) to exploration and evaluation assets. As at December 31, 2013, exploration and evaluation assets include \$2.4 million (December 31, 2011 - \$2.2 million) in capitalized Value-Added Tax. The Company does not hold any tangible exploration assets.

For capital expenditures in property, plant and equipment, the Company spent nil and \$71,000 for the years ended December 31, 2013 and 2012, respectively.

LIQUIDITY AND CAPITAL RESOURCES

The Company is pursuing a strategy of focusing on its high impact Colombian exploration blocks, with emphasis on the CPO-5 Block. This will include the execution of the previously outlined drilling and testing programs in the CPO-5 Block, the acquisition of over 400 km² of 3D seismic in the northwestern region of the CPO-5 Block, the abandonment of the Kamal-1X well in the CPO-5 Block, and the initiation of a seismic acquisition program in the La Maye Block through a fully funded budget of approximately \$16.2 million for the 2014 year. Included within this plan are amounts required to meet 2014 contractual commitments as outlined in the "Commitment Summary" section.

Letters of credit have been issued through a Colombian bank to the ANH with respect to the Phase I and Phase II exploration obligations on the Talora Block. A \$300,000 letter of credit for Phase I obligations was issued to the ANH on May 20, 2011, and is secured by a \$312,915 term deposit made at the Colombian bank. Similarly, 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.

On December 21, 2010, a \$3.0 million letter of credit was issued through a Colombian bank to the ANH in respect to the Phase I drilling obligations on the CPO-5 Block. This letter of credit is secured by a \$3,121,535 term deposit made at the Colombian bank. Additionally, on July 8, 2013, a \$1,850,000 letter of credit was issued through a Colombian bank to the ANH in 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.

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 operating partner in the Tacacho Block. This letter of credit is secured by a \$425,610 term deposit made at the Colombian bank.

The Company's oil and gas interests are in the early production stage and the Company has only determined whether its petroleum and natural gas properties contain reserves that are economically recoverable on one of its blocks to date, namely Moriche, which has since been conditionally sold. 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 on the remaining blocks, 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 and then achieve future profitable production. The outcome of these matters cannot be predicted with certainty at this time.

The Company's approach to managing liquidity is to ensure a balance between capital expenditure requirements and cash provided by operations and working capital. As at December 31, 2013, the Company had working capital of \$15.5 million (down from \$24.0 million at December 31, 2012) comprised primarily of short term investments. This balance includes a \$2.2 million dollar payable from the Moriche conditional sale, which would be negated upon final assignment of ownership. The decrease in working capital is primarily due to funds used in operating activities as well as exploration and evaluation capital expenditures. As at December 31, 2013, the Company also had \$7.6 million of non-current restricted cash, of which the Company believe \$4.7 million could be made available in the 2014 year, but is dependent on organizations outside the control of the Company. As such, the current budget forecast of \$16.2 million in exploration and development expenditures on Petrodorado's oil and gas properties and \$4.0 million in general corporate expenses for the 2014 year is anticipated to be funded by the Company's total capital resources of \$15.5 million in working capital and \$4.7 million of restricted cash which should become available, however is subject to third party action and therefore the timing cannot be guaranteed with certainty. The Company has outlined a budget for 2014 that does not include the seismic acquisition in the Tacacho Block. The operator has informed the Company that operations in the Tacacho Block are not proceeding forward at this time for security reasons. Therefore, the timeline of this activity is not currently known.

While the Company believes it has sufficient capital resources to fully fund the planned 2014 exploration and development budget of \$16.2 million and general corporate expenses of \$4.0 million, its 2014 activities will expend all available resources. While the Company is confident that the expenditures of these resources will translate into positive cash flows and reserves, particularly as relates to the CPO-5 Block, there is a considerable degree of uncertainty as to success and ultimate outcome. In addition, the Company is exposed to other commitments on other blocks where they are a non-operating partner and, hence, do not completely control the timing of expenditures. In particular, Tacacho carries a significant capital commitment of \$18.2 million which is anticipated, based on the area being unsecure, to not occur until 2015; however there is no certainty as to this timing, which may occur sooner. The Company continues to explore all of its strategic alternatives to provide necessary resources; however, there is no certainty these will be available when necessary.

As such, the 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.

