



INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**AS AT AND FOR THE THREE AND SIX MONTHS ENDED
JUNE 30, 2012 AND 2011**

PETRODORADO ENERGY LTD.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (unaudited)

<i>(Expressed in U.S. Dollars)</i>	June 30, 2012	December 31, 2011
Assets		
Current Assets		
Cash and cash equivalents	\$ 8,096,036	\$ 9,207,878
Short-term investments	26,721,306	30,863,984
Accounts receivable	145,132	182,235
Prepaid expenses and deposits	31,920	12,837
Restricted cash (Note 4)	3,850,590	-
	38,844,984	40,266,934
Non-current Assets		
Restricted cash (Note 4)	10,580,271	13,394,447
Exploration and evaluation assets (Note 6)	62,752,934	59,697,822
Property, plant and equipment (Note 7)	4,041,501	4,125,180
	\$ 116,219,690	\$ 117,484,383
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities (Note 3)	\$ 4,284,503	\$ 3,727,943
Equity tax payable (Note 8)	734,812	703,540
	5,019,315	4,431,483
Non-current Liabilities		
Decommissioning obligations	624,966	615,916
Equity tax payable (Note 8)	1,072,015	1,254,599
	6,716,296	6,301,998
Shareholders' Equity		
Share capital (Note 9)	102,918,335	102,918,335
Warrants (Note 9)	19,412,050	19,412,050
Contributed surplus (Note 9)	8,395,683	7,698,893
Deficit	(21,388,309)	(19,262,918)
Accumulated other comprehensive income	165,635	416,025
	109,503,394	111,182,385
	\$ 116,219,690	\$ 117,484,383

Commitments (Note 10)

Subsequent Event (Note 13)

See accompanying notes to the interim condensed consolidated financial statements.

PETRODORADO ENERGY LTD.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE LOSS (unaudited)
For the three and six months ended June 30

<i>(Expressed in U.S. Dollars)</i>	For the three months ended		For the six months ended	
	2012	2011	2012	2011
Revenue:				
Oil and gas revenue, net of royalties	\$ 111,429	\$ 2,270,162	\$ 111,429	\$ 2,270,162
Interest and other	105,765	123,290	314,135	147,494
	217,194	2,393,452	425,564	2,417,656
Expenses:				
Operating expenses	479,492	1,421,989	621,217	1,463,894
General and administrative	466,123	930,754	1,121,440	1,821,805
Foreign exchange loss (gain)	(1,503,052)	1,567,387	(9,897)	3,009,754
Stock-based compensation	171,250	410,437	574,778	857,365
Equity tax expense	-	-	-	2,580,852
Depletion and depreciation	73,612	675,556	154,909	677,827
Finance costs	43,237	23,384	88,508	116,832
	(269,338)	5,029,507	2,550,955	10,528,329
Income (loss) for the period	\$ 486,532	\$ (2,636,055)	\$ (2,125,391)	\$ (8,110,673)
Other comprehensive income:				
Currency translation adjustment	(2,319,305)	949,973	(250,390)	3,105,613
Comprehensive loss for the period	\$ (1,832,773)	\$ (1,686,082)	\$ (2,375,781)	\$ (5,005,060)
Income (loss) per share – basic and diluted (Note 9)	\$ 0.00	\$ (0.01)	\$ (0.00)	\$ (0.02)
Weighted average number of common shares outstanding	482,547,066	482,390,690	482,547,066	461,733,638

See accompanying notes to the interim condensed consolidated financial statements.

PETRODORADO ENERGY LTD.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

For the three and six months ended June 30

<i>(Expressed in U.S. Dollars)</i>	For the three months ended		For the six months ended	
	2012	2011	2012	2011
Cash flows provided by (used in):				
Operating activities				
Income (loss)	\$ 486,532	\$ (2,636,055)	\$ (2,125,391)	\$ (8,110,673)
Adjustments for:				
Stock-based compensation	171,250	410,437	574,778	857,365
Unrealized foreign exchange (gain)/loss	(1,731,713)	1,190,959	(239,752)	2,745,445
Depletion and depreciation	73,612	675,556	154,909	677,827
Finance costs	43,237	23,384	88,508	116,832
Equity tax expense	-	-	-	2,580,852
Equity taxes paid	(391,987)	(418,990)	(391,987)	(418,990)
Change in non-cash working capital (Note 12)	(125,890)	670,956	(246,581)	105,750
	(1,474,959)	(83,753)	(2,185,516)	(1,445,592)
Investing activities				
Acquisition of exploration and evaluation assets	(1,649,576)	(6,107,401)	(2,933,100)	(17,457,377)
Acquisition of property, plant and equipment	(64,023)	(169,955)	(71,230)	(455,945)
Short-term investments	3,386,577	8,480,196	4,128,329	(30,845,150)
Change in restricted cash	(767,139)	-	(861,290)	-
Change in non-cash working capital (Note 12)	(66,706)	2,341,387	821,161	5,541,120
	839,133	4,544,227	1,083,870	(43,217,352)
Financing activities				
Shares issued, net of costs	-	-	-	33,929,240
Options and warrants exercised, net of costs	-	109,515	-	4,562,008
	-	109,515	-	38,491,248
Cash used in operating, investing and financing	(635,826)	4,569,989	(1,101,646)	(6,171,696)
Effect of exchange rate on cash	(51,846)	34,643	(10,196)	83,659
Change in cash	(687,672)	4,604,632	(1,111,842)	(6,088,037)
Cash, beginning of period	8,783,708	1,369,205	9,207,878	12,061,874
Cash, end of period	\$ 8,096,036	\$ 5,973,837	\$ 8,096,036	\$ 5,973,837

Cash is defined as cash and cash equivalents.

Cash and cash equivalents and short-term investments includes CDN\$30,538,927 and \$4,608,734 USD for the period ended June, 30, 2012 (CDN\$31,240,933 and \$12,270,817 USD - June 30, 2011).

See accompanying notes to the interim condensed consolidated financial statements.

PETRODORADO ENERGY LTD.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (unaudited)

(Expressed in U.S. Dollars)

	Number of Common Shares	Share capital	Warrants	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2010	415,589,017	\$ 62,975,253	\$ 20,813,991	\$ 5,178,731	\$ (10,516,410)	\$ 3,651,767	\$ 82,103,332
Loss					(8,110,673)		(8,110,673)
Currency translation adjustment						3,105,613	3,105,613
Warrants exercised for cash (Note 9)	12,921,453	4,562,008					4,562,008
Transfer of warrants assigned fair value		1,387,275	(1,387,275)				-
Stock-based compensation (Note 9)				1,093,799			1,093,799
Shares issued, net of costs	53,900,000	33,929,240					33,929,240
Balance at June 30, 2011	482,410,470	\$ 102,853,776	\$ 19,426,716	\$ 6,272,530	\$ (18,627,083)	\$ 6,757,380	\$ 116,683,319

	Number of Common Shares	Share capital	Warrants	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2011	482,547,066	\$ 102,918,335	\$ 19,412,050	\$ 7,698,893	\$ (19,262,918)	\$ 416,025	\$ 111,182,385
Loss					(2,125,391)		(2,125,391)
Currency translation adjustment						(250,390)	(250,390)
Stock-based compensation (Note 9)				696,790			696,790
Balance at June 30, 2012	482,547,066	\$ 102,918,335	\$ 19,412,050	\$ 8,395,683	\$ (21,388,309)	\$ 165,635	\$ 109,503,394

See accompanying notes to the interim condensed consolidated financial statements.

Note 1 Corporate Information

Petrodorado Energy Ltd. ("Petrodorado" or the "Company") is a public oil and natural gas exploration company primarily engaged in exploration and development activities in Colombia, Peru and Paraguay. The Company's head office is located at Suite 1000, 205 – 5th Avenue SW, Calgary, Alberta, T2P 2V7, Canada with an additional office located in Bogota, Colombia. The Company's shares are listed and publicly traded on the TSX Venture Exchange under the trading symbol PDQ. The Company's oil and gas interests are principally in the pre-production stage and other than for one block in Colombia, the Company has not yet determined whether all of its petroleum and natural gas properties contain reserves that are economically recoverable. Accordingly, the recoverability of amounts recorded as petroleum and natural gas properties is dependent upon the existence and discovery of economically recoverable oil and gas reserves, confirmation of the Company's interests in the properties, the political stability of Colombia, Peru and Paraguay 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 achieving future profitable operations. The outcome of these matters cannot be predicted with certainty at this time.

Note 2 Basis of presentation

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, of International Financial Reporting Standards as issued by the International Accounting Standards Board.

These interim condensed consolidated financial statements follow the same accounting policies and method of computation as the Company's annual consolidated financial statements for the year ended December 31, 2011, with the exception of certain disclosures that are normally required to be included in annual consolidated financial statements which have been condensed or omitted. These interim condensed consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2011.

The interim condensed consolidated financial statements have been prepared on a historical cost basis, are presented in U.S. dollars, and were authorized for issue by the Board of Directors on August 23, 2012.

Note 3 Cash Calls

Cash calls are comprised of funds advanced to operating partners with respect to exploration and development activities in blocks in which the Company is a non-operating partner. As these funds are expended by the operating partner, recognition of these expenditures is realized as they are booked to property, plant and equipment. At June 30, 2012, net expenditures applicable to the Company as realized by the operators were in excess of all previously advanced funds resulting in a payable position for the Company. Specifically, \$3,861,033 of the accounts payables balance at June 30, 2012, is associated with cash calls payable (December 31, 2011 - \$3,039,872).

Note 4 Restricted Cash

On June 12, 2009, the Company entered into a joint farm-in participation agreement with an unrelated company (the La Maye Operator) to earn a 20% working interest in four wells in the La Maye Block in the country of Colombia. This agreement required Petrodorado to advance \$3,500,000 into an escrow account. Petrodorado authorizes draws on this escrow account as certain development milestones are met. As at June 30, 2012, \$1,699,607 (December 31, 2011 - \$1,699,582) had been drawn from this account, leaving \$1,800,393 (December 31, 2011 - \$1,800,418) in the escrow account.

As of June 30, 2012, funds totalling \$4,150,590 (December 31, 2011 - \$3,182,714) are also included in restricted cash, which relate to projected exploration activities in the Talora Block in the near future. Of this balance, \$3,850,590 constitutes assigned funds of the Company as the operator of the Talora block as well as cash calls paid by non-operator partners, and constitutes the short-term portion of total restricted cash. Another \$300,000 is held as a guarantee deposit on committed exploration activities in the Talora Block as required by the Agencia Nacional De Hidrocarburos ("ANH").

Additionally, term deposits totalling \$8,479,878 (December 31, 2011 - \$8,411,315), which were established to secure the Credit Facility and the Letters of Credit referred to in Note 5 of these statements, are also included in the restricted cash balance.

Note 5 Credit Facility

The Company has a \$5 million revolving demand loan facility (the "Credit Facility") with a Canadian chartered bank (the "Lender"). The Credit Facility is available by way of account overdraft in US dollars or by letters of credit up to \$4.8 million. As at June 30, 2012, no overdrafts were drawn under this Credit Facility. Any outstanding amounts will bear interest at the Lender's US base rate plus an applicable margin. The Credit Facility is secured by security agreement over cash, credit balances and deposit instruments in the amount of \$5 million. On July 7, 2010, a letter of credit for \$4.8 million was issued under the credit facility to guarantee the Company's drilling obligations with ONGC Videsh Ltd. on the CPO-5 Block in Colombia, that are required to be completed in 2012.

On December 21, 2010, a further \$3.0 million letter of credit was issued through a Colombian bank to Agencia Nacional De Hidrocarburos ("ANH") in respect of the drilling obligations on this CPO-5 Block. This letter of credit is secured by a \$3,060,329 term deposit made at the Colombian bank.

A \$403,920 letter of credit was issued through a Colombian bank on December 20, 2010 to ANH to guarantee the Company's capital expenditure obligations with its partner, Pacific Rubiales, in the Tacacho Block. This letter of credit is secured by a \$413,100 term deposit made at the Colombian bank.

PETRODORADO ENERGY LTD.
Notes to the Interim Condensed Consolidated Financial Statements
For the three and six months ended June 30, 2012 and 2011

Note 6 Exploration and Evaluation assets

As at December 31, 2010	\$ 42,739,226
Additions	22,158,596
Disposal	(5,200,000)
As at December 31, 2011	59,697,822
Additions	3,055,112
As at June 30, 2012	\$ 62,752,934

For the six months ended June 30, 2012, the Company capitalized \$178,917 of general and administrative expenses (June 30, 2011 - \$273,794) and \$122,012 of stock-based compensation (June 30, 2011 - \$236,434) to exploration and evaluation assets. The Company does not hold any tangible exploration assets.

The Corporation has applied and is awaiting approval from the Colombian government on an extension to an existing exploration license. In the event the license is not extended \$12,293,774 of exploration and evaluation costs incurred would be considered impaired. The current exploration license expired on June 30, 2012, and an official response from the Colombian government regarding the requested license extension has yet to be received. The Colombian government has also not requested that the license be relinquished, as is required should an extension not be granted, indicating the license extension is still being reviewed. The Company still considers it probable that the extension will be granted.

