

PETRODORADO ENERGY LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2014

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, 2014, as compared to 2013, 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, 2014 and 2013, 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, 2014, 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 29, 2015.

NON-IFRS MEASURES

Funds used in operations include all cash used in 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, 2014 and 2013, are as follows:

Funds from operations (\$)	Q4 2014	Q4 2013	Year 2014	Year 2013
Cash used in operating activities	530,113	1,280,274	4,205,225	4,149,058
Change in non-cash working capital	64,398	680,153	(492,982)	338,846
Funds used in operations	594,511	1,960,427	3,712,243	4,487,904

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. The Company exited Peru and Paraguay in 2012 in order to provide more investment focus on its core properties in Colombia.

SHARE CONSOLIDATION

On November 27, 2014, the Company received final approval from the TSX Venture Exchange, and filed Articles of Amendment in the days that followed, to perform a consolidation of the issued and outstanding common shares of the Company (the "Consolidation") on a basis of ten 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 twenty 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 July 25, 2014. Effective at the opening of trading on December 1, 2014, 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 ten for one Consolidation.

LIQUIDITY AND CAPITAL RESOURCES

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, 2014, the Company had working capital of \$12.4 million (down from \$15.5 million at December 31, 2013) comprised primarily of short term investments. This balance includes a \$3.0 million 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, partially offset by the reclassification of certain balances of restricted cash from non-current to current on account of the release of term deposits by the ANH and the release of the funds held in an escrow account with the operating partner of the La Maye Block (further details below). As at December 31, 2014, the Company also had \$2.6 million of non-current restricted cash.

In light of the significant decline in the global oil price environment which became more evident by December 2014, the Board of Directors commenced an evaluation of the short and long-term outlook of the Company. In January 2015, with existing market conditions prevalent, a new mandate was put forth by the Board of Directors to management to perform a cautious re-assessment of the Company's strategy going forward. This included the analysis of all opportunities available to the Company, including strategic dispositions, farm-outs or other monetizing transactions with third parties to eliminate and/or reduce the cash outflow budgeted and committed to occur on the Company's exploration blocks. While the Company may attempt to eliminate all budgeted exploration and development plans, there are still several committed exploration and development expenditures that are well in excess of current capital available to the Company of \$12.4 million in working capital and that may require additional financial resources in order to fully finance all of these operational activities.

While the Company has sufficient capital resources to fund short-term capital and general corporate expenditures, capital commitments that could potentially be realized in 2015 present the possibility of exhausting all remaining available resources. While the Company is confident that its current oil and gas portfolio will result in the improvement of the Company's current financial state as management

continues to evaluate all existing exploration operations as well as all other available opportunities during this period of strategic review, there is a considerable degree of uncertainty as to the ultimate outcome. In addition, the Company continues to be exposed to exploration commitments on 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 \$18.8 million which is anticipated, based on the area being unsecure, to not occur in the foreseeable future; however there is no certainty as to this timing. The Company continues to explore all of its strategic alternatives to provide financial stability and optimal growth opportunities; however, there is no assurance regarding the future success of the Company given the uncertainties regarding existing financial commitments and the volatile global oil prices.

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.

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

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

A further \$403,920 letter of credit was issued through a Colombian bank on December 20, 2010 to the ANH to guarantee the Company's capital expenditure obligations with its partner, Pacific Rubiales Energy Corp., in the Tacacho Block. This letter of credit is secured by a \$425,610 term deposit made at the Colombian bank.

In the event of non-compliance with contractual arrangements, the ANH has the right to draw down on those amounts constituted within the before-mentioned letters of credit.

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.

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.

The decline in the global oil price environment and the Company's unsuccessful efforts to address the short-term exploration activities planned by the operator of the CPO-5 Block have resulted in a reduced probability of positive cash flows for the Company after capital expenditures by the CPO-5 operator. These consequential effects on projected operational cash flows necessary for the continued funding of the Company's exploration programs, and the resulting impact on the Company's ability and/or willingness to utilize remaining financial resources to carry forward with exploration activities within non-core properties, have caused management, under the direction of the Board of Directors, to perform a cautious re-assessment of the Company's going forward.

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 5,218 bopd of 23.2° API oil), and Cabretero (Kitaro discovery with 1,500 bopd of 32° API oil), all such figures being taken from public disclosure of other reporting issuers operating in the area.