Management believes that the going concern assumption is appropriate for the financial statements as they believe that the Company will be able to meet or discharge existing exploration commitments and budgeted expenditures 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, however, no guarantee that the Company will be

successful in these endeavors. Should the going concern assumption not be appropriate and the Company is not able to realize its assets and settle its liabilities, the financial statements would require adjustments to the amounts and classifications of assets and liabilities and these adjustments could be significant.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The carrying values of the Company's financial instruments, consisting of cash and cash equivalents, short-term investments, restricted cash, accounts receivable, and accounts payable and accrued liabilities, approximate their fair values due to the short-term maturity of such instruments. The equity tax payable balance was recorded at discounted value, due to its long term maturity, which represents its fair value at such date. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

SHAREHOLDERS' EQUITY

Common shares

At December 31, 2013, 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 December 31, 2013, were 482,547,066 (December 31, 2012 - 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, officers, employees and consultants at the discretion of the Board of Directors. The number of options that can be granted is limited to 10% of the total shares issued and outstanding. A summary of the changes in stock options is presented below:

| | Number of options | Weighted average exercise price (CDN\$) |
|---------------------------------------|-------------------|--|
| Balance, January 1, 2012 | 37,980,000 | \$ 0.45 |
| Options issued | 5,685,000 | 0.20 |
| Expired options | (666,667) | 0.73 |
| Forfeitures | (1,333,333) | 0.55 |
| Stock options amended (old price) | (13,980,000) | 0.49 |
| Stock options amended (new price) | 13,980,000 | 0.25 |
| Balance, December 31, 2012 | 41,665,000 | \$ 0.33 |
| Options issued | 4,000,000 | \$ 0.10 |
| Expired options | (6,000,000) | \$ 0.23 |
| Balance, December 31, 2013 | 39,665,000 | \$ 0.32 |
| Exercisable, December 31, 2013 | 34,170,000 | \$ 0.35 |

On September 9, 2013, the Company granted 4,000,000 options to acquire common shares to a new executive, at a price of CDN \$0.10 per common share. The options are for a five year term, expiring on September 9, 2018, and vest one-third on the first anniversary date, one-third on the second anniversary date and one-third on the third anniversary date from the date of grant. Of the options previously granted to exiting officers and employees, 750,000 expired on August 4, 2013, 5,250,000 expired in November 2013, and 12,500,000 expired in January 2014.

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.

| | Common Shares | Stock Options |
|-----------------------------|---------------|---------------|
| As at April 25, 2014 | 482,547,066 | 48,240,000 |

ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

On January 1, 2013, the Company adopted new standards with respect to IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements”, IFRS 12 “Disclosure of Interests in Other Entities”, IFRS 13 “Fair Value Measurement”, and complied with amended disclosure requirements as found in IFRS 7 “Financial Instrument: Disclosures”. The adoption of these standards had no impact on the amounts recorded for the periods presented in the associated interim condensed consolidated financial statements for the year ended December 31, 2013.

IFRS 9 “Financial Instruments” (“IFRS 9”) will replace IAS 39 “Financial Instruments: Recognition and Measurement” (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

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 Company is currently evaluating the impact of adopting this new standard.

USE OF ESTIMATES AND JUDGMENTS

The timely preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and income and expenses. Accordingly, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant estimates and judgments made by management in the preparation of these financial statements are outlined below.

Critical judgments in applying accounting policies

The following are the critical judgments that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in these consolidated financial statements:

i) Identification of cash-generating units

The Company's assets are aggregated into cash-generating units, for the purpose of calculating impairment, based on their ability to generate largely independent cash flows. By their nature, these estimates and assumptions are subject to measurement uncertainty and may impact the carrying value of the Company's assets in future periods.

ii) Impairment of property, plant and equipment and exploration and evaluation assets

Judgments are required to assess when impairment indicators, or reversal indicators, exist and impairment testing is required. In determining the recoverable amount of assets, in the absence of quoted market prices, impairment tests are based on estimates of reserves, production rates, future oil and natural gas prices, future costs, discount rates, market value of land and other relevant assumptions.

iii) Exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation assets requires management to make certain judgments as to future events and circumstances as to whether economic quantities of reserves have been found in assessing economic and technical feasibility.

iv) Income taxes

Judgments are made by management to determine the likelihood of whether deferred income tax assets at the end of the reporting period will be realized from future taxable earnings. To the extent that assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in profit or loss in the period in which the change occurs.

