



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**SINTANA ENERGY INC.**

**YEAR ENDED DECEMBER 31, 2013**



## **Introduction**

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of Sintana Energy Inc. ("Sintana" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended December 31, 2013. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited annual consolidated financial statements of the Company for the years ended December 31, 2013 and 2012, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Company's annual and quarterly consolidated financial statements and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and IFRS Interpretations Committee ("IFRIC"). In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results for the periods presented are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as of April 28, 2014, unless otherwise indicated.

For the purpose of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of Sintana common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Further information about the Company and its operations is available on the Company's website at [www.sintanaenergy.com](http://www.sintanaenergy.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Description of Business**

Sintana is a Canadian crude oil and natural gas exploration and development company listed on the TSX Venture Exchange under the trading symbol SNN. The Company is primarily engaged in petroleum and natural gas exploration and development activities in Colombia. The Company's exploration strategy is to acquire, explore, develop and produce superior quality assets with significant reserve potential. The Company's private participation interests in Colombia include 30% in 34,194 acres in the Talora Block and 30% in 272,021 acres in the COR-39 & COR-11 Blocks in the Upper Magdalena Basin. In the Middle Magdalena Basin, private participation interests are 25% (carried) in the 154,909 acre VMM-4 and 59,522 acre VMM-15 Blocks. In the Llanos Basin, the Company has a carried 25% private participation interest in the 111,624 acre LLA-18 Block. In addition, on November 12, 2012, Sintana announced that a wholly-owned Panama subsidiary of the Company, Patriot Energy Oil and Gas Inc. and its Colombian branch Patriot Energy Sucursal Colombia (both entities hereinafter referred to as "Patriot"), had entered into a Farmout Agreement (the "Agreement") with ExxonMobil Exploration Colombia Limited ("Exxon"), a wholly-owned subsidiary of ExxonMobil Corporation ("ExxonMobil") for the exploration and development of unconventional oil and gas resources underlying the 43,158 acre Valle Medio Magdalena 37 Block ("VMM-37") in Colombia's Middle Magdalena Basin. In April 2013, the Agencia Nacional de Hidrocarburos ("ANH") approved the acquisition by Exxon of an undivided 70% private participation interest and operatorship in the formations defined as unconventional by completing the contractually required work program specified in the license agreement. Patriot retains the remaining 30% interest in the unconventional play as well as its current 100% participation interest in the conventional resources overlying the top of the unconventional interval.

### Cautionary Note Regarding Forward-Looking Information

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward looking statements.

Forward-looking statements	Assumptions	Risk factors
For the twelve months ended December 31, 2014, the Company's budget is anticipated to result in a positive cash flow of \$700,000. See "Liquidity and Financial Position" below	The Company has anticipated all material costs; the operating and exploration activities of the Company for the twelve-month period ending December 31, 2014, and the costs associated therewith, will be consistent with the Company's current expectations	Unforeseen costs to the Company will arise; any particular operating costs increase or decrease from the date of the estimation; changes in operating and exploration activities; changes in economic conditions
The Company's need to raise capital in order to meet its working capital needs. See "Liquidity and Financial Position", "Trends" and "Overall Performance" below	The exploration and operating activities of the Company on a going forward basis, and the costs associated therewith, will be consistent with Sintana's current expectations; debt and equity markets, exchange and interest rates and other applicable economic conditions will be favourable to Sintana; availability of financing	Changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; changes in operating and exploration activities; interest and exchange rates fluctuations; changes in economic conditions and planned operations and associated costs
The potential of Sintana's participation interests to contain petroleum and natural gas reserves. See "Petroleum and Natural Gas Prospects"	Financing will be available for future exploration and development of Sintana's private participation interests; the actual results of Sintana's exploration and development activities will be favourable; and operating, exploration, development and operating costs will not exceed Sintana's expectations; the Company will be able to retain and attract skilled staff; all requisite regulatory and governmental approvals for exploration projects and other operations will be received on a timely basis upon terms acceptable to Sintana, and applicable political and economic conditions are favourable to Sintana; the market prices for petroleum and natural gas	Petroleum and natural gas market prices volatility; uncertainties involved in interpreting geological data and Sintana's expectations regarding the potential of unconventional plays and conventional reservoirs, uncertainties in confirming title to acquired private participation interests; the possibility that future exploration results will not be consistent with Sintana's expectations; availability of financing for and actual results of Sintana's exploration and development activities; increases in costs; environmental compliance and

**Sintana Energy Inc.**  
**Management's Discussion & Analysis**  
**Year Ended December 31, 2013**  
**Discussion dated: April 28, 2014**

	and applicable interest and exchange rates will be favourable to Sintana; no title disputes exist with respect to the Company's private participation interests; Sintana's expectations regarding the potential of unconventional plays and hidden conventional reservoirs	changes in environmental and other local legislation and regulation; interest and exchange rates fluctuations; changes in economic and political conditions; the Company's ability to retain and attract skilled staff and obtain all required permits in a timely manner on acceptable terms
Management's outlook regarding future trends. See "Trends"	Financing will be available for Sintana's exploration and operating activities; the market prices for petroleum and natural gas will be favourable to Sintana	Petroleum and natural gas market prices volatility; changes in debt and equity markets; interest and exchange rates fluctuations; changes in economic and political conditions; availability of financing
Sensitivity analysis of financial instruments. See "Financial Instruments"	The Colombian Peso and the United States Dollar to Canadian Dollar exchange rates will not be subject to changes in excess of plus or minus 10%	Changes in debt, equity markets and participation interest transactions; interest and exchange rates fluctuations
Work programs and related timing and budgets relating to the exploration and development of the VMM-37 Block. See "Petroleum and Natural Gas Prospects"	Exxon will continue to exercise its options with regard to the project and will not exercise its rights of withdrawal pursuant to the Agreement; the market prices of petroleum and natural gas will be favourable; all requisite permits, equipment, materials, supplies, services, access and personnel will be obtained in a timely manner upon acceptable terms; proposed exploration and development activities and the costs associated therewith will occur as currently anticipated; actual results of exploration are positive; financing will be available to Sintana upon acceptable terms; political and economic considerations will remain favourable	Exxon exercises its withdrawal rights pursuant to the Agreement; petroleum and natural gas market prices volatility; changes in debt and equity markets; increases in costs; interest rates and exchange rates fluctuations; changes in economic and political conditions; availability of permits, equipment, materials, supplies, services, access, personnel and financing; proposed exploration and development activities will not occur as currently anticipated; actual results of exploration are inