PETRODORADO
Excellence with Agility

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

MANAGEMENT’S REPORT

The accompanying consolidated financial statements and related financial information are the responsibility of management, and have been prepared in accordance with International Financial Reporting Standards. They include certain amounts that are based on estimates and judgments relating to matters not concluded by year-end. Financial information presented elsewhere in this document is consistent with that contained in the consolidated financial statements.

In management’s opinion, the consolidated financial statements have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies adopted by management. If alternate accounting methods exist, management has chosen those policies it deems the most appropriate in the circumstances. Management has established systems of accounting and internal control that provide reasonable assurance that assets are safeguarded from loss or unauthorized use, and produce reliable accounting records for the preparation of financial information. Policies and procedures are maintained to support the accounting and internal control systems.

The independent external auditors, KPMG LLP, have conducted an examination of the consolidated financial statements on behalf of shareholders. The auditors have unrestricted access to the Company and the Audit Committee.

The Board of Directors, currently composed of three independent directors, carries out its responsibility for the consolidated financial statements principally through its Audit Committee, consisting of two members. This Committee reviews the consolidated financial statements with management and the auditors, as well as recommends to the Board of Directors the external auditors to be appointed by the shareholders at each annual meeting. The Audit Committee meets at least quarterly to review and approve interim financial statements prior to their release and recommend their approval to the Board of Directors.

The Board of Directors on the recommendation of the Audit Committee has approved the consolidated financial statements and information as presented.

(signed)

Chris Reid
President
& Chief Executive Officer

(signed)

Lynn Chapman
Vice President of Finance
& Chief Financial Officer

April 19, 2017
Calgary, Canada

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Petrodorado Energy Ltd.

We have audited the accompanying consolidated financial statements of Petrodorado Energy Ltd., which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015, the consolidated statements of loss and comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Petrodorado Energy Ltd. as at December 31, 2016 and December 31, 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2 in the consolidated financial statements which indicates that Petrodorado Energy Ltd. incurred a loss for the period, used cash in operating activities and completed a return of capital distribution for the year ended December 31, 2016. Petrodorado Energy Ltd. has insufficient working capital available to meet its future operational needs. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that casts significant doubt about Petrodorado Energy Ltd.'s ability to continue as a going concern.

KPMG LLP

Chartered Professional Accountants

April 19, 2017
Calgary, Canada

PETRODORADO ENERGY LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in U.S. Dollars)	**December 31, 2016**	December 31, 2015
Assets		
Current Assets		
Cash and cash equivalents	**$ 241,804**	$ 587,725
Short-term investments	**801,522**	13,607,584
Accounts receivable (Note 9)	**2,654**	1,527,001
Marketable securities (Note 10)	**-**	1,861,153
Restricted cash (Note 11)	**-**	365,027
Assets held for sale (Note 8(c))	**-**	103,789
	$ 1,045,980	$ 18,052,279
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 9)	**$ 60,247**	$ 892,337
Decommissioning obligations (Note 14)	**-**	416,946
Decommissioning obligations on assets held for sale (Note 8(c))	**-**	103,789
	60,247	1,413,072
Shareholders' Equity		
Share capital (Note 15)	**87,213,177**	103,203,242
Contributed surplus	**29,951,681**	29,948,500
Deficit	**(111,538,610)**	(110,732,745)
Accumulated other comprehensive loss	**(4,640,515)**	(5,779,790)
	985,733	16,639,207
	$ 1,045,980	$ 18,052,279

See accompanying notes to the consolidated financial statements.

Approved by the Board of Directors:

(signed)	*(signed)*
Christopher Reid	David Hergenhein
Chairman of the Board of Directors	Chairman of the Audit Committee

PETRODORADO ENERGY LTD.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE INCOME (LOSS)

For the years ended December 31

(Expressed in U.S. Dollars)	**2016**	2015
Revenue:		
Interest and other	**$ 175,419**	$ 97,185
Expenses:		
General and administrative	**1,004,763**	3,637,312
Impairment loss of exploration and evaluation assets (Note 13)	**-**	6,947,749
Gain on settlements (Notes 8(a) & 8(e))	**(689,174)**	-
Loss (gain) on investment (Note 10)	**(312,430)**	999,577
Loss on disposal of property, plant and equipment (Note 8(b))	**-**	284,141
Foreign exchange loss (gain)	**964,513**	(2,525,748)
Stock-based compensation (Note 15)	**13,612**	222,441
Depletion and depreciation	**-**	33,946
Finance costs	**-**	24,302
	981,284	9,623,720
Loss for the year	**$ (805,865)**	$ (9,526,535)
Other comprehensive income:		
Currency translation adjustment	**979,935**	(2,905,086)
Transfer of translation loss realized on disposal of foreign operations (Note 8(c))	**159,340**	279,950
	1,139,275	(2,625,136)
Comprehensive income (loss) for the year	**$ 333,410**	$ (12,151,671)
Loss per share – basic and diluted (Note 15)	**$ (0.08)**	$ (0.99)
Weighted average number of common shares outstanding	**9,937,219**	9,657,867

See accompanying notes to the consolidated financial statements.

PETRODORADO ENERGY LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31

(Expressed in U.S. Dollars)	**2016**	2015
Cash flows provided by (used in):		
Operating activities		
Loss	**$ (805,865)**	$ (9,526,535)
Adjustments for:		
Impairment loss of exploration and evaluation assets	**-**	6,947,749
Loss on disposal of property, plant and equipment	**-**	284,141
Gain on settlements	**(689,174)**	-
Loss (gain) on investment	**(312,430)**	999,577
Unrealized foreign exchange loss (gain)	**931,478**	(2,267,255)
Stock-based compensation	**13,612**	222,441
Depletion and depreciation	**-**	33,946
Finance costs	**-**	24,302
Change in non-cash working capital (Note 21)	**(483,976)**	234,072
	(1,346,355)	(3,047,562)
Investing activities		
Acquisition of exploration and evaluation assets	**-**	(2,588,315)
Short-term investments	**12,808,356**	1,532,126
Marketable securities (Note 10)	**3,584,395**	1,526,732
Change in restricted cash	**365,612**	170,792
Proceeds from Amerisur	**-**	2,372,856
Change in non-cash working capital (Note 21)	**(51,539)**	(417,733)
	16,706,824	2,596,458
Financing activities		
Special distribution (Note 7)	**(16,014,095)**	-
Options exercised (Note 15)	**13,599**	174,172
	(16,000,496)	174,172
Foreign exchange gain (loss) on cash	**294,106**	(40,328)
Decrease in cash	**(345,921)**	(317,260)
Cash, beginning of year	**587,725**	904,985
Cash, end of year	**$ 241,804**	$ 587,725

Cash is defined as cash and cash equivalents.

See accompanying notes to the consolidated financial statements.