PETRODORADO ENERGY LTD.
Notes to the Interim Condensed Consolidated Financial Statements
For the three and six months ended June 30, 2012 and 2011

Note 7 Property, Plant and Equipment

Cost	Oil and Gas Properties	Furniture and equipment	Total
As at December 31, 2010	\$ 9,882,070	\$ 63,552	\$ 9,945,622
Additions	184,367	379,791	564,158
As at December 31, 2011	10,066,437	443,343	10,509,780
Additions	-	71,230	71,230
As at June 30, 2012	\$ 10,066,437	\$ 514,573	\$ 10,581,010

Accumulated depletion and depreciation

As at December 31, 2010	\$ 841,042	\$ 12,734	\$ 853,776
Additions	946,247	184,577	1,130,824
Impairment loss	4,400,000	-	4,400,000
As at December 31, 2011	6,187,289	197,311	6,384,600
Additions	17,035	137,874	154,909
As at June 30, 2012	\$ 6,204,324	\$ 335,185	\$ 6,539,509

Net book value

As at December 31, 2011	\$ 3,879,148	\$ 246,032	\$ 4,125,180
As at June 30, 2012	\$ 3,862,113	\$ 179,388	\$ 4,041,501

Note 8 Equity Tax

The Colombian Congress passed a law, effective January 1, 2011, which imposed a one-time 6% equity tax levied on Colombian operations. As at December 31, 2011, the Company has 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 amount recognized is calculated by discounting the future net worth tax payments by the credit-adjusted risk-free rate of 8%.

December 31, 2011	\$ 1,958,139
Unwinding of discount	79,458
Net foreign exchange loss	161,217
Payments made in this period	(391,987)
June 30, 2012	1,806,827
Current portion	(734,812)
Non-current portion	\$ 1,072,015

Note 9 Share Capital

At June 30, 2012, the Company was authorized to issue an unlimited number of common shares with holders of common shares entitled to one vote per share and to dividends, if declared.

PETRODORADO ENERGY LTD.
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For the three and six months ended June 30, 2012 and 2011

Warrants

There are 180,766,245 warrants valued at \$19,412,050 that are exercisable immediately at a price of CDN \$0.35 per share until December 3, 2012 when they expire.

Stock Options

The Company has adopted a formal rolling stock option plan whereby options can be granted from time to time to directors, employees and consultants at the discretion of the Board of Directors. The number of options that can be granted is limited to 10% of the total shares issued and outstanding. A summary of the changes in stock options is presented below:

	Number of Options	Weighted Average Exercise Price (CDN\$)	
Balance, December 31, 2010	28,666,667	\$	0.49
Options issued	10,980,000		0.36
Expired options	(1,000,001)		0.49
Forfeitures	(666,666)		0.49
Balance, December 31, 2011	37,980,000		0.45
Options issued	1,185,000		0.25
Expired options	(666,667)		0.73
Forfeitures	(333,333)		0.73
Balance, June 30, 2012	38,165,000	\$	0.44
Exercisable, June 30, 2012	31,221,663	\$	0.47

On February 1, 2012, the Company granted 750,000 options to acquire common shares to a new officer, at a price of CDN \$0.25 per common share. The options are for a five year term, expiring on February 1, 2017, and vest one-third on February 1, 2012, one-third on the first anniversary date and one-third on the second anniversary date from the date of grant. On March 30, 2012, the Company granted 435,000 options to acquire common shares to two employees, at a price of CDN \$0.25 per common share. The options are for a five year term, expiring on March 30, 2017 and vest one-third on March 30, 2012, one-third on the first anniversary date and one-third on the second anniversary date from the date of grant. Of the options previously granted to exiting officers, 333,333 were forfeited and another 666,667 expired on January 12, 2012.

The following summarizes information about stock options outstanding as at June 30, 2012:

Exercise Prices (CDN\$)	Number of Options Outstanding	Weighted Average Term to Expiry (Years)	Number of Options Exercisable
0.25	8,185,000	4.46	2,728,332
0.35	730,000	4.21	243,331
0.49	27,750,000	2.64	27,250,000
0.55	1,500,000	3.84	1,000,000
	38,165,000	3.11	31,221,663

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The options were allocated a value using the Black-Scholes option pricing model to estimate the fair value with the following weighted average assumptions:

	2012	2011
Expected forfeiture rate	10.00%	10.00%
Risk-free interest rate	1.25% to 1.32%	1.46% to 2.34%
Expected dividend yield	0%	0%
Expected stock price volatility	85% to 88%	79% to 85%
Expected option life	5 years	5 years
Fair value of options granted	CDN \$0.151 to \$0.162	CDN \$0.099 to \$0.476

Subsequent to period end, the Board of Directors approved a 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. This resolution requires approval by disinterested shareholders and will be brought forth for consideration at the Company's annual general meeting to be held on August 28, 2012.