Key sources of estimation uncertainty

The following are the key assumptions concerning the sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing adjustments to the carrying amounts of assets and liabilities.

i) Reserves

The assessment of reported recoverable quantities of proved and probable reserves include estimates regarding production profile, commodity prices, exchange rates, remediation costs, timing and amount of future development costs, and production, transportation and marketing costs for future cash flows. It also requires interpretation of geological and geophysical models in anticipated recoveries. The economical, geological and technical factors used to estimate reserves may change from period to period. Changes in reported reserves can impact the carrying values of the Company's petroleum and natural gas properties and equipment, the calculation of depletion and depreciation, the provision for decommissioning obligations, and the recognition of deferred tax assets due to changes in expected future cash flows.

The Company's petroleum and natural gas reserves represent the estimated quantities of petroleum, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be economically recoverable in future years from known reservoirs and which are considered commercially producible. Such reserves may be considered commercially producible if management has the intention of developing and producing them and such intention is based upon (i) a reasonable assessment of the future economics of such production; (ii) a reasonable expectation that there is a market for all or substantially all the expected petroleum and natural gas production; and (iii) evidence that the necessary production, transmission and transportation facilities are available or can be made available. Reserves may only be considered proven and probable if the ability to produce is supported by either actual production or conclusive formation tests. The Company's petroleum and gas reserves are determined pursuant to National Instrument 51-101, Standard of Disclosures for Oil and Gas Activities.

ii) Decommissioning obligations

The Company estimates future remediation costs of production facilities, wells and pipelines at different stages of development and construction of assets or facilities. In most instances, removal of assets occurs many years into the future. This requires assumptions regarding abandonment date, future environmental and regulatory legislation, the extent of reclamation activities, the engineering methodology for estimating cost, future removal technologies in determining the removal cost and liability-specific discount rates to determine the present value of these cash flows.

iii) Business combinations

In a business combination, management makes estimates of the fair value of assets acquired and liabilities assumed which includes assessing the value of oil and gas properties based upon the estimation of recoverable quantities of proven and probable reserves being acquired.

iv) Share-based payments

All equity-settled, share-based awards issued by the Company are recorded at fair value using the Black-Scholes option-pricing model. In assessing the fair value of equity-based compensation, estimates have to be made regarding the expected volatility in share price, option life, dividend yield, risk-free rate and estimated forfeitures at the initial grant date.

v) Tax provisions

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in profit or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods. Deferred tax assets (if any) are recognized only to the

extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse.

PRINCIPAL BUSINESS RISKS

The Company's business and results of operations are subject to a number of risks and uncertainties which are outlined under the heading "Risk Factors" in the Annual Information Form for the year ended December 31, 2013 and also including, but not limited to the following:

Crude Oil and Natural Gas Development

Exploration, development, production of oil and natural gas involves a wide variety of risks which include but are not limited to the uncertainty of finding oil and gas in commercial quantities, securing markets, commodity price fluctuations, exchange and interest rate exposure and changes to government regulations, including regulations relating to prices, taxes, royalties and environmental protection. The oil and gas industry is intensely competitive and the Company competes with a large number of companies with greater resources.

The Company's ability to obtain reserves in the future will depend not only on its ability to develop its current properties but also on its ability to acquire new prospects and producing properties. The acquisition, exploration and development of new properties also require that sufficient capital from outside sources will be available to the Company in a timely manner. The availability of equity or debt financing is affected by many factors many of which are beyond the control of the Company.

Foreign Operations

There are a number of risks associated with conducting foreign operations over which the Company has no control, including political instability, potential and actual civil disturbances, ability to repatriate funds, changes in laws affecting foreign ownership and existing contracts, environmental regulations, oil and gas prices, production regulations, royalty rates, income tax law changes, potential expropriation of property without fair compensation and restriction on exports.

Addition of Reserves and Resources

The Company's future crude oil and natural gas reserves, production, and cash flows to be derived therefrom are highly dependent on the Company successfully discovering and developing or acquiring new reserves and resources. The addition of new reserves and resources will depend not only on the Company's ability to explore and develop properties but also, in the case of reserves, on its ability to select and acquire suitable producing properties or prospects. There can be no assurance that the Company's exploration, development or acquisition efforts will result in the discovery and development of commercial accumulations of oil and natural gas.

Reserve Estimates

There are numerous uncertainties inherent in estimating quantities of reserves, including many factors beyond the control of the Company. Estimates of reserves depend in large part upon the reliability of available geological and engineering data and require certain assumptions to be made in order to assign

reserve volumes. Geological and engineering data is used to determine the probability that a reservoir of oil and/or natural gas exists at a particular location, and whether, and to what extent, such hydrocarbons are recoverable from the reservoir. Accordingly, the ultimate reserves discovered by the Company may be significantly less than the total estimates.

Exploration Risks

The exploration of the Company's properties may from time to time involve a high degree of risk that no production will be obtained or that the production obtained will be insufficient to recover drilling and completion costs. The costs of seismic operations and drilling, completing and operating wells are uncertain to a degree. Cost overruns can adversely affect the economics of the Company's exploration programs and projects. In addition, the Company's seismic operations and drilling plans may be curtailed, delayed or cancelled as a result of numerous factors, including, among others, equipment failures, weather or adverse climate conditions, shortages or delays in obtaining qualified personnel, shortages or delays in the delivery of or access to equipment, necessary governmental, regulatory or other third party approvals and compliance with regulatory requirements.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

This MD&A offers our assessment of the Company's future plans and operations as of April 25, 2014, and may contain forward-looking information. All statements other than statements of historical fact are forward-looking statements. Such information is generally identified by the use of words such as "anticipate", "continue", "estimate", "expect", "may", "plan", "will", "project", "should", "believe" and similar expressions. Statements relating to "reserves" or "resources" are also forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and that the resources and reserves described can be profitably produced in the future. All such statements involve known and unknown risks, uncertainties and assumptions.

Management believes that the expectations reflected in the forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct. Such forward-looking information included in this MD&A should not be unduly relied upon as the plans, assumptions, intentions or expectations upon which it is based may not occur. Actual results or events may vary from the forward-looking information.

In particular, this MD&A may contain forward-looking information pertaining to the following:

- the resource potential of the Company's assets,
- the Company's growth strategy and opportunities,
- performance characteristics of the Company's oil properties and estimated capital commitments and probability of success,
- crude oil production and recovery estimates and targets,
- the existence and size of the oil reserves and resources,
- the Company's drilling plans,
- capital expenditure programs and estimates, including the timing of activity,
- the Company's plans for, and results of, exploration and development activities,

- projections of market prices and costs,
- the supply and demand for oil,
- expectations regarding the ability to raise equity and debt capital on acceptable terms and to add continually to reserves through acquisitions and development, including the ability to negotiate and complete the agreements contemplated in this MD&A,
- the timing for receipt of regulatory approvals, including ANH approvals, and
- treatment of the Company under governmental regulatory regimes and tax laws.

The purpose of providing any financial outlook in this MD&A is to illustrate how the business of the Company might develop without the benefit of specific historical financial information. Readers are cautioned that this information may not be appropriate for other purposes.

The forward looking information herein is based on certain assumptions and analysis by the management of the Company in light of its experience and perception of historical trends, current conditions and expected future developments and other factors that it believes are appropriate and reasonable under the circumstances. The forward looking information herein is based on a number of assumptions, including but not limited to:

- the availability on acceptable terms of funds for capital expenditures,
- the availability in a cost-efficient manner of equipment and qualified personnel when required,
- continuing favourable relations with Latin American governmental agencies,
- continuing strong demand for oil,
- the stability of the regulatory framework governing royalties, taxes and environmental matters in Colombia and any other jurisdiction in which the Company may conduct its business in the future,
- the Company's future ability to market production of oil successfully to customers,
- the Company's future production levels and oil prices,
- the applicability of technologies for recovery and production of the Company's oil reserves,
- the existence and recoverability of any oil reserves,
- geological and engineering estimates in respect of the Company's resources and reserves,
- the geography of the areas in which the Company is exploring, and
- the impact of increasing competition on the Company.

