



INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

NOTICE OF NO AUDITORS' REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim condensed consolidated financial statements of Petrodorado Energy Ltd. have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditors.

PETRODORADO ENERGY LTD.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited, expressed in U.S. Dollars)

June 30, 2017

December 31, 2016

Assets

Current Assets

Cash and cash equivalents	\$ 793,784	\$ 241,804
Short-term investments	753,795	801,522
Accounts receivable	20,729	2,654
	\$ 1,568,308	\$ 1,045,980

Liabilities

Current Liabilities

Accounts payable and accrued liabilities	\$ 84,146	\$ 60,247
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Shareholders' Equity

Share capital (Note 7)	87,920,755	87,213,177
Warrants (Note 7)	30,259	-
Contributed surplus	29,959,442	29,951,681
Deficit	(111,827,371)	(111,538,610)
Accumulated other comprehensive loss	(4,598,923)	(4,640,515)
	1,484,162	985,733
	\$ 1,568,308	\$ 1,045,980

See accompanying notes to the interim condensed consolidated financial statements.

PETRODORADO ENERGY LTD.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE INCOME (LOSS)

For the three and six months ended June 30

<i>(Unaudited, expressed in U.S. Dollars)</i>	For the three months ended		For the six months ended	
	2017	2016	2017	2016
Revenue:				
Interest and other	\$ 1,409	\$ 8,719	\$ 2,705	\$ 23,330
Expenses:				
General and administrative	122,656	229,688	279,383	610,379
Gain on investment	-	-	-	(312,430)
Gain on disposal (Note 6)	-	-	(54,005)	-
Foreign exchange loss	17,638	176,804	26,616	1,007,629
Stock-based compensation (Note 7)	3,871	-	7,761	-
	144,165	406,492	259,755	1,305,578
Net loss from continuing operations	(142,756)	(397,773)	(257,050)	(1,282,248)
Net income (loss) from discontinued operations (Note 8)	-	271,748	(31,711)	230,381
Net loss	\$ (142,756)	\$ (126,025)	\$ (288,761)	\$ (1,051,867)
Other comprehensive income:				
Currency translation adjustment	31,028	(61,459)	41,592	1,006,934
Transfer of translation loss realized on disposal of foreign operations	-	159,340	-	159,340
	31,028	97,881	41,592	1,166,274
Comprehensive income (loss) for the period	\$ (111,728)	\$ (28,144)	\$ (247,169)	\$ 114,407
Loss per share – basic and diluted (Note 7)	\$ (0.01)	\$ (0.01)	\$ (0.03)	\$ (0.11)
Weighted average number of common shares outstanding	11,552,657	9,940,935	10,751,248	9,933,462

See accompanying notes to the interim condensed consolidated financial statements.

PETRODORADO ENERGY LTD.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three and six months ended June 30

<i>(Unaudited, expressed in U.S. Dollars)</i>	For the three months ended		For the six months ended	
	2017	2016	2017	2016
Cash flows provided by (used in):				
Operating activities				
Loss	\$ (142,756)	\$ (397,773)	\$ (257,050)	\$ (1,282,248)
Adjustments for:				
Gain on disposal	-	-	(54,005)	-
Gain on investment	-	-	-	(312,430)
Unrealized foreign exchange loss	16,968	364,889	24,196	955,118
Stock-based compensation	3,871	-	7,761	-
Change in non-cash working capital (Note 11)	32,305	(21,647)	29,958	(386,628)
Continuing operations	(89,612)	(54,531)	(249,140)	(1,026,188)
Discontinued operations	-	(23,851)	(35,326)	(100,620)
	(89,612)	(78,382)	(284,466)	(1,126,808)
Investing activities				
Short-term investments	48,820	176,616	47,727	12,609,674
Marketable securities	-	-	-	3,584,395
Proceeds from Bolivar sale	-	-	49,401	-
Change in non-cash working capital (Note 11)	-	150,000	-	150,000
Continuing operations	48,820	326,616	97,128	16,344,069
Discontinued operations	-	22,466	-	72,148
	48,820	349,082	97,128	16,416,217
Financing activities				
Shares issued, net of cost	707,578	-	707,578	-
Warrants issued, net of cost	30,259	-	30,259	-
Options exercised	-	-	-	13,599
Special distribution (Note 4)	-	(16,014,095)	-	(16,014,095)
Change in non-cash working capital (Note 11)	(14,449)	-	(14,449)	-
	723,388	(16,014,095)	723,388	(16,000,496)
Change in cash during the period				
Continued operations	682,596	(15,742,010)	571,376	(682,615)
Discontinued operations	-	(1,385)	(35,326)	(28,472)
Foreign exchange gain (loss) on cash	14,060	(276,753)	15,930	297,465
Cash, beginning of period	97,128	16,194,251	241,804	587,725
Cash, end of period	\$ 793,784	\$ 174,103	\$ 793,784	\$ 174,103

Cash is defined as cash and cash equivalents.