During 2010, the Company, with its operating partner, completed the acquisition of 800 km² of 3D seismic in the southeast corner of the block and 240 lineal km of 2D seismic in the northwest area of the block. On the northwestern corner of the block, closer to the discoveries mentioned above, several prospects and leads were 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 drilling 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 bopd of 14° API with high water cut. This test confirmed oil production and mobility and a notice of discovery was filed with the ANH by the operator. However, rates were deemed non-commercial and the operator was directed to abandon the well by the ANH, which was done in mid-February 2014. A 3D seismic program is planned over the Kamal area to enhance 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 depth of 10,500 feet MD. This well targeted the Mirador, Guadalupe and Une sands. Petrophysical evaluation, supported by 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 high quality net pay of over approximately 65 feet. 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 from other layers into the perforated intervals. Despite this poor hydraulic isolation of the well, a co-mingled test of the three perforated intervals in the Mirador formation 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%. 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.

In Q2 2014, the operating partner of the block completed a remediation workover on the primary cement job of the Loto-1X well with the objective of achieving zonal isolation and lowering the water cut, thus improving well economics. This was followed by a re-test of the Lower and Middle Mirador sands as well as the testing of a new sand at the top of the Mirador formation. The newly tested Top Mirador sands produced 22° API oil over a four day test period, including an average pump-restricted rate of 453 bopd over the last 42 hours of the test with declining water cut that did not stabilize, dropping to 50%.

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 operating partner 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. The ANH has confirmed that the Phase II work commitment has been changed to 1 exploration well and a 205 km² 3D seismic program within the same 3 year time frame.

The operating partner's current work plan includes the acquisition, processing and interpretation of approximately 406 km² of 3D seismic in the northwest corner of CPO-5, which will cover the Loto and Kamal structures and several other leads identified with the existing sparse 2D seismic data, in order to guide development drilling at Loto and assess the exploration potential on this area of the block. The operating partner's work plan also includes two Loto appraisal wells to be drilled from the same well platform with the objective of realizing production from the Mirador formation with proper zone isolation.

The effects of declining global market prices and the Company's unsuccessful efforts to address the short-term exploration activities planned by the operator of the CPO-5 Block, resulting in a reduced probability of positive cash flows for the Company, have influenced the recent direction provided by the Board of Directors to perform a cautious re-assessment of the Company's strategy.

Tacacho Block

In January 2010, Petrodorado acquired a 49.5% working interest in the Tacacho Block within the prolific Putumayo area of Colombia, with two (2) large leads being 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 512 km of 2D seismic data as agreed to with the operating partner. 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. With security to support operations, the current estimated deadline for this activity is in 2015; however, if the region is not declared secure, the acquisition of the seismic data may occur later.

The Tacacho Block carries a significant commitment to perform a seismic program for which the Company does not deem practical to utilize its remaining financial resources to carry out. The Company will continue to evaluate all available options regarding the future of this block.

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 then 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 farm-out agreement allocating a 30% working interest to a new joint venture (“JV”) partner, decreasing Petrodorado’s overall working interest to 65%. The obligations of the farm-out were fully satisfied with the drilling of the Verdall-2X well. Petrodorado’s interest, held in a wholly owned subsidiary, has been approved by the ANH. On October 27, 2014, Petrodorado acquired an additional 5% interest from an exiting joint venture partner, increasing Petrodorado’s overall working interest to 70%. As consideration for the acquired interest, Petrodorado released the exiting joint venture partner from amounts owed to Petrodorado, as operator of the Talora Block, for ongoing block expenditures outstanding to date. The Talora Block consists of 58,905 acres (net 38,289 acres), after the first relinquishment, and is located 64 km 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 from further compositional analysis.

The exploratory well Dorados-1X was spudded on July 31, 2012, and reached a total depth of 7,282 feet MD, 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. However, an exceptionally thick Cretaceous-Cenomanian sand of 1,850 feet gross was found that had not been previously identified or reported in this basin. Despite encountering what appeared to be a gas and oil column, with a possible basal water contact, the testing did not produce hydrocarbons to surface.

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, the Verdalen-2X well was spud on November 17, 2013 and successfully reached a true vertical depth of 5,000 feet on November 28, 2013, fulfilling the stipulated ANH evaluation commitment of one well within the Verdalen structure. On April 21, 2014, the Company received a letter from the ANH stating that all existing evaluation program commitments had 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 Petrodorado has officially entered into Phase II of the Post Exploration Program. In Phase II, the Talora partners have committed to one additional exploration well by July 30, 2015.

While Petrodorado is still interested in various exploration opportunities in the Talora block, including the possibility to drill the Verdalen-2X well deeper in order to test the Tetuan formation, the continued evaluation and development of the Verdalen field, and continued exploration efforts in the Dorados exploration area, the Company is currently evaluating all available strategic alternatives that would allow for the advancement of the Talora project while not compromising Petrodorado's ability to finance other exploration prospects in the future.

La Maye Block

Petrodorado has an undivided 20% beneficial working interest in an exploration and production contract for 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 with the operating partner of the block. Draws were to be authorized by Petrodorado on this escrow account as certain development milestones were met.

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 2014, the operating partner of the block informed the ANH that the Noelia-1 well did not encounter commercial quantities of hydrocarbons and that no further testing would be performed going forward. In September 2014, the La Maye JV partners received approval from the ANH to move forward with a seismic program, which was approved as the new Phase II ANH commitment in place of the original commitment to drill a second exploration well.

During Q3 2014, the Company was able to successfully negotiate with the operating partner of the block for the release of the remaining funds of the before-mentioned escrow account back to the Company. Currently, management is concerned with the risks surrounding the potential performance of the operating partner in fulfilling the existing work commitments on the La Maye Block and the possible consequences for non-compliance with stipulated work obligations. There is risk that the block could revert to the regulator for non-compliance by the operating partner. The Company continues to monitor the operating partner's situation and, as circumstances become more certain as to the future of the block, the Company will evaluate all options available.

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 Bugarviles 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.

Petrodorado's position in the block, if the contract license is extended by Ecopetrol, will be 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 Bugarvilles, 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.

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 failed 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 was not tested as the operating partner preferred to first evaluate the potential to perform the test at a later date via a new drill up dip from the Tuqueque-1X well location.

The operating partner applied for a two year extension of the contract, as the current exploration license expired on June 30, 2012. As of April 29, 2015, 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 Ecopetrol, 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 were to 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. As of December 31, 2014, Petrodorado had received \$3.0 million in installment payments with regards to this agreement that are included in accounts payable and accrued liabilities.

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 was to 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 included 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 had 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 depth of 1,472 feet MD and was subsequently logged and cased. The well was directionally drilled up to a 48 degree angle and encountered close to 600 feet MD gross interval of the Temblor heavy oil formation. The operating partner successfully completed and production tested the upper and lower Temblor heavy oil sandstone zones in the K 2-33 well resulting in production rates ranging from 2 to 10 bopd of mainly oil. These production rates are within the expected range and consistent with previous wells in the region. Oil and gas production obtained during testing is accounted for as part of the exploration and evaluation asset balance.

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

On February 3, 2014, an amending agreement was executed that reduced the farm-in commitment for Phase I on the Kreyenhagen Heavy Oil Project 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 the second farm-in phase. Petrodorado fulfilled this commitment in the days subsequent to the amendment.

In December 2014, the operating partner entity announced that all of its directors had resigned. In January 2015, it was announced by the operating partner entity that it was ceasing all operations as it was unable to appoint additional directors and, furthermore, that the holder of the secured debentures issued by the operating entity had effectively taken control of all company assets. The Company continues to monitor the operating partner's situation and, as circumstances become more certain regarding the future of the block, the Company will evaluate all options available.

COMMITMENT SUMMARY UPDATE

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

Block/Country	Interest	2015	2016	Total
Talora, Colombia ⁽¹⁾	70.0%	2.1	-	2.1
Tacacho, Colombia ⁽²⁾	49.5%	18.8	-	18.8
CPO-5, Colombia ⁽³⁾	30.0%	6.8	1.2	8.0
La Maye, Colombia ⁽⁴⁾	20.0%	0.8	-	0.8
Buganviles, Colombia ⁽⁵⁾	59.5%	0.4	-	0.4
Total		28.9	1.2	30.1

- 1) Represents Petrodorado's 70% share of the commitment value stipulated in the ANH block contract to drill 1 exploration well by July 2015.
- 2) Petrodorado's commitment to acquire and process 512 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 suspended until the security concerns are addressed. The commencement date for seismic acquisition is unknown at this time.
- 3) Includes Petrodorado's 30% share of the commitment value to drill 1 appraisal well and acquire 406 km² of 3D seismic (currently planned for 2015), and 1 exploration well for the second phase of the exploration program by April 2016 as stipulated in the ANH block contract.
- 4) Represents Petrodorado's 20% share of the Phase II ANH commitment for the acquisition and processing of 80 km of 2D seismic data or 50 km² of 3D seismic data in the northern area of the block in 2015, pending resolution of operator issues.
- 5) Petrodorado's net share of the commitment value for abandonment and reclamation obligations on existing wells as currently budgeted by the operator of the block.

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

Interest and other revenue on cash balances and short-term investments of \$38,498 and \$215,799 was realized for the three months and year ended December 31, 2014, respectively (\$109,912 and \$500,483 for the three months and year ended December 31, 2013). Decreases in interest and other revenue are 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.

Impairment Loss

The Corporation's exploration and evaluation assets represent costs incurred in relation to four exploration blocks in Colombia and one Californian property in the United States. During the year ended December 31, 2014, the Company identified impairment triggers on each of these blocks as further outlined below.

During the third quarter of 2014, the Company, with its partners, decided to abandon the Noelia-1 well of the La Maye Block in conjunction with the decision to pursue a seismic program on the block. As such, previously incurred drilling costs for the well were no longer considered to be recoverable and an impairment for all historic costs incurred for the Noelia-1 well of \$2.2 million has been recognized.

On account of the decline in the global oil price environment and the Company's unsuccessful efforts to address the short-term exploration activities by the operator of the CPO-5 Block resulting in a reduced probability of positive cash flows for the Company after planned capital expenditures by the operator, management determined that impairment triggers existed on this block as of December 31, 2014. These factors influenced the recent direction provided by the Board of Directors to perform a cautious re-assessment of the Company's strategy when considering the change of circumstances in the market oil prices. Management has determined the recoverable value of the block based on a fair value less costs to sell model determined using estimated prospective resources and cash flows and supported through other market indications of fair value to be \$6.5 million with an impairment of \$24.4 million recognized in the fourth quarter of 2014.

When taking into consideration the factors outlined above surrounding the CPO-5 Block and the adverse effects on projected operational cash flows necessary for the continued funding of the Company's exploration programs, and the resulting impact on the Company's ability and/or willingness to carry forward with exploration activities within non-core properties, it was determined by management that pervasive impairment triggers existed that affected the Company's other exploration assets, namely the Talora and Tacacho Block.

When evaluating the Talora Block, management estimated the recoverable value of the Talora Block based on a fair value less costs to sell methodology using an externally prepared valuation report which reflected estimated prospective resources and external pricing and costs assumptions reflective of the current market. Historical costs of the Talora Block beyond the assessed recoverable value of \$4.2 million resulted in the recognition of a \$25.1 million impairment in the fourth quarter of 2014.

Given that the Tacacho Block carries a significant commitment to perform a seismic program for which the Company does not have sufficient financial resources to carry out when considering the previously mentioned factors surrounding operations and cash flow concerns in the CPO-5 Block, management has determined that impairment triggers existed on this block as of December 31, 2014. While the Company continues to evaluate all available options regarding the future of this block, management has assessed that recovery of any previously incurred costs to be negligible and, as a result, a \$3.5 million impairment was recognized in the fourth quarter of 2014 reflecting all previously incurred costs.

With the notable drop in global oil prices, the current situation of the operator entity of the exploration property in California and the decision by management to no longer pursue exploration activity on this property, management determined impairment triggers to exist as of December 31, 2014 for this exploration asset. When considering the corporate difficulties of the operator entity and management's decision regarding future involvement in the exploration block, management determined that the previously incurred drilling and test costs were no longer considered to be recoverable and a full impairment of exploration costs to date of \$2.3 million was recognized in the fourth quarter of 2014.

Overall, the Company determined that the impairments of \$57.5 million were to be recognized on its exploration and evaluation assets for the year ended December 31, 2014, based on the impairment triggers identified and the resulting valuations of recoverable costs for each exploration asset.

Impairment Losses (\$)	Year 2014
La Maye Block	2,220,892
CPO-5 Block	24,409,322
Talora Block	25,053,007
Tacacho Block	3,536,692
California Block	2,317,835
Total	57,537,748

General and Administrative Expenses

General and administrative expenses (“G&A”) for the three months and year ended December 31, 2014, were \$708,042 and \$3,395,756, respectively (\$2,010,637 and \$4,203,922 for the three months and year ended December 31, 2013, respectively). The overall decrease in G&A for the three months and year ended December 31, 2014, when compared to the same periods in 2013, is primarily due to a decrease in overall wages & salaries paid in 2014. Severance payments totalling approximately \$1.0 million are the primary reason for higher wages & salaries during the three months and year ended December 31, 2013. The increase in professional fees for the year ended December 31, 2014, when compared to the 2013 comparative period, is primarily due to professional fees incurred as part of the finalization of the arbitration process with one of the Company’s JV partners that was settled in Q2 2014. Higher professional fees in Q4 2013 when compared to Q4 2014 is also the effects of increased legal expenses incurred on account of the before-mentioned arbitration, which was no longer transpiring by Q4 2014. Decreased administrative costs in Q4 2014 when compared to Q4 2013 are due to overall reductions in general corporate and administrative costs in both the Colombian and Canadian offices.

General and Administrative Expenses (\$)	Q4 2014	Q4 2013	Year 2014	Year 2013
Professional Fees	190,183	322,537	1,112,692	878,381
Wages & Salaries ⁽¹⁾	274,508	1,244,275	1,234,049	2,258,696
Fees, Rent, Investor Relations and Other	243,351	443,825	1,049,015	1,066,845
Total	708,042	2,010,637	3,395,756	4,203,922

1) Annual capitalized salaries reduced from \$438,108 in 2013 to \$137,888 in 2014. Q4 capitalized salaries increased from \$31,391 in 2013 to \$34,070 in 2014.

Finance Costs

During the three months and year ended December 31, 2014, the Company incurred \$6,546 and \$56,806, respectively, in finance costs due to the recording of accretion expense on provisions related to decommissioning obligations and equity tax payable (\$18,742 and \$109,669 for the three months and year ended December 31, 2013, 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, with the final statutory payment occurring in Q3 2014.

Finance Costs (\$)	Q4 2014	Q4 2013	Year 2014	Year 2013
Accretion of decommissioning obligations	6,546	6,142	25,371	24,413
Accretion of equity tax payable	-	12,600	31,435	85,256
Total	6,546	18,742	56,806	109,669

Foreign Exchange Gain

The Company generated foreign exchange gains of \$441,224 and \$99,939 for the three months ended December 31, 2014 and 2013, respectively. For the years ended December 31, 2014 and 2013, the Company generated foreign exchange gains of \$703,390 and \$3,047,380, respectively. The gains in each period are due to an increase in the value of the US dollar when compared to the Canadian dollar and Colombian peso during each respective time period. When comparing foreign exchange results in 2014 to comparative periods in 2013, the effects of foreign exchange fluctuations in 2014 were minimized on account of management's prospective treatment of intercompany loans as permanent in nature in Q4 2013, which balances were previously the main source of resulting foreign exchange gains/losses in subsidiaries of opposing functional currencies.

Stock-Based Compensation

For the year ended December 31, 2014, the Company recorded stock-based compensation of \$613,462 (\$487,356 for the year ended to December 31, 2013), of which nil was capitalized in exploration and evaluation assets and property, plant and equipment (nil for the year ended to December 31, 2013).

The increase in stock-based compensation expense is primarily due to 2,107,500 options being granted in February 2014 with one-third vesting immediately, while only 400,000 options were granted during the 2013 year, with no portion of those grants vesting immediately. With the majority of outstanding options being fully vested prior to the beginning of the 2013 year, this resulted in a reduced stock-based compensation expense for the year ended December 31, 2013, constituted only of the reduced amount of options still vesting.

Stock-based compensation on options granted during the year ended December 31, 2014, was calculated using the Black-Scholes pricing model using a risk free rate of 1.51%, volatility of 102%, 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\$0.357.