PETRODORADO ENERGY LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in U.S. Dollars)	Number of Common Shares	Share Capital	Contributed Surplus	Deficit	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2014	9,650,935	$ 102,918,335	$ 29,836,794	$ (101,206,210)	$ (3,154,654)	$ 28,394,265
Loss				(9,526,535)		(9,526,535)
Currency translation adjustment					(2,905,086)	(2,905,086)
Transfer of translation loss realized on disposal of foreign operations (Note 8(a))					279,950	279,950
Stock-based compensation (Note 15)			222,441			222,441
Exercise of stock options (Note 15)	270,000	284,907	(110,735)			174,172
Balance at December 31, 2015	9,920,935	$ 103,203,242	$ 29,948,500	$ (110,732,745)	$ (5,779,790)	$ 16,639,207

	Number of Common Shares	Share Capital	Contributed Surplus	Deficit	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2015	**9,920,935**	**$ 103,203,242**	**$ 29,948,500**	**$ (110,732,745)**	**$ (5,779,790)**	**$ 16,639,207**
Loss				**(805,865)**		**(805,865)**
Currency translation adjustment					**979,935**	**979,935**
Transfer of translation loss realized on disposal of foreign operations (Note 8(c))					**159,340**	**159,340**
Special distribution (Note 7)		**(16,014,095)**				**(16,014,095)**
Stock-based compensation (Note 15)			**13,612**			**13,612**
Exercise of stock options (Note 15)	**20,000**	**24,030**	**(10,431)**			**13,599**
Balance at December 31, 2016	**9,940,935**	**$ 87,213,177**	**$ 29,951,681**	**$ (111,538,610)**	**$ (4,640,515)**	**$ 985,733**

See accompanying notes to the consolidated financial statements.

1. REPORTING ENTITY

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

The Company has undergone a strategic reassessment which commenced in early 2015 that has resulted in the disposal of the CPO-5 and Tacacho Blocks in the third quarter of 2015, the Moriche Block in the fourth quarter of 2015, the Talora and La Maye Blocks in early 2016, and the California Block in the second quarter of 2016 as well as withdrawal from further operational involvement and responsibilities in the Buganviles Block in the third quarter of 2016 (see Note 8). The Company is currently evaluating future strategic opportunities that will require additional financing to execute.

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

2. GOING CONCERN

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to discharge its obligations and realize its assets in the normal course of operations for the foreseeable future. In 2015, the Company commenced a strategic reassessment which resulted in the aforementioned disposals and operational renunciation of the Company's participating interests in several exploration blocks (see Note 8). These events have enabled the Company to eliminate a significant amount of existing operational obligations and future exploration and development commitments that were well in excess of capital available to the Company and that would have required additional financial resources. However, the instability in the political and legal environment in Colombia creates continued uncertainty regarding potential financial commitments for guarantees on previously owned exploration blocks (see Note 18).

In April 2016, the Company completed a return of capital distribution of $16.0 million (CDN$20.9 million) to Company shareholders (see Note 7) leaving minimal working capital to sustain future operations. During the year ended December 30, 2016, the Company incurred a loss for the period of $0.8 million and used $1.3 million of cash flows in its operating activities, which were financed principally from proceeds from past share issuances. As at December 31, 2016, the Company is left with minimal working capital of $1.0 million. As the Company has no assets capable of generating cash flow, it will continue to exhaust its minimal financial resources to fund existing administrative budgets and potential strategic transactions for the foreseeable future. Furthermore, while management continues to work towards eliminating the aforementioned potential financial commitments for guarantees, there is no certainty at this time that this will be achieved. These conditions indicate the existence of a material uncertainty that casts significant doubt about the Company's ability to continue as a going concern as it will be contingent upon the Company's ability to successfully identify and procure necessary capital, which may be by way of strategic transactions to obtain financing and/or generate profitable operations that are beneficial to the Company and its shareholders, and eliminate the remaining potential financial commitments for guarantees.

Management believes that the going concern assumption is appropriate for these consolidated financial statements and that the Company will be able to meet its budgeted administrative costs and eliminate any potential financial commitments for guarantees during the upcoming year and beyond when considering the Company's current financial forecast. However, there is no certainty as to the timing and likelihood of realizing a strategic transaction that would provide additional financial resources beyond those currently retained by the Company, nor is there certainty around the potential obligations regarding guarantees. Should the going concern assumption not be appropriate and the Company is not able to realize its assets and settle its liabilities, these consolidated financial statements would require adjustments to the amounts and classifications of assets and liabilities, and these adjustments could be significant.

3. BASIS OF PRESENTATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). A summary of significant accounting policies is presented in Note 4.

The consolidated financial statements were approved and authorized for issuance by the Company's Board of Directors on April 19, 2017.

Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except that financial instruments, which include marketable securities, are measured at fair value through profit or loss. The methods used to measure fair values are discussed in Note 6.

Functional and presentation currency

Unless otherwise stated, these consolidated financial statements are presented in United States (US) dollars. The Company's functional currency is the Canadian dollar while each of its subsidiaries has a US dollar functional currency, which is the primary economic environment in which each subsidiary operates.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements.

a) Basis of consolidation

Subsidiaries

These consolidated financial statements comprise the financial statements of the Company and its wholly-owned subsidiaries. Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

The following table summarizes the Company's subsidiaries, their country of incorporation, and the Company's ownership interest.

Subsidiaries	**Country of Incorporation**	**Ownership Interest**	
		2016	2015
PetroSouth Energy Corporation [1]	British Virgin Islands	-	100%
PetroSouth Energy Corporation Sucursal Colombia [1]	Colombia	-	100%
Petrodorado USA Ltd. [2]	Canada	-	100%
Petrodorado Energy USA Ltd. [2]	United States	-	100%
Bolivar Energy (Colombia) Inc. [3]	Barbados	100%	100%
Bolivar Energy Colombia Inc. Sucursal Colombia [3]	Colombia	100%	100%
Petrodorado Antilles Holdings N.V.	Netherland Antilles	100%	100%
Petrodorado Peru N.V.	Netherland Antilles	100%	100%
Petrodorado Paraguay N.V.	Netherland Antilles	100%	100%

1) In May 2016, the subsidiary PetroSouth Energy Corporation and its Colombian branch were sold to a third party private company (see Note 8(c)).
2) In June 2016, the subsidiary Petrodorado USA Ltd. and its US subsidiary, Petrodorado Energy USA Ltd., were sold to a third party private company (see Note 8(f)).
3) In February 2017, the subsidiary Bolivar Energy (Colombia) Inc. and its Colombian branch were sold to a third party private company (see Note 22).

Jointly owned assets
Many of the Company's oil and natural gas activities involve jointly owned assets. The consolidated financial statements include the Company's share of these jointly owned assets and a proportionate share of the relevant revenue and related costs.

Transactions eliminated on consolidation
All intercompany balances and transactions are eliminated upon consolidation in preparing the financial statements.

b) Foreign currency

As previously stated, the Company's functional currency is the Canadian dollar while each of its subsidiaries has a US dollar functional currency. Transactions in currencies other than each entity's functional currency are initially recorded at the exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate as at the date of the consolidated statement of financial position. All differences are recorded in net earnings or loss. Non-monetary items are translated using the historical exchange rates prevailing at the dates of the initial transactions.