See accompanying notes to the interim condensed consolidated financial statements.

PETRODORADO ENERGY LTD.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited, expressed in U.S. Dollars)

	Number of Shares	Share Capital	Warrants	Contributed Surplus	Deficit	AOCL ⁽¹⁾	Total
Balance at December 31, 2015	9,920,935	\$ 103,203,242	\$ -	\$ 29,948,500	\$ (110,732,745)	\$ (5,779,790)	\$ 16,639,207
Net loss from continuing operations					(1,282,248)		(1,282,248)
Net income from discontinued operations					230,381		230,381
Currency translation adjustment						1,006,934	1,006,934
Transfer of translation loss realized on disposal of foreign operations						159,340	159,340
Special distribution		(16,014,095)					(16,014,095)
Exercise of stock options	20,000	24,030		(10,431)			13,599
Balance at June 30, 2016	9,940,935	\$ 87,213,177	\$ -	\$ 29,938,069	\$ (111,784,612)	\$ (4,613,516)	\$ 753,118

	Number of Shares	Share Capital	Warrants	Contributed Surplus	Deficit	AOCL ⁽¹⁾	Total
Balance at December 31, 2016	9,940,935	\$ 87,213,177	\$ -	\$ 29,951,681	\$ (111,538,610)	\$ (4,640,515)	\$ 985,733
Shares issued, net of cost (Note 7)	13,333,333	707,578					707,578
Warrants issued, net of cost (Note 7)			30,259				30,259
Net loss from continuing operations					(257,050)		(257,050)
Net loss from discontinued operations					(31,711)		(31,711)
Currency translation adjustment						41,592	41,592
Stock-based compensation				7,761			7,761
Balance at June 30, 2017	23,274,268	\$ 87,920,755	\$ 30,259	\$ 29,959,442	\$ (111,827,371)	\$ (4,598,923)	\$ 1,484,162

See accompanying notes to the interim condensed consolidated financial statements.

(1) Accumulated other comprehensive loss

PETRODORADO ENERGY LTD.
Notes to the Interim Condensed Consolidated Financial Statements
For the periods ended June 30, 2017 and 2016 (unaudited)

1. REPORTING ENTITY

Petrodorado Energy Ltd. (“Petrodorado” or the “Company”) is a public company that was previously engaged in exploration and development activities in Colombia. The Company’s head office is located in Calgary, Alberta, Canada. The Company’s shares are listed and publicly traded on the TSX Venture Exchange (the “Exchange”) under the trading symbol “PDQ”.

The Company underwent a strategic reassessment during 2015 and 2016 which resulted in the disposal of or withdrawal from virtually all exploration blocks wherein the Company had a participating interest. The Company is currently evaluating future strategic opportunities that may 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 followed ratification and approval for the Board of Directors to perform such a Consolidation on a basis of up to ten pre-Consolidation common shares for one post-Consolidation common share as given by the shareholders at the annual general and special meeting of shareholders held on January 27, 2016. Effective at the opening of trading on September 16, 2016, Petrodorado’s shares commenced trading on the TSX Venture Exchange on a consolidated basis. As a result, all share and per share amounts including those related to stock options have been restated for all periods to reflect this five for one consolidation.

2. GOING CONCERN

These interim condensed consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to discharge its obligations and realize its assets in the normal course of operations for the foreseeable future. In 2015, the Company commenced a strategic reassessment which resulted in the aforementioned disposals and/or operational renunciation of the Company’s participating interests in several exploration blocks. These events 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. In April 2016, the Company completed a return of capital distribution of \$16.0 million (CDN\$20.9 million) to Company shareholders (see Note 4) leaving minimal working capital to sustain future operations.

During the six months ended June 30, 2017, the Company incurred a loss for the period of \$288,761 and used \$284,466 of cash flows in its operating activities, which were financed principally from proceeds from past share issuances. In June 2017, the Company successfully completed a non-brokered private placement for gross proceeds of CDN\$1,000,000 (\$756,400) (see Note 5), which funds are to be used for general corporate purposes of the Company. As at June 30, 2017, the Company maintains working capital of \$1,484,162.

As the Company has no assets capable of generating cash flow, it will continue to exhaust its remaining financial resources to fund existing administrative budgets and potential strategic transactions for the foreseeable future. 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.

Management believes that the going concern assumption is appropriate for these interim condensed consolidated financial statements and that the Company will be able to meet its budgeted administrative costs 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

PETRODORADO ENERGY LTD.
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resources beyond those currently retained by the Company. Should the going concern assumption not be appropriate and the Company is not able to realize its assets and settle its liabilities, these interim condensed consolidated financial statements would require adjustments to the amounts and classifications of assets and liabilities.