Stock-Based Compensation (\$)	Year 2014	Year 2013
Expensed	613,462	487,356
Capitalized	-	-
Total (to Contributed Surplus)	613,462	487,356

Equity Tax Reduction

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

Prior to the final instalment payment in September 2014, the Company was able to successfully reduce the overall equity tax levy imposed by the Colombian government on the Company's Colombian operations as a result of tax amendments filed by the Company. This reduction of \$301,782 was offset against amounts owing that were subsequently paid in the final instalment.

Net Loss and Comprehensive Loss

For the three months and year ended December 31, 2014, the Company generated net losses of \$55,651,782 and \$60,416,458, respectively (net losses of \$1,973,910 and \$1,345,441 for the comparative periods to December 31, 2013), and comprehensive losses of \$56,216,214 and \$61,928,558, respectively (comprehensive income of \$1,085,555 and comprehensive losses of \$5,928,351 for the same periods to December 31, 2013).

The differing result of net losses for the three months and year ended December 31, 2014, when compared to the results of the comparative periods in 2013, is primarily due to impairments on exploration and evaluation assets recognized in 2014. An offsetting factor to the increased loss between the comparative periods is the higher general and administrative expenses in 2013 on account of severance payments realized in Q4 2013. Moreover, the effects of foreign exchange fluctuations in 2014 were minimized 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.

Funds used in Operations

For the three months and year ended December 31, 2014, the Company used funds in operations of \$594,511 and \$3,712,243, respectively (funds used in operations of \$1,960,427 and \$4,487,904 for the comparative periods to December 31, 2013). The decrease in funds used in operations relates primarily to the higher general and administrative expenses in 2013 for the one-time severance payments to exiting employees and officers of the Company in Q4 2013 as discussed previously. This is somewhat offset by amounts paid in 2014 related to the arbitration settlement discussed below.

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 Farm-out Agreement dated October 16, 2011, ("Agreement") to further the exploration and development of the Talora Block. The JV partner contended that Petrodorado committed multiple breaches of the Agreement

and was entitled to the return of all amounts paid with regards to the Agreement and associated activity in the Talora Block, which was estimated at approximately \$12.0 million. The Company had issued a counterclaim of \$2.7 million for the JV partner's unpaid share of the costs related to the drilling of the Verdal-2X well.

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

CAPITAL EXPENDITURES

For the year ended December 31, 2014 and 2013, the Company spent \$4.3 million and \$14.4 million, respectively, in exploration and evaluation capital expenditures.

For the expenditures in the year ended December 31, 2014, the Company spent \$3.2 million in CPO-5 on the workover of the Loto-1X well, on environmental and socialization activities, and on development activities towards future endeavors on the block. In the Talora Block, the Company incurred costs of \$0.3 million related to the drilling program with the Verdal-2X well as well as the evaluation program report for the Verdal evaluation area. The Company also performed social responsibilities work for \$0.4 million in preparation of the planned seismic program in Tacacho, and completed the Phase I drilling program for \$0.4 million in California.

For the year ended December 31, 2014, the Company also capitalized \$137,888 of general and administrative expenses (December 31, 2013 - \$438,108) and nil of stock-based compensation (December 31, 2013 - nil) to exploration and evaluation assets. As at December 31, 2014, exploration and evaluation assets include \$2.5 million (December 31, 2013 - \$2.4 million) in capitalized Value-Added Tax. The Company does not hold any tangible exploration assets.

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, 2014, the Company was authorized to issue an unlimited number of common shares, with no par value, with holders of common shares entitled to one vote per share and to dividends, if declared. Outstanding common shares as of December 31, 2014, were 48,254,707 (December 31, 2013 - 48,254,707).

On November 27, 2014, 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 common shares of the Company (the "Consolidation") on a basis of ten 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 twenty 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 July 25, 2014. Effective at the opening of trading on December 1, 2014, 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 ten for one Consolidation.

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:

	Stock options	Weighted average exercise price (CDN\$)
Balance, January 1, 2013	4,166,500	\$ 3.29
Options issued	400,000	1.00
Forfeitures	(600,000)	2.34
Balance, December 31, 2013	3,966,500	\$ 3.20
Options issued	2,107,500	0.70
Options forfeited/cancelled	(1,857,833)	3.33
Expired options	(1,265,167)	4.11
Balance, December 31, 2014	2,951,000	\$ 0.95
Exercisable, December 31, 2014	1,286,997	\$ 1.21

On February 3, 2014, the Company granted 2,107,500 options to acquire common shares to certain directors, officers, employees and consultants of the Company at a price of CDN \$0.70 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.