The Company's consolidated financial statements are presented in US dollars. Management selected the US dollar as the presentation currency as it best facilitated comparability with industry peers. Assets and liabilities of entities with functional currencies other than US dollars are translated at the period end exchange rates, results of their operations are translated at average exchange rates for the period, and shareholders' equity is translated at the rate effective at the time of the transaction. The resulting translation adjustments are included in accumulated other comprehensive income in shareholders' equity. Additionally, foreign exchange gains and losses related to certain intercompany loans that are permanent in nature are included in accumulated other comprehensive income.

c) Financial instruments

Non-derivative financial assets
Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, or available for sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, transaction costs. The Company considers whether a contract contains an embedded derivative when the Company first becomes a party to the contract. Embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract. The Company determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial period end.

Financial assets at fair value through profit or loss
A financial asset at fair value through profit or loss is a financial asset that is classified as held for trading or designated as such upon initial recognition. After initial measurement, such financial assets are subsequently fair valued at each period end with changes in fair value recognized in profit or loss.

The Company's marketable securities were classified as held for trading as it was management's intention to sell these equity investments.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate. The amortization is included in finance income in the consolidated statement of income. The losses arising from impairment are recognized in the consolidated statement of income as a finance cost.

The Company's cash and cash equivalents, short-term investments, restricted cash, and accounts receivable are classified as loans and receivables.

Cash and cash equivalents
Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and at hand and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Non-derivative financial liabilities
Financial liabilities are classified as financial liabilities at fair value through profit or loss, or other liabilities, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and in the case of other liabilities, net of directly attributable transaction costs.

Other liabilities
After initial recognition, other liabilities are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the effective interest rate method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs. The amortization is included in finance cost in the consolidated statement of income.

Accounts payable and accrued liabilities are classified as other liabilities.

Share Capital
Common shares are classified as shareholders' equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from shareholders' equity, net of any tax effects.

d) Exploration and evaluation assets

All license acquisition, exploration and appraisal costs of technical services and studies, seismic acquisition, exploratory drilling and testing were initially capitalized by well, field, unit of account or specific exploration unit as appropriate. Expenditures incurred during the various exploration and appraisal phases were carried forward, until the existence of commercial reserves and when the technical feasibility and commercial viability were demonstrable. Commercial reserves were typically considered to have been achieved when proven and/or probable reserves had been assigned. Commercial viability and technical feasibility was often demonstrated through the receipt by the Company of development licenses on oil and gas assets previously being evaluated under exploration licenses. If commercial reserves had been discovered and technical feasibility and commercial viability were demonstrable, the carrying value of the exploration and evaluation assets, after any impairment loss, were reclassified as oil and gas properties. If technical feasibility and commercial viability could not be demonstrated upon completion of the exploration phase, the carrying value of the exploration and evaluation costs incurred were expensed in the period this determination was made. Exploration and evaluation assets were not depleted or depreciated.

Exploration and evaluation assets were allocated to related cash-generating units ("CGUs") and were tested for impairment when indicators of impairment were present, and when exploration and evaluation assets were transferred to oil and gas properties.

Pre-licence costs
Costs incurred prior to having obtained the legal rights to explore an area were expensed to the consolidated statement of income as they were incurred.

Farm-outs within the exploration and evaluation phase
The Company did not record any expenditure made by the farmee on its account. It also did not recognize any gain or loss on its exploration and evaluation farm-out arrangements, but re-designated any costs previously capitalized in relation to the whole interest as relating to the partial interest retained. Any cash consideration received directly from the farmee was credited against costs previously capitalized in relation to the whole interest with any excess over those costs accounted for by the farmor as a gain on disposal.

e) Oil and gas properties and other property, plant and equipment

Property, plant and equipment were stated at cost, less accumulated depletion and depreciation and accumulated impairment losses. The initial cost of an asset comprised its purchase price or construction cost, any cost directly attributable to bringing the asset into operation, including costs transferred from exploration and evaluation assets, the initial estimate of the decommissioning obligation, directly attributable general and administrative costs, and for qualifying assets, finance costs. The purchase price or construction cost was the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Expenditure on the construction, installation or completion of infrastructure facilities such as pipelines and the drilling of development wells, including unsuccessful development or delineation wells, was capitalized in oil and gas properties when they increased the future economic benefits embodied in the specific asset to which they related. The costs of day to day servicing were expensed as incurred. Property, plant and equipment are grouped into CGUs for impairment testing purposes.

Depletion, depreciation and amortization
Oil and gas properties were depleted using the unit-of-production method by reference to the ratio of production in the year, before royalties, to the related proven and probable reserves as determined by independent petroleum

engineers, taking into account estimated future development costs necessary to bring those reserves into production. The Company's reserves were determined pursuant to National Instrument 51-101, Standards of Disclosure for Oil and Gas Activities. For purposes of this calculation, natural gas was converted to equivalent volumes of crude petroleum based on the approximate energy equivalent ratio of six thousand cubic feet of natural gas to one barrel of crude oil. Future development costs were estimated taking into account the level of development required to produce the reserves. When significant parts of an item of property, plant and equipment have different useful lives, then they were accounted for and depreciated as separate components.

Furniture and equipment were depreciated over their estimated remaining lives using the declining balance method of depreciation. Gains and losses on disposal of an item of property, plant and equipment were determined by comparing the proceeds from disposal with the carrying amount with any gain or loss recognized in earnings.

Farm-outs outside the exploration and evaluation phase
In accounting for a farm-out arrangement, the Company derecognized the proportion of the asset that it had sold to the farmee and recognized the consideration received or receivable from the farmee. The Company recognized a gain or loss on the transaction for the difference between the net disposal proceeds, being the consideration received, and the carrying amount of the asset disposed of.

Assets held for sale
Non-current assets, or disposal groups consisting of assets and liabilities, were classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is met when the sale was highly probable and the asset was available for immediate sale in its present condition.

Non-current assets classified as held for sale were measured at the lower of the carrying amount and fair value less costs to sell, with impairments recognized in net earnings in the period measured. Non-current assets and disposal groups held for sale were presented in current assets and liabilities on the statement of financial position.

f) Impairment

Financial assets
A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that financial asset. An impairment loss in respect of a financial asset, measured at amortized cost, is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Material financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

For financial assets, an impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

All impairment losses are recognized in the consolidated statement of income.

Non-financial assets
The Company assesses at each reporting date whether there is any indication that an asset may be impaired. Exploration and evaluation assets are assessed for impairment when they are reclassified to oil and gas properties and also if facts and circumstances suggest that the carrying amount exceeds the recoverable value, at which point the Company estimates the asset's recoverable amount. Exploration and evaluation assets are allocated to related CGUs when they are assessed for impairment, both at the time of triggering events as well as at the time of their transfer to oil and gas properties. For non-financial assets, the recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value-in-use. Individual non-financial assets are grouped into CGUs for impairment assessment purposes, which is the lowest level at which there are identifiable cash inflows that are

largely independent of the cash inflows of other groups of non-financial assets. Where the carrying amount of a CGU exceeds its recoverable amount, the non-financial asset is considered impaired and is written down to its recoverable amount.

Fair value less cost to sell is determined as the amount that would be obtained from the sale of a CGU in an arm's length transaction between knowledgeable and willing parties, adjusted for incremental costs that would be directly attributable to the disposal of the asset. In assessing value-in-use, the estimated future cash flows expected to arise from the continued use of the CGU including any expansion prospects, and its eventual disposal, using assumptions that an independent market participant may take into account, are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income.

g) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

Decommissioning obligations
The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category. Decommissioning obligations are measured at the present value of management's best estimate of expenditure required to settle the present obligation at the statement of financial position date. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation.

Changes in the estimated timing of decommissioning or decommissioning cost estimates, or discount rate are recognized prospectively by recording an adjustment to the decommissioning obligation, and a corresponding adjustment to the corresponding asset. The increase in the provision due to the passage of time is recognized as a finance cost. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision was established.

h) Revenue recognition

Revenue from the sale of oil and gas is recognized when the significant risks and rewards of ownership have been transferred. This generally occurs when product is physically delivered and the title passes to the buyers and collection is reasonably assured. Revenue is stated after deducting royalties, sales taxes, excise duties and similar levies.

i) Share based payments

The Company follows the fair-value method for valuing stock options and other dilutive instruments granted to employees and directors. Under this method, the compensation cost is measured at the grant date using the Black-

Scholes option pricing model and expensed over the vesting period of the instrument granted as stock-based compensation expense with a corresponding increase to contributed surplus. The contributed surplus balance is reduced as stock options and other dilutive instruments are exercised with the amount previously recognized plus any consideration received credited to share capital. The portion of stock-based compensation directly attributable to exploration and evaluation activities is capitalized to the corresponding asset. The Company has included an estimated forfeiture rate for stock options that will not vest, which is adjusted to reflect actual forfeitures upon final vesting of the award.

j) Income taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the balance sheet method on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income taxes are recognized for all taxable temporary differences, except:

- Where deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting earnings nor taxable earnings or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable earnings will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized. The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each statement of financial position date and are recognized to the extent that it has become probable that future taxable earnings will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of income. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

k) Earnings per share

Basic earnings per share information is computed by dividing the earnings by the weighted average number of shares outstanding during the reporting period. The Company utilizes the treasury stock method in the determination of the diluted per share amounts. Under this method, the diluted weighted average number of shares is calculated assuming the proceeds that arise from the exercise of outstanding, in-the-money options are used to purchase common shares of the Company at their average market price for the period. The weighted average number of shares outstanding is then adjusted by the net change.

l) Inventory

The Company recognizes crude oil inventory held in storage tanks. They are valued at the lower of cost or net realizable value. Cost is determined on a first-in, first-out basis and relates to the direct cost of production on an actual basis.

m) Business combinations and goodwill

On the acquisition of a subsidiary, the acquisition method of accounting is used whereby the purchase consideration transferred is allocated to the identifiable assets, liabilities and contingent liabilities (identifiable net assets) on the basis of fair value at the date of acquisition. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of closing.

Goodwill is initially measured at cost being the excess of the cost of the business combination over the Company's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the fair value attributable to the Company's share of the identifiable net assets exceeds the fair value of the consideration, the Company reassesses whether it has correctly identified and measured the assets acquired and liabilities assumed and recognizes any additional assets or liabilities that are identified in that review. If an excess remains after reassessment, the Company recognizes the resulting gain in profit or loss on the acquisition date.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's CGUs that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

n) Finance costs and interest income

Finance costs comprise of interest expense on borrowings, accretion of the discount on the decommissioning obligation and equity tax payable, and any impairment losses recognized on financial assets.

Interest income is recognized as it accrues in profit or loss, using the effective interest method.

o) Use of estimates and judgements

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 and resource assessment*
The assessment of reported recoverable quantities of proved and probable reserves and prospective resource estimates 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 and prospective resources may change from period to period. Changes in reported reserves and prospective resources can impact the carrying values of the Company's petroleum and natural gas properties and exploration and evaluation assets 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. Prospective resource are determined using an externally prepared valuation report which reflects estimated prospective resources and external pricing and costs assumptions reflective of the current market. The Company's petroleum and gas reserves and prospective resources 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.

5. FUTURE ACCOUNTING POLICIES

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

Revenue Recognition
In May 2014, the IASB issued IFRS 15 "Revenue from Contracts with Customers," which replaces IAS 18 "Revenue," IAS 11 "Construction Contracts," and related interpretations. The standard establishes a comprehensive framework for determining whether, how much, and when revenue is recognized. The standard is required to be adopted either retrospectively or using a modified transition approach for fiscal years beginning on or after January 1, 2018, with earlier adoption permitted. The Company plans to adopt the new standard and is in the process of assessing the impact of the standard on its consolidated financial statements.

Financial Instruments
In July 2014, the IASB completed the final elements of IFRS 9 "Financial Instruments." The standard supersedes earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 "Financial Instruments: Recognition and

Measurement." IFRS 9, as amended, includes a principle-based approach for classification and measurement of financial assets, a single 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. The standard will come into effect for annual periods beginning on or after January 1, 2018, with required retrospective application and early adoption permitted. The Company plans to adopt the new standard and is in the process of assessing the impact of the standard on its consolidated financial statements.

Leases
In January 2016, the IASB issued the complete IFRS 16 "Leases," which replaces IAS 17 "Leases." Under IFRS 16, a single recognition and measurement model will apply for lessees which will require recognition of assets and liabilities for most leases. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The Company plans to adopt the new standard and is in the process of assessing the impact of the standard on its consolidated financial statements.

6. DETERMINATION OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Property, plant and equipment and exploration and evaluation assets
The fair value of property, plant and equipment and exploration and evaluation assets recognized in a business combination and in assessing the recoverable value for impairment testing, is based on market values. The market value of property, plant and equipment and exploration and evaluation assets is the estimated amount for which the assets could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of oil and natural gas interests included in property, plant and equipment is estimated with reference to the discounted cash flows expected to be derived from oil and natural gas production based on externally prepared reserve reports. The risk-adjusted discount rate is specific to the asset with reference to general market conditions. The market value for exploration and evaluation assets is determined based on quoted market prices for similar assets, if available, or discounted cash flows expected to be derived from oil and natural gas production based on available resource reports. The discount rate is specific to the exploration and evaluation asset with reference to general market conditions.

Financial assets and other liabilities
The fair value of financial assets and other liabilities (see Note 4) is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date, except for marketable securities which are fair valued based on quoted trading prices.

Stock options
The fair value of employee stock options is measured using a Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility), weighted average expected life of the instruments (based on historical experience and general option and warrant behaviour), expected dividends, expected forfeiture rate and the risk-free interest rate (based on government bonds).

7. SPECIAL DISTRIBUTION

On April 4, 2016, the Company carried out the special distribution of cash by way of a return of capital to the shareholders of the Company (the "Special Distribution") as was previously approved by the shareholders at the annual general and special meeting that was held on January 27, 2016. By way of this Special Distribution, a cash payment of CDN$0.42 for each of the 49,704,702 common shares (9,940,935 post-Consolidation common shares) existing as of the date that the Special Distribution was realized, resulting in $16.0 million (CDN$20.9 million) being distributed to the shareholders of the Company. Directors and officers of the Company received $1.2 million (CDN$1.6 million) by way of the Special Distribution.