3. BASIS OF PRESENTATION

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” under International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

These interim condensed consolidated financial statements follow the same accounting policies and method of computation as the Company’s annual consolidated financial statements for the year ended December 31, 2016, with the exception of certain disclosures that are normally required to be included in annual consolidated financial statements which have been condensed or omitted. These interim condensed consolidated financial statements should be read in conjunction with the Company’s annual consolidated financial statements for the year ended December 31, 2016.

These interim condensed consolidated financial statements have been prepared on a historical cost basis, are presented in U.S. dollars, and were authorized for issue by the Board of Directors on August 29, 2017.

4. SPECIAL DISTRIBUTION

In April 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.

5. PRIVATE PLACEMENT

In June 2017, Petrodorado closed a non-brokered private placement (the “Private Placement”) raising gross proceeds of CDN\$1,000,000 (\$756,400) through the issuance of 13,333,333 units (each, a “Unit”) at a price of CDN\$0.075 per Unit. Each Unit consisted of one common share and one-half of one share purchase warrant, with each full warrant entitling the holder to acquire an additional common share at an exercise price of CDN\$0.15 per share for a period of sixty months from the closing date, expiring in June 2022. All of the securities issued pursuant to this Private Placement are subject to a four month and a day hold period expiring on October 20, 2017. Proceeds of the Private Placement will be used for general corporate purposes.

6. CORPORATE DISPOSAL

In February 2017, the Company closed the sale and transferred the risks and rewards of ownership of its wholly-owned subsidiary Bolivar Energy (Colombia) Inc. and its Colombian branch office to a third party private company purchaser. Under the terms of the sale agreement, the Company received \$50,000 in cash consideration.

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

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Cash	\$ 599
Accounts receivable	2,879
Accounts payable	(7,483)
Total net liabilities disposed	(4,005)
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Cash received	50,000
Gain on disposal	\$ 54,005

7. 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 described in Note 4. The Class B Shares are identical in all respects to the previously existing common shares, save for the fact that all Class B Shares have two votes per share at any shareholders meeting. As a result of the 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.

On June 19, 2017, the Company issued 13,333,333 Units at an issue price of CDN\$0.075 per Unit for gross proceeds of \$756,400 (CDN\$1,000,000). Each Unit was comprised of one Class B Share of the Corporation and one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase one Class B Share of the Company at a price equal to CDN\$0.15 per share, until June 2022. The Company has allocated the total proceeds of \$756,400 (CDN\$1,000,000) to share capital of \$725,380 (CDN\$958,990) and warrants of \$31,020 (CDN\$41,010). The warrant fair value was determined based on a Black-Scholes option pricing model (see below). The issue costs on the private placement totaling \$18,563 (CDN\$24,541) were also allocated to share capital of \$17,802 (CDN\$23,535) and warrants of \$761 (CDN\$1,006).

At June 30, 2017, 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 Class B Shares as of June 30, 2017 were 23,274,268 (December 31, 2016 - 9,940,935).

	Common shares	Amount
Balance, January 1, 2016	9,920,935	\$ 103,203,242
Options exercised for cash	20,000	13,599
Transfer of assigned fair value from contributed surplus	-	10,431
Special distribution (Note 4)	-	(16,014,095)
Balance, December 31, 2016	9,940,935	\$ 87,213,177
Shares issued, net of costs (Note 5)	13,333,333	707,578
Balance, June 30, 2017	23,274,268	\$ 87,920,755

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Warrants

Pursuant to the private placement of Units discussed in Note 5, the Company issued 6,666,667 share purchase warrants. The warrants are exercisable immediately at a price of CDN\$0.15 per share until June 2022.

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

Risk-free interest rate	1.17%
Expected dividend yield	0%
Expected stock price volatility	30%
Expected warrant life	5 years
Fair value of warrants granted	CDN\$0.006

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, 2016	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
Options forfeited	(2,900)	3.50
Balance, June 30, 2017	674,000	\$ 0.72
Exercisable, June 30, 2017	300,666	\$ 1.49

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.

The following summarizes information about stock options outstanding as at June 30, 2017:

Exercise prices (CDN\$)	Number of options outstanding	Weighted average term to expiry (years)	Number of options exercisable
0.10	560,000	4.38	186,666
3.50	108,000	1.60	108,000
8.50	6,000	0.30	6,000
	674,000	3.90	300,666

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All options were allocated an estimated fair value using the Black-Scholes option pricing model. No options were granted during the periods ended June 30, 2017 and 2016. During the six months ended June 30, 2017, the Company recognized \$7,761 (June 30, 2016 - nil) in stock-based compensation expense. Recognized stock-based compensation expense is recorded as contributed surplus.