On September 2, 2014, an aggregate of 1,846,500 options held by various officers, directors, and employees of the Company were voluntarily surrendered by the holders of these options. While all of the

surrendered options were completely vested, no consideration was provided to the option holders for the surrender of the options.

	Common Shares	Stock Options
As at April 29, 2015	48,254,707	2,261,000

ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

Amendments to IAS 32 “Financial Instruments: Presentation” were published by the IASB clarifying the requirements for offsetting financial instruments. The amendments introduce new disclosure requirements for financial assets and financial liabilities that are offset in the Consolidated Balance Sheets, or are subject to enforceable master netting arrangements or similar agreements. The amendments to IAS 32 are applied retrospectively for annual periods beginning on or after January 1, 2014. The amendments to this standard had no impact on the associated consolidated financial statements for the year ended December 31, 2014.

IFRIC 21 “Levies” was published by the IASB which clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that no liability should be recognized before the specified minimum threshold to trigger that levy is reached. The adoption of this standard on January 1, 2014 had no impact on the amounts recorded in the financial balances for the periods presented in the associated consolidated financial statements for the year ended December 31, 2014.

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, 2014 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.

Management's Report on Internal Control over Financial Reporting

In connection with National Instrument 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings ("**NI 52-109**") adopted by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company are required to file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis. The Venture Issuer Basic Certificate does not include representations relating to the

establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52- 109.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

This MD&A offers our assessment of the Company's future plans and operations as of April 29, 2015, 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 Cabrestero 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 2014	Year 2013	Year 2012
Oil and gas revenue	\$ -	\$ -	\$ 111,429
Total revenue	215,799	500,483	708,224
Total loss	(60,416,458)	(1,345,441)	(20,181,393)
Loss per share - basic and diluted	(1.25)	(0.03)	(0.42)
Working capital	12,390,976	15,479,607	38,033,211
Total assets	33,479,435	97,192,210	111,376,288
Total non-current liabilities	884,380	949,009	1,492,060

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 2012, 2013, and 2014 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 2014	Q3 2014	Q2 2014	Q1 2014
Total revenue	\$ 38,498	\$ 47,066	\$ 52,010	\$ 78,225
Net income (loss)	(55,651,782)	(2,136,344)	(1,418,856)	(1,209,476)
Comprehensive loss	(56,216,214)	(2,839,072)	(860,779)	(2,012,493)
Net income (loss) per share (basic & diluted)	(1.15)	(0.04)	(0.03)	(0.03)

	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 loss	(2,739,650)	(234,691)	(1,663,468)	(1,290,542)
Net income (loss) per share (basic & diluted)	(0.04)	(0.05)	0.05	0.02

Fluctuations in quarter-to-quarter net income (loss) are primarily on account of varying foreign exchange rates with resulting foreign exchange gains/losses recorded. 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. This prospective treatment of intercompany loans resulted in a minimal foreign exchange gain in Q1 2014 and minimal foreign exchange loss in Q2 2014, with general and administrative costs incurred constituting the majority of the net loss realized in each quarter. Net loss realized in Q3 2014 was primarily on account of recognized impairment losses being minimally countered by recorded equity tax recoveries, as discussed previously. Q4 2014 resulting net loss was a reflection of recognized impairment losses and standard general and administrative costs partially offset by a foreign exchange gain in the quarter.

OUTLOOK

In light of the unfavorable changes in the global oil price environment and its adverse effects regarding the financial economics on existing and future exploration operations of the Company, management has undertaken, under the mandate of the Board of Directors, an evaluation of the corporate strategy of the Company going forward. While management still believes that the Company's current portfolio of exploration assets has the potential to significantly increase Company value for shareholders, a review of all available opportunities is considered necessary and prudent in order to make the best strategic decisions for the future of the Company. Management hopes to provide a corporate and operational outlook in the near future that will provide further clarity and guidance on the foreseeable path for the Company and its shareholders.