During the six months ended June 30, 2012, the Company recognized \$574,778 (June 30, 2011 - \$857,365) of stock-based compensation expense and capitalized \$122,012 (June 30, 2011 - \$236,434) to exploration and evaluation assets, for a total of \$696,790 (June 30, 2011 - \$1,093,799) that was recorded as contributed surplus.

Loss per Share

For purposes of the income (loss) per share calculations for the three and six months ended June 30, 2012 and 2011, there is no difference between the basic income (loss) per share and the diluted income (loss) per share amounts.

Note 10 Commitments

The expenditures provided in the table below represent the Company's estimated cost to satisfy contractual commitments (in millions of dollars). Actual expenditures to satisfy these commitments, initiate production or create reserves may differ from these estimates.

Block/Country	Interest	2012	2013	2014	2015	Total
Talora, Colombia ⁽¹⁾	65%	-	3.9	-	-	3.9
Tacacho, Colombia ⁽²⁾	49.5%	-	7.4	-	-	7.4
CPO-5, Colombia ⁽³⁾	30.0%	4.8	-	-	3.6	8.4
Buganviles ⁽⁴⁾	55%	-	-	3.0	-	3.0
Total		4.8	11.3	3.0	3.6	22.7

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- 1) Net commitment represents 2 wells required by 2013.
- 2) Petrodorado to pay 100% of costs to acquire and process 480 km² of 2D seismic data (up to a maximum of USD\$8 million).
- 3) Includes Petrodorado's 30% share of 2 exploration wells in 2012 and 30% share of the second phase of the exploration program by 2015.
- 4) The operator has submitted a license extension of 2 years to Ecopetrol S.A. with a corresponding work commitment. The present license expired in June 2012 and, assuming the extension is approved, there will be a corresponding work commitment for 35 km² of 3D seismic data (up to a maximum of USD\$3 million).

Note 11 Segmented Information

The Company defines its reportable segments based on geographical locations and the information for this is reported in the following tables for the three and six months ended June 30, 2012 and 2011.

For the three months ended June 30, 2012

	Canada	Colombia	Paraguay	Peru	Total
Revenue:					
Oil and gas revenue, net of royalties	\$ -	\$ 111,429	\$ -	\$ -	\$ 111,429
Interest and other	96,244	9,521	-	-	105,765
	96,244	120,950	-	-	217,194
Expenses:					
Operating expenses	-	479,492	-	-	479,492
General and administrative	336,868	129,255	-	-	466,123
Foreign exchange (gain) loss	(1,557,610)	54,558	-	-	(1,503,052)
Stock-based compensation	171,250	-	-	-	171,250
Depletion and depreciation	2,305	71,307	-	-	73,612
Finance costs	-	43,237	-	-	43,237
	(1,047,187)	777,849	-	-	(269,338)
Income (loss) for the period	\$ 1,143,431	\$ (656,899)	\$ -	\$ -	\$ 486,532
Assets, June 30, 2012	\$ 39,620,714	\$ 65,506,180	\$ -	\$ 11,092,796	\$ 116,219,690
Additions to exploration and evaluation assets	\$ -	\$ 1,505,786	\$ -	\$ 164,633	\$ 1,670,419
Additions to property, plant and equipment	\$ -	\$ 64,023	\$ -	\$ -	\$ 64,023

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For the three and six months ended June 30, 2012 and 2011

For the six months ended June 30, 2012

	Canada	Colombia	Paraguay	Peru	Total
Revenue:					
Oil and gas revenue, net of royalties	\$ -	\$ 111,429	\$ -	\$ -	\$ 111,429
Interest and other	190,576	123,559	-	-	314,135
	190,576	234,988	-	-	425,564
Expenses:					
Operating expenses	-	621,217	-	-	621,217
General and administrative	688,675	432,765	-	-	1,121,440
Foreign exchange (gain) loss	(176,011)	166,114	-	-	(9,897)
Stock-based compensation	574,778	-	-	-	574,778
Depletion and depreciation	4,610	150,299	-	-	154,909
Finance costs	-	88,508	-	-	88,508
	1,092,052	1,458,903	-	-	2,550,955
Loss for the period	\$ (901,476)	\$ (1,223,915)	\$ -	\$ -	\$ (2,125,391)
Assets, June 30, 2012	\$ 39,620,714	\$ 65,506,180	\$ -	\$ 11,092,796	\$ 116,219,690
Additions to exploration and evaluation assets	\$ -	\$ 2,273,115	\$ -	\$ 781,997	\$ 3,055,112
Additions to property, plant and equipment	\$ -	\$ 71,230	\$ -	\$ -	\$ 71,230