The actual results, performance and achievements of the Company could differ materially from those anticipated in these forward-looking statements as a result of the risks and uncertainties set forth elsewhere in the MD&A and the following risks and uncertainties:

- global financial conditions,
- general economic, market and business conditions,
- volatility in market prices for oil and natural gas, the stock market, foreign exchange and interest rates,
- risks inherent in oil and gas operations, exploration, development and production,
- risks inherent in the Company's international operations, including security, political, sovereignty and legal risks in Colombia,
- the failure by counterparties to make payments or perform their operational or other obligations to the Company in compliance with the terms of contractual arrangements between the Company and such counterparties,
- risks related to the timing of completion of the Company's projects and plans,

- uncertainties associated with estimating oil and natural gas reserves and resources,
- competition for, among other things, capital, acquisitions of resources, undeveloped lands and skilled personnel,
- the Company's ability to hold existing leases through drilling or lease extensions or otherwise,
- incorrect assessments of the value of acquisitions or title to properties,
- the failure of the Company or the holder of certain licenses or leases to meet specific requirements of such licenses or leases,
- claims made in respect of the Company's properties or assets,
- geological, technical, drilling and processing problems, including the availability of equipment and access to properties,
- environmental risks and hazards,
- failure to estimate accurately abandonment and reclamation costs,
- the inaccuracy of third parties' reviews, reports and projections,
- rising costs of labour and equipment,
- the failure to engage or retain key personnel,
- changes in income tax laws or changes in tax laws and incentive programs relating to the oil and gas industry, and
- the other factors discussed under "Principal Business Risks" in this MD&A.

Readers are cautioned that the foregoing lists of assumptions, risks and uncertainties are not exhaustive. The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement. The forward-looking information speaks only as of the date of this MD&A, and the Company does not undertake any obligation to publicly update or revise any forward-looking information except as required by applicable securities laws.

Disclaimer language for Analogous Information

Analogous Information: Certain information contained herein is considered "analogous information" as defined in National Instrument 51-101 - Standards of Disclosure of Oil and Gas Activities ("NI 51-101"). Such analogous information has not been prepared in accordance with NI 51-101 and the Canadian Oil and Gas Evaluation Handbook. In particular, this document notes specific analogous oil discoveries and corresponding details of said discoveries in the Guataquia, Corcel, and Cabretero areas and makes certain assumptions about the CPO-5 Block as a result of such analogous information and potential recovery rates in CPO-5 as a result thereof. Such information is based on public data and information recently obtained from the public disclosure of other issuers who are active in the area, and the Company has no way of verifying the accuracy of such information and cannot determine whether the source of the information is independent. Such information has been presented to help demonstrate that hydrocarbons may be present in commercially recoverable quantities in the Company's area of interest. There is no certainty that such results will be achieved by the Company and such information should not be construed as an estimate of future reserves or resources or future production levels.

KEY FINANCIAL RESULTS

The following table summarizes Petrodorado's key financial results over the past three years:

| | Year 2013 | Year 2012 | Year 2011 |
|------------------------------------|-------------|--------------|-------------|
| Oil and gas revenue | - | 111,429 | 3,740,806 |
| Total revenue | 500,483 | 708,224 | 4,164,541 |
| Total loss | (1,345,441) | (20,181,393) | (8,746,508) |
| Loss per share - basic and diluted | (0.00) | (0.04) | (0.02) |
| Working capital | 15,479,607 | 38,033,211 | 35,835,451 |
| Total assets | 97,192,210 | 111,376,288 | 117,484,383 |
| Total non-current liabilities | 949,009 | 1,492,060 | 1,870,515 |

Petrodorado's oil and gas revenue, cash provided by (used in) operations, funds used in operations and net income are all impacted by oil production levels. As the Company is still primarily in the exploratory phase for the majority of its oil and gas prospects, oil and gas production only commenced in 2010 and was shut-in in 2012. Primary operating and general and administrative expenses within the Company have remained relatively consistent over the 2011, 2012, and 2013 years, as further discussed below.