8. DIVESTITURES

a) CPO-5 and Tacacho Blocks

On June 29, 2015, the Company announced the signing of a definitive agreement with Amerisur Resources PLC ("Amerisur") that resulted in the divestiture of its participating interest in the CPO-5 and Tacacho Blocks. The transaction closed and the risks and rewards of ownership were transferred subsequently in early July 2015. Under the terms of the agreement, the Company was to receive, at the option of Amerisur, cash or a variable number of common shares of Amerisur totalling to consideration of $6 million, and a further $2.4 million in cash for existing term deposits plus accrued interest that were in place for the CPO-5 and Tacacho Blocks (see Note 11). The consideration of $6 million was to be paid in three installments: one payment of $3 million at the closing date, and two payments of $1.5 million each to be received three months and six months after closing. During the first week of July 2015, the Company received the cash amount of $2.4 million from Amerisur for the before-mentioned term deposits together with accrued interest, and 5,148,447 common shares of Amerisur representing the first installment payment of $3 million under the agreement. In October 2015 and February 2016, the Company received 4,140,279 and 4,702,972 common shares of Amerisur, respectively, representing the second and third installments of $1.5 million each.

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

Recognized amounts of identifiable assets and liabilities disposed of in 2015 are as follows:

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

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

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

Beyond the consideration amounts above, the Company is also entitled to reimbursement for certain other capital expenditure amounts incurred by the Company upon fulfillment of certain conditions, based on the terms of the definitive agreement. By Q2 2016, those conditions had been fulfilled and the corresponding reimbursable amounts were primarily reflected in the elimination of certain joint venture payable balances resulting in a net gain on settlement of $291,332. A further balance of $82,749 owed to the Company is still outstanding and has not been included in accounts receivable as it is not considered recoverable.

b) Moriche Block

On March 20, 2013, Petrodorado executed a conditional sale agreement with the operating partner of the Moriche Block in which the Company would relinquish its 49.5% working interest held in the Mauritia Este Prospect within the Moriche Block for total consideration of $3.5 million. Under the agreement, the $3.5 million cash consideration was to be paid to the Company by way of pre-determined quarterly installment payments over the 2013 and 2014 calendar years, during which time the purchaser of the block had the option to return the rights of the Moriche Block, under specific circumstances including government approval, to the operating partner (and to the Company) for a 90% return of considerations paid to date. Final assignment of ownership to the rights to the Moriche Block would not be completed until all conditions of the conditional sale agreement were fulfilled. On November 20, 2015, the operating partner and the purchaser successfully executed a definitive agreement wherein all the previously existing conditions of the conditional sale agreement were satisfied and ownership of the Moriche Block was transferred to the purchaser.

Recognized amounts of identifiable assets and liabilities disposed of in 2015 are as follows:

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

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

As of December 31, 2015, the remaining $0.5 million balance owed to the Company on this disposal was still outstanding but had not been included in accounts receivable subsequent to the finalization of the sale due to concerns of collectability. However, during the third quarter of 2016, the Company successfully finalized an agreement with the operating partner of the Moriche Block wherein the Company agreed to release the operating partner from payment of these remaining considerations owed in exchange for release from further operational involvement and the associated abandonment obligations on the Buganviles Block (see Note 8(e)).

c) Talora Block

On February 9, 2016, the Company announced the signing of a definitive agreement with a third party private company (the "Purchaser") that resulted in the divestiture of its participating interest in the Talora Block. Under the terms of the agreement, the Company retains a Back In After Payout Option ("BIAPO") of 2% on the first well drilled and a Right of First Refusal ("ROFR") of 2% on any subsequent wells drilled in the Talora Block. Furthermore, the Company's existing term deposit plus accrued interest of $310,208 that was in place for the Talora Block (see Note 11) was to be released back to the Company upon the establishment of a comparable term deposit by the Purchaser. During the third quarter of 2016, the term deposit was successfully released back to the Company. Moreover, the Company has received $150,000 in payments from the Purchaser as liquidated damages for failure to successfully release the aforementioned term deposit back to the Company by the stipulated deadline as per the terms of the definitive agreement. These payments have been recognized as other revenue for the year ended December 31, 2016. A further amount of $130,751 for liquidated damages owed to the Company remains outstanding and has not been included in accounts receivable due to concerns of collectability.

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

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

d) La Maye Block

On February 25, 2016, the Company announced the successful divestiture of its 20% participating interest in the La Maye Block in Colombia (the "La Maye Interest") to a private oil and gas company. The Company received a Gross Overriding Royalty of 1% on the La Maye Interest's percentage of oil production resulting after applicable government royalties. This transaction also eliminated $0.8 million in future exploration commitments of the Company.

e) Buganviles Block

On September 9, 2016, the Company successfully executed a settlement agreement with the operating partner of the Buganviles Block with regards to the release of Petrodorado from future involvement in this exploration area. Under the terms of the settlement agreement, the operating partner indemnifies and saves harmless Petrodorado from any further obligations under the Joint Operating Agreement between the joint venture partners as well as the Association Contract with Empresa Colombiana de Petroleos ("Ecopetrol") for the Buganviles Block. Pursuant to the settlement agreement, the operating partner will also take all necessary actions, with the cooperation of the Company, to terminate the Joint Operating Agreement and the Association Contract, and the operating partner will take full responsibility for the completion of all reclamation obligations for the wells existing on the Buganviles Block as required under the Association Contract while maintaining the indemnifications awarded to Petrodorado. In return, the Company agreed to release the operating partner from payment of the remaining considerations owed to the Company on the sale of Petrodorado's participating interest in the Moriche Block that were, to date, not recognized as a receivable due to concerns of collectability, as previously mentioned (see Note 8(b)).

On account of this settlement agreement, Petrodorado has no further contractual commitments on the Buganviles Block. Furthermore, the Company has eliminated $401,018 of associated decommissioning obligations and relinquished its right to $3,176 of joint venture receivables that were owed to Petrodorado by the operating partner from operations on this exploration block. The elimination of these amounts has resulted in a gain on settlement of $397,842 for the year ended December 31, 2016.

f) California Block

On October 18 2016, the Company successfully divested its participating interest in the San Joaquin basin of California by way of the finalization of a sale transaction through which Petrodorado sold its wholly-owned US subsidiary to a third party for nominal consideration. On account of this transaction, the Company has no further operational involvement or obligations in this exploration area.

9. ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE

Accounts receivable and accounts payable consist of certain balances, including those identified as joint venture receivables, cash calls payable, and joint venture payables. Cash calls payable are comprised of funds received from non-operating partners with respect to exploration and development activities in blocks in which the Company was the operating partner. As these funds are expended by the Company, the payable is drawn down. Joint venture receivables and payables are amounts due from or to partners on account of capital and operating activities in blocks in which the Company is the non-operating partner.

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

	2016	2015
Trade accounts receivable	**$ 2,654**	$ 27,001
Due from Amerisur (Note 8(a))	**-**	1,500,000
Accounts receivable	**$ 2,654**	$ 1,527,001
Trade accounts payable	**$ 60,247**	$ 565,394
Cash calls payable	**-**	43,942
Joint venture payables	**-**	283,001
Accounts payable and accrued liabilities	**$ 60,247**	$ 892,337

10. MARKETABLE SECURITIES

Marketable securities represent common shares of Amerisur ("Amerisur Shares") received in relation to the CPO-5 and Tacacho Blocks divestiture outlined in Note 8(a) of these financial statements. Amerisur Shares are traded on the AIM market of the London Stock Exchange (the "AIM") in British pound sterling (£).

At December 31, 2015, the fair market value of the 5,148,447 Amerisur Shares held by the Company was $1.86 million (£1.26 million) based on a December 31, 2015 closing price of $0.3615 (£0.2452) per share. On February 5, 2016, the Company received 4,702,972 Amerisur Shares in relation to the final installment payment of $1.5 million as part of the aforementioned divestiture. Subsequent to this final share receipt, the Company sold the entire balance of Amerisur Shares held, resulting in cash proceeds of $3.6 million upon settlement. The proceeds were used to partially fund the Special Distribution discussed in Note 7. A net gain on investment of $0.3 million was recognized during Q1 2016 due to an increase in the value of Amerisur Shares from the weighted average value of $0.3412 (£0.2303) per share held to the cumulative sales achieved on the Amerisur Shares during the period at a weighted average realized price of $0.3638 (£0.2512), net of foreign exchange.

The following table presents activity in the Amerisur Shares for the year end December 31, 2016:

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

11. RESTRICTED CASH

As of December 31, 2015, funds totalling $365,027 were included in restricted cash, which consisted entirely of funds associated with the Talora Block with $54,819 relating to assigned funds of the Company as the operator as well as cash calls paid by a non-operator partner for capital activities of the Talora Block and $310,208 consisting of a term deposit held to secure the letter of credit on committed exploration activities in the Talora Block as required by the Agencia Nacional de Hidrocarburos ("ANH") referred to in Note 12 of these financial statements. As of December 31, 2016, none of these funds remained classified as restricted cash on account of the Talora Block divestiture outlined in Note 8(c) of these financial statements.

12. LETTERS OF CREDIT

Letters of credit are issued through Colombian banks to the ANH as a guarantee for contractual exploration obligations for each phase on the exploration blocks in which the Company has a participation interest. A $300,000 letter of credit for Phase II obligations on the Talora Block was issued to the ANH on October 12, 2013, which was secured by a $310,208 term deposit made at a Colombian bank. In Q3 2016, this letter of credit and the associated term deposit were released by the ANH back to the Company as part of the Talora Block divestiture outlined in Note 8(c) of these financial statements.

Letters of credit issued through a Colombian bank to the ANH with respect to Phase II drilling obligations on the CPO-5 Block of $1,850,000 (secured by a term deposit of $1,850,000) and with respect to Phase I capital expenditure obligations on the Tacacho Block of $403,920 (secured by a term deposit of $425,610) were removed in 2015 as part of the disposal of these exploration assets as outlined in Note 8(a) of these financial statements.

13. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation ("E&E") assets for the years ended December 31, 2016 and December 31, 2015 were recognized at a carrying balance of nil. After consideration for asset disposals (see Note 8), remaining E&E assets were fully impaired for the year ended December 31, 2015 based on identified impairment triggers and management's estimates of E&E asset fair values as of year end 2015. The assessment of facts and circumstances existing as of December 31, 2016 did not result in the recovery of any previously recognized impairments.

During the year ended December 31, 2015, the Company determined that impairments of $6,947,749 were to be recognized on its exploration and evaluation assets related to the Company's Colombian exploration blocks.

14. DECOMMISSIONING OBLIGATIONS

The Company's decommissioning obligations result from ownership interests in oil and gas properties, which would include well sites, gathering systems and processing facilities, and exploration and evaluation assets. The Company estimates the total undiscounted amount of cash flows required to settle its decommissioning obligation at

December 31, 2016, to be nil for well sites ($416,946 at December 31, 2015) on account of the asset divestitures realized, as outlined in Note 8(e) and 8(f). Changes to decommissioning obligations were as follows:

	2016	2015
Balance, beginning of the year	**$ 416,946**	$ 884,380
Liabilities settled during the year (Note 8(e))	**(401,018)**	-
Liabilities disposed of during the year (Note 8(f))	**(15,928)**	(387,947)
Liabilities transferred to held for sale during the year	**-**	(103,789)
Accretion expense for the year	**-**	24,302
Balance, end of the year	**$ -**	$ 416,946

15. SHARE CAPITAL

Common shares

On April 4, 2016, the Company filed Articles of Amendment which created a new class of common shares and a class of preferred shares and effected an exchange of the existing common shares for new class B common shares ("Class B Shares") and preferred shares ("Preferred Shares") on the basis of one Class B Share and one Preferred Share for every common share outstanding. The Preferred Shares were redeemed immediately in exchange for the Special Distribution as previously described in Note 7. The Class B Shares are identical in all respects to the previously existing common shares, save for the fact that all Class B Shares have two votes per share at any shareholders meeting. As a result of the Special Distribution, there are no longer Preferred Shares issued and outstanding and the only class of common shares in the capital of the Company outstanding are Class B Shares.

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

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

	Common shares	**Amount**
Balance, January 1, 2015	9,650,935	$ 102,918,335
Options exercised for cash	270,000	174,172
Transfer of assigned fair value from contributed surplus	-	110,735
Balance, December 31, 2015	9,920,935	103,203,242
Options exercised for cash	20,000	13,599
Transfer of assigned fair value from contributed surplus	-	10,431
Special distribution (Note 7)	-	(16,014,095)
Balance, December 31, 2016	**9,940,935**	**$ 87,213,177**

Stock options

The Company has adopted a formal rolling stock option plan whereby options can be granted from time to time to directors, employees and consultants at the discretion of the Board of Directors. The number of options that can be granted is limited to 10% of the total shares issued and outstanding. Options issued typically vest one-third on the date of the grant, one-third after one year following the date of the grant, and one-third after two years following the grant date. Options issued expire five years following the date of the grant.

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

	Stock options	Weighted average exercise price (CDN$)
Balance, January 1, 2015	590,200	$ 4.75
Options issued	290,000	0.90
Options exercised	(270,000)	0.90
Options forfeited	(89,267)	4.40
Expired options	(150,533)	6.56
Balance, December 31, 2015	370,400	$ 3.89
Options issued	560,000	0.10
Options exercised	(20,000)	0.90
Expired options	(233,500)	4.21
Balance, December 31, 2016	**676,900**	**$ 0.73**
Exercisable, December 31, 2016	**303,566**	**$ 1.51**

On November 14, 2016, the Company granted 560,000 options to acquire common shares to certain directors and officers of the Company at a price of CDN $0.10 per common share. The options were for a five-year term, expiring on November 14, 2021, and vesting one-third on November 14, 2016, one-third on the first anniversary date and one-third on the second anniversary date from the date of grant.

On July 23, 2015, the Company granted 290,000 options to acquire common shares to certain directors, officers, and employees of the Company at a price of CDN $0.90 per common share. The options were for a five-year term, expiring on July 23, 2020, and vesting one-third on July 23, 2015, one-third on the first anniversary date and one-third on the second anniversary date from the date of grant.

On December 15, 2015, the Company announced the accelerated vesting of all options held by directors, officer, employees and consultants of the Company. All outstanding options of the Company were deemed fully vested and exercisable into common shares of the Company, maintaining the same terms for each option as previously established at the time of grant. Subsequently, of the options granted in 2015, 270,000 and 20,000 were exercised to acquire common shares of the Company in December 2015 and March 2016, respectively.

The following summarizes information about stock options outstanding as at December 31, 2016:

Exercise prices (CDN$)	Number of options outstanding	Weighted average term to expiry (years)	Number of options exercisable
0.10	560,000	4.87	186,666
3.50	110,900	2.09	110,900
8.50	6,000	0.79	6,000
	676,900	**4.38**	**303,566**

All options were allocated an estimated fair value using the Black-Scholes option pricing model to estimate the fair value with the following weighted average assumptions.

	2016	2015
Expected forfeiture rate	10.00%	10.00%
Risk-free interest rate	0.96%	0.79%
Expected dividend yield	0%	0%
Expected stock price volatility	126%	118%
Expected option life	5 years	5 years
Fair value of options granted	CDN $0.083	CDN $0.690

During the year ended December 31, 2016, the Company recognized $13,612 (December 31, 2015 - $222,441) of stock-based compensation expense that was recorded as contributed surplus.

Loss per share

For purposes of the loss per share calculations for the years ended December 31, 2016 and 2015, there is no difference between the basic loss per share and the diluted loss per share amounts. For the years ended December 31, 2016, 676,900 options (December 31, 2015 – 370,400) were excluded as their impact was anti-dilutive.

16. INCOME TAXES

Reconciliation of effective tax rate

Income tax expense varies from the amount that would be computed by applying the expected basic federal and provincial income tax rates for Canada for the year ended December 31, 2016 of 27.00% (December 31, 2015 - 26.00%) to income before income taxes. A reconciliation of this difference is presented below.

	2016	2015
Loss before income taxes	**$ (805,865)**	$ (9,526,535)
Tax rate	**27.00%**	26.00%
Computed income tax recovery	**(217,584)**	(2,476,899)
Increase (decrease) in taxes:		
Effect of tax rates in foreign jurisdictions	**32,174**	819,527
Stock-based compensation	**3,704**	58,371
Change in unrecognized tax assets and other	**181,706**	1,599,001
Total tax expense	**$ -**	$ -

Unrecognized Deferred Tax Assets

Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2016	2015
Non-capital loss carryforwards	**$ 12,160,803**	$ 20,755,378
Capital loss carryforwards net of foreign exchange	**72,486,958**	59,709,333
Property, Plant and Equipment and Other	**1,864,522**	3,105,728
	$ 86,512,283	$ 83,570,439

$0.5 million of the non-capital losses carry forwards as at December 31, 2016, are from Colombia ($7.4 million from 2015). These losses begin expiring in 2029. $11.6 million of the non-capital loss carry forwards as at December 31, 2016, are from Canada ($10.7 million from 2015). These losses expire between 2029 and 2036. All the capital loss carry forwards presented above are from Canada and have no expiration period. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise the benefits therefrom.

Through 2016, the Company has operated in multiple jurisdictions with complex tax laws and regulations, which are evolving over time. The Company has taken certain tax positions in its tax filings and these filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax impact may differ significantly from that estimated and recorded by management.

17. FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks, and the Company's management of capital. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

Credit risk

Credit risk reflects the risk of loss if counterparties do not fulfill their contractual obligations. The carrying amount of cash and cash equivalents, short-term investments, accounts receivable and restricted cash represent the maximum credit exposure. As at December 31, 2016, the Company had no balance remaining in restricted cash. At December 31, 2016, the Company had $2,654 in trade accounts receivable (December 31, 2015 - $1,527,001), which primarily relate to refundable tax balances. The Company does not consider any of its receivables presented on these financial statements to be past due. The Company held cash and cash equivalents of $241,804 and short-term investments of $801,522 as at December 31, 2016. The Company manages the credit exposure related to cash and cash equivalents, restricted cash and short-term investments by selecting counter parties based on credit ratings and monitors all investments to ensure a stable return, avoiding complex investment vehicles with higher risk such as asset-backed commercial paper.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due and describes the Company's ability to access cash. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient cash resources in order to finance operations, fund capital expenditures, and to repay debt and other liabilities of the Company as they come due, without incurring unacceptable losses or risking harm to the Company's reputation. The Company's processes for managing liquidity risk include preparing and monitoring capital and operating budgets, coordinating and authorizing project expenditures, and authorization of contractual agreements. The Company seeks additional financing based on the results of these processes. The budgets are updated when required as conditions change.

The Company has exploration commitments in Latin America as described in Note 18. The Company's contractual obligations consist of accounts payable and accrued liabilities which are considered current in nature and due within one year.

Market risk

Market risk is the risk or uncertainty that changes in price, such as commodity prices, foreign exchange rates, and interest rates will affect the Company's net earnings and the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns. From time to time, the Company may utilize financial derivative contracts to manage market risks in accordance with the risk management policy that has been approved by the Board of Directors. There were no financial contracts or embedded derivatives outstanding at December 31, 2016 or 2015.

Commodity price risk
Commodity price risk is the risk that the fair value of the future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum and natural gas are impacted by not only the United States dollar, but also by world economic events that dictate the levels of supply and demand.

Foreign currency risk
Foreign currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign currency exchange rates. Some of the Company's business transactions and commitments occur in currencies other than US dollars. A portion of the Company's operations in Colombia transact in Colombian Peso (COP$). In addition, the majority of the Company's financing and a portion of the administrative costs will be based in Canadian dollars or COP$ and paid in Canadian dollars or COP$. Therefore, the Company is exposed to the risk of fluctuations in foreign exchange rates between US dollars, COP$ and Canadian dollars. As at December 31, 2016 and December 31, 2015, the Company had not entered into any foreign currency derivatives to manage its exposure to currency fluctuations. At December 31, 2016, the Company had balances within its cash and short-term investments in denominations of CDN$0.2 million, COP$1.2 million and USD$.9 million (CDN$0.5 million, COP$436.9 million and USD$13.7 million - December 31, 2015).

The impact to the accumulated other comprehensive loss for the year ended December 31, 2016, had the USD$ to CDN$ rate exchange changed by 1 cent would amount to approximately $1,000 ($2,000 - December 31, 2015), and the impact to the net loss and comprehensive loss for the year had the US Dollars to COP$ rate exchange changed by 1 cent would amount to nominal change ($1,000 - December 31, 2015).