Loss per share

For purposes of the loss per share calculations for the periods ended June 30, 2017 and 2016, there is no difference between the basic loss per share and the diluted loss per share amounts. For the periods ended June 30, 2017, 674,000 options and 6,666,667 warrants (June 30, 2016 - 116,900 options and nil warrants) were excluded as their impact was anti-dilutive.

8. DISCONTINUED OPERATIONS

During the period ended June 30, 2017, the Company closed the transaction to sell its remaining corporate operations in Colombia through the sale of its wholly-owned subsidiary (see Note 7). Upon closing of the sale, management has ceased operations in Colombia and, as such, has reclassified its entire Colombian segment to discontinued operations.

Income and expenses allocated to net loss from discontinued operations are as follows:

For the periods ending June 30	Three months ended		Six months ended	
	2017	2016	2017	2016
General and administrative	\$ -	\$ (26,988)	\$ (30,245)	\$ (78,100)
Gain on settlement	-	291,332	-	291,332
Foreign exchange gain (loss)	-	7,404	(1,466)	17,149
Net income (loss) relating to discontinued operations	\$ -	\$ 271,748	\$ (31,711)	\$ 230,381

9. COMMITMENTS

On account of the aforementioned disposals and withdrawals, 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 one of its Colombian subsidiaries recognized by the Agencia Nacional de Hidrocarburos (ANH) as the participating party in the associated exploration contracts for two of the blocks in which the Company previously held participating interests (specifically, the CPO-5 and Tacacho Blocks) were still in place subsequent to the disposal of said participating interests. In June 2017, the ANH formally released the Company from these guarantees, liberating the Company from exposure to approximately \$11.9 million of estimated exploration responsibilities. As of June 30, 2017, the Company has no further legal or contractual obligations or commitments.

10. SEGMENTED INFORMATION

The Company defines its reportable segments based on geographical locations. With the close of operations in Colombia (see Note 8), net loss from continuing operations reflect those results of the Canada segment, while net loss from discontinued operations reflect those results of the Colombia segment. As of June 30, 2017, all remaining assets and liabilities as presented within these financial statements represent those held under the Canada segment.

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11. SUPPLEMENTAL CASH FLOW INFORMATION

For periods ending June 30	Three months ended		Six months ended	
	2017	2016	2017	2016
Accounts receivable	\$ (15,655)	\$ (1,492,005)	\$ (19,164)	\$ 19,393
Accounts payable and accrued liabilities	33,511	120,358	34,673	(256,021)
Amerisur payments received through marketable securities	-	1,500,000	-	-
Change in non-cash working capital	17,856	128,353	15,509	(236,628)
Relating to:				
Operating activities	32,305	(21,647)	29,958	(386,628)
Investing activities	-	150,000	-	150,000
Financing activities	(14,449)	-	(14,449)	-
Change in non-cash working capital	\$ 17,856	\$ 128,353	\$ 15,509	\$ (236,628)

12. SUBSEQUENT EVENT

On August 8, 2017, the Company announced that it has entered into an amalgamation agreement with Western Atlas Resources Inc. (“WAR”) pursuant to which WAR will amalgamate with Petrodorado’s wholly owned subsidiary 1128014 B.C. Ltd., which will continue as one corporation (“Amalco”) wholly owned by the Company (the “Amalgamation”). Pursuant to the Amalgamation Agreement, WAR’s shareholders will be issued an aggregate of 31,313,150 common shares of Petrodorado (“Petrodorado Shares”) at a deemed price of CDN\$0.135 per Petrodorado Share, representing an exchange ratio of 1.0835 Petrodorado Shares exchanged for each WAR share held by the WAR shareholders as at the date of the Amalgamation Agreement.

After giving effect to the Amalgamation, it is expected that former WAR shareholders will hold approximately 57.4% of the current issued and outstanding Petrodorado Shares or approximately 51% on a partially diluted basis (assuming conversion of Petrodorado warrants issued in its most recent financing with a strike price of CDN\$0.15 and conversion of Petrodorado options having an exercise price below CDN\$0.15). Consequently, the transaction contemplated by the Amalgamation Agreement (the “Transaction”) constitutes a reverse take-over of Petrodorado pursuant to TSX Venture Exchange (the “Exchange”) Policy 5.2 - Change of Business and Reverse Takeovers (“Exchange Policy 5.2”). The Transaction is also a change of business under Exchange Policy 5.2, as the Company will no longer be involved in the business of oil and gas exploration after closing, but will carry on through Amalco the business presently carried on by WAR, being the acquisition, exploration and development of natural resource properties.