SELECTED QUARTERLY INFORMATION

The following table sets out selected unaudited quarterly financial information of Petrodorado and is derived from unaudited quarterly financial data prepared by management in accordance with IFRS.

| | Q4 2013 | Q3 2013 | Q2 2013 | Q1 2013 |
|--|----------------|-------------|-------------|-------------|
| Total revenue | \$ 109,912 | \$ 124,003 | \$ 127,105 | \$ 139,463 |
| Net income (loss) | \$ (1,973,910) | (2,621,360) | 2,173,323 | 1,076,506 |
| Comprehensive income (loss) | \$ (2,739,650) | (234,691) | (1,663,468) | (1,290,542) |
| Net income (loss) per share (basic & diluted) | (0.00) | (0.01) | 0.00 | 0.00 |

| | Q4 2012 | Q3 2012 | Q2 2012 | Q1 2012 |
|--|--------------|------------|-------------|-------------|
| Total revenue | \$ 142,654 | \$ 140,006 | \$ 217,194 | \$ 208,370 |
| Net income (loss) | (19,096,885) | 1,040,883 | 486,532 | (2,611,923) |
| Comprehensive income (loss) | (20,459,040) | 5,177,759 | (1,832,773) | (543,008) |
| Net income (loss) per share (basic & diluted) | (0.04) | 0.00 | 0.00 | (0.01) |

Revenue recorded is primarily based on the timing of oil and gas sales. Oil and gas sales were not realized in Q1 2012 given there was no oil and gas production in the quarter. In Q2 2012, the Company generated oil and gas revenues (net of royalties) of \$111,429 as a result of the sale of 1,020 barrels of oil at an average sales price of \$109 per barrel. Oil and gas sales were not realized in quarters subsequent to Q2

2012 given there was no oil and gas production in these quarters. Overall, the decrease in 2012 quarterly oil and gas revenue was due to the significant reduction of oil production from the Company's only producing well (ME-1), which was and remains shut-in as of Q3 2012. In Q1 2013, the Company relinquished its working interest in the ME-1 well as part of the sale of the Moriche Block by the operating partner, as previously discussed.

Fluctuations in quarter-to-quarter net income (loss) are primarily on account of varying foreign exchange rates with resulting foreign exchange gains/losses recorded, as well as the timing of oil and gas sales throughout the fiscal year (see previous paragraph). In Q1 2012, the continued weakening of the US dollar resulted in further foreign exchange loss of \$1,493,155. In contrast, the US dollar strengthened significantly in Q2 2012, resulting in a foreign exchange gain of \$1,503,052 for the quarter. In Q3 2012, a return to a weakening US dollar resulted in a foreign exchange loss of \$3,019,471, only being offset by the recorded gain of \$4,752,650 due to the divestiture of Peru assets. Q4 2012 experienced a foreign exchange gain of \$1,296,737 as the US dollar strengthened marginally against the Canadian dollar and had no significant change in strength when compared to the Colombian peso. Furthermore, impairment losses of \$19,019,892 (\$18,735,892 of exploration and evaluation assets and \$284,000 of property, plant and equipment) were also recognized in Q4 2012, contributing to the overall loss in the quarter. In Q1 2013, a foreign exchange gain of \$1,704,565 was realized as an improvement in the strength of the US dollar was experienced against the Canadian dollar and Colombian peso. Continued increase in the strength of the US dollar resulted in a further \$3,095,634 foreign exchange gain in Q2 2013. However, a \$1,852,758 foreign exchange loss in Q3 2013 occurred as a decrease in the strength of the US dollar against the Canadian dollar and Colombian peso was realized. In Q4 2013, effects of foreign exchange fluctuations were minimal on account of management's prospective treatment of intercompany loans as permanent in nature, which balances were previously the main source of resulting foreign exchange gains/losses in subsidiaries of opposing functional currencies and of cumulative translation adjustments recognized in other comprehensive income (loss) on account of the translation of financial balances and transactional results of entities with a functional currency that is distinct from the Company's presentation currency.

OUTLOOK

The Company is currently working on the 2014 capital program and budget, which is expected to be released in the near future. This budget is contingent on the outcome of current events, such as the analysis of the CPO-5 Block, including the remediation of the primary cement job at the Loto-1X well. Meanwhile, the capital program for 2014 has been set at \$16.2 million, which will be funded from capital resources within the Company. This budget includes the following:

- Acquire and evaluate 3D seismic data on the CPO-5 Block, which is on trend with 10 new discoveries
- Drill a new Loto production well from the existing Loto platform
- Resume activity on the La Maye Block and work with partners to re-start the exploration program, beginning with a seismic acquisition campaign
- Implement a monetization plan for the Kreyenhagen heavy oil asset in California once identified
- While the 2014 capital program and budget does not include those exploration activities within the Tacacho Block previously outlined, these activities may still occur if the area is declared secure.