Interest rate risk
Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in prevailing market interest rates. The Company is exposed to interest rate risk on its cash and cash equivalents and short-term investments that have a floating interest rate. Fluctuations of interest rates for the period ending December 31, 2016 and 2015 would not have had a significant impact on the annual consolidated financial statements.

Fair value of financial instruments
The Company's financial instruments as at December 31, 2016, include cash and cash equivalents, short-term investments, accounts receivable, and accounts payable and accrued liabilities.

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in accordance with the following hierarchy:

> Level 1 - inputs are based on quoted market prices in active markets that the Company has the ability to access at the measurement date.

Level 2 - inputs are based on quoted prices in the markets that are not active or based on prices that are observable for the asset or liability.

Level 3 - inputs are based on unobservable market data for the asset or liability.

The Company aims to maximize the use of observable inputs when preparing calculations of fair value. Classification of each measurement into the fair value hierarchy is based on the lowest level of input that is significant to the fair value calculation.

The aforementioned financial instruments of the Company are classified as level 1 based on the nature of their observable inputs for fair value measurement. The fair value of cash and cash equivalents, short-term investments, accounts receivable, accounts payable and accrued liabilities approximate their carrying amounts due to their short terms to maturity.

Capital management
The Company's objectives when managing capital are to ensure the Company will have sufficient financial capacity, liquidity, and flexibility to fund the Company's operations, growth, and ongoing exploration and development commitment activities of its oil and gas assets. The Company is dependent upon funding these activities through a combination of available cash, debt and equity, which it considers to be the components of its capital structure as outlined below.

	2016	2015
Shareholders' equity	**$ 985,733**	$ 16,639,207
Cash	**$ 241,804**	$ 587,725
Working capital, excluding cash	**$ 743,929**	$ 16,051,482

The Company regularly monitors its capital structure and, as necessary, adjusts to changing economic circumstances and the underlying risk characteristics of its assets in order to meet current and upcoming obligations and investments by the Company. The Company frequently reviews alternate financing options and arrangements to meet its current and upcoming commitments and obligations.

The Company's objectives when managing capital are: (i) to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and (ii) to maintain investor, creditor and market confidence in order to sustain the future development of the business. The Company's share capital is not subject to external restrictions.

18. COMMITMENTS

On account of the divestitures outlined in Note 8, the Company's previous commitments relating to exploration activities in Colombia are no longer projected to be the obligation of the Company. However, certain guarantees as originally provided by the Company on behalf of its Colombian subsidiary recognized by the ANH as the participating party in the associated exploration contracts for each of the CPO-5 and Tacacho Blocks were still in place as of December 31, 2016. While the Company is in the process of obtaining the release from these guarantees given that the Company is no longer a participating party in these exploration contracts, the Company still had exposure to $11.9 million of existing exploration responsibilities as of December 31, 2016 in the event that they are not ultimately fulfilled by those parties who carry on the associated exploration activities in these blocks. However, the likelihood that events will transpire that would result in these guarantees being enforced between December 31, 2016 and the moment when the Company is released from these guarantees is considered remote.

19. PERSONNEL EXPENSES

The Company has determined that key management personnel consist of its managers, officers and directors. In addition to the salaries paid to company officers, these groups participate in the stock option plan. The total compensation expense, including salaries, fees and share-based compensation relating to key management personnel for the year was as follows:

	2016	2015
Salary, fees and other benefits	**$ 299,973**	$ 888,241
Share based compensation*	**13,612**	185,853
Severance payments	**148,167**	125,526
	$ 461,752	$ 1,199,620

* Represents the amortized portion recognized in the consolidated financial statements.

During the year, as a result of the termination of the employment of certain executives of the Company, severance amounts of $0.1 million were paid to these exiting key management personnel. In March 2016, under the Company's stock option plan, key management personnel exercised 20,000 stock options for the issuance of the equivalent number of common share in the Company.

20. 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 years ended December 31, 2016 and 2015.

For the year ended December 31, 2016

	Canada	**Colombia**	**Total**
Revenue:			
Interest and other	$ 168,420	$ 6,999	$ 175,419
Expenses:			
General and administrative	850,040	154,723	1,004,763
Gain on settlement	-	(689,174)	(689,174)
Gain on investment	(312,430)	-	(312,430)
Foreign exchange loss (gain)	978,864	(14,351)	964,513
Stock-based compensation	13,612	-	13,612
	1,530,086	(548,802)	981,284
Income (loss) for the year	$ (1,361,666)	$ 555,801	$ (805,865)
Assets, December 31, 2016	$ 1,044,500	$ 1,480	$ 1,045,980

For the year ended December 31, 2015

	Canada	Colombia	United States	Total
Revenue:				
Interest and other	$ 71,707	$ 25,478	$ -	$ 97,185
Expenses:				
General and administrative	2,780,249	855,840	1,223	3,637,312
Impairment of exploration and evaluation assets	-	6,947,749	-	6,947,749
Loss on investment	999,577	-	-	999,577
Loss on disposal of property, plant and equipment	-	284,141	-	284,141
Foreign exchange gain	(2,466,460)	(59,288)	-	(2,525,748)
Stock-based compensation	222,441	-	-	222,441
Depletion and depreciation	607	33,339	-	33,946
Finance costs	-	23,839	463	24,302
	1,536,414	8,085,620	1,686	9,623,720
Loss for the year	$ (1,464,707)	$ (8,060,142)	$ (1,686)	$ (9,526,535)
Assets, December 31, 2015	$ 17,421,804	$ 630,475	$ -	$ 18,052,279
Additions to exploration and evaluation assets	$ -	$ 2,588,315	$ -	$ 2,588,315

21. SUPPLEMENTAL CASH FLOW INFORMATION

	2016	2015
Accounts receivable	**$ 1,524,347**	$ (1,420,764)
Accounts payable and accrued liabilities	**(832,090)**	(3,308,453)
Amerisur payments received through marketable securities (Note 8(a))	**(1,500,000)**	(4,500,000)
Working capital adjustment for Amerisur settlement (Note 8(a))	**291,332**	-
Working capital adjustment for Buganviles settlement (Note 8(e))	**(3,176)**	-
Working capital disposed of in California divestiture (Note 8(f))	**(15,928)**	-
Accounts receivable from Amerisur on disposition (Note 8(a))	**-**	6,000,000
Working capital disposed of to Amerisur (Note 8(a))	**-**	56,866
Working capital adjustment for proceeds on Moriche sale (Note 8(b))	**-**	3,002,016
Working capital transferred to assets held for sale	**-**	(13,326)
Change in non-cash working capital	**(535,515)**	(183,661)
Relating to:		
Operating activities	**(483,976)**	234,072
Investing activities	**(51,539)**	(417,733)
Change in non-cash working capital	**$ (535,515)**	$ (183,661)

22. SUBSEQUENT EVENTS

In February 2017, the Company closed terms of an executed definitive agreement that resulted in the sale of all of the issued and outstanding shares of the Company's wholly-owned subsidiary Bolivar Energy (Colombia) Inc., a company existing under the laws of Barbados, along with the entity's Colombian branch, for nominal consideration.