For the three months ended June 30, 2011

	Canada	Colombia	Paraguay	Peru	Total
Revenue:					
Oil and gas revenue, net of royalties	\$ -	\$ 2,270,162	\$ -	\$ -	\$ 2,270,162
Interest and other	120,466	2,824	-	-	123,290
	120,466	2,272,986	-	-	2,393,452
Expenses:					
Operating expenses	-	1,421,989	-	-	1,421,989
General and administrative	485,024	445,730	-	-	930,754
Foreign exchange (gain) loss	710,024	857,363	-	-	1,567,387
Stock-based compensation	410,437	-	-	-	410,437
Depletion and depreciation	2,272	673,284	-	-	675,556
Finance costs	-	23,384	-	-	23,384
	1,607,757	3,421,750	-	-	5,029,507
Loss for the period	\$ (1,487,291)	\$ (1,148,764)	\$ -	\$ -	\$ (2,636,055)
Assets, June 30, 2011	\$ 53,045,247	\$ 64,159,295	\$ -	\$ 8,270,564	\$ 125,475,106
Additions to exploration and evaluation assets	\$ -	\$ 1,930,046	\$ -	\$ 4,116,472	\$ 6,046,518
Additions to property, plant and equipment	\$ -	\$ 360,483	\$ -	\$ -	\$ 360,483

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For the three and six months ended June 30, 2012 and 2011

For the six months ended June 30, 2011

	Canada	Colombia	Paraguay	Peru	Total
Revenue:					
Oil and gas revenue, net of royalties	\$ -	\$ 2,270,162	\$ -	\$ -	\$ 2,270,162
Interest and other	144,669	2,825	-	-	147,494
	144,669	2,272,987	-	-	2,417,656
Expenses:					
Operating expenses	-	1,463,894	-	-	1,463,894
General and administrative	993,784	828,021	-	-	1,821,805
Foreign exchange loss	2,251,466	758,288	-	-	3,009,754
Stock-based compensation	857,365	-	-	-	857,365
Equity tax expense	-	2,580,852	-	-	2,580,852
Depletion and depreciation	4,543	673,284	-	-	677,827
Finance costs	-	116,832	-	-	116,832
	4,107,158	6,421,171	-	-	10,528,329
Loss for the period	\$ (3,962,489)	\$ (4,148,184)	\$ -	\$ -	\$ (8,110,673)
Assets, June 30, 2011	\$ 53,045,247	\$ 64,159,295	\$ -	\$ 8,270,564	\$ 125,475,106
Additions to exploration and evaluation assets	\$ -	\$ 9,298,595	\$ -	\$ 8,169,088	\$ 17,467,683
Additions to property, plant and equipment	\$ 8,955	\$ 673,118	\$ -	\$ -	\$ 682,073

Note 12 Supplemental Cash Flow Information

	Three months ended June 30		Six months ended June 30	
	2012	2011	2012	2011
Accounts receivable	\$ 58,679	\$ 175,204	\$ 37,103	\$ 2,345,190
Prepaid expenses and deposits	(23,543)	(299)	(19,083)	(1,117)
Inventory	-	792,129	-	307,412
Accounts payable and accrued liabilities	(227,732)	2,045,309	556,560	2,995,385
Change in non-cash working capital	(192,596)	3,012,343	574,580	5,646,870
Relating to:				
Operating activities	(125,890)	670,956	(246,581)	105,750
Investing activities	(66,706)	2,341,387	821,161	5,541,120
Change in non-cash working capital	\$ (192,596)	\$ 3,012,343	\$ 574,580	\$ 5,646,870

Note 13 Subsequent Event

The Company executed an agreement with the operator of Peru Blocks 135 and 138 to divest its 45% beneficial interest for a sum of US\$15.2 million. This transaction was effective as of July 12, 2012. No impairment is anticipated relating to exploration and evaluation assets as a result of this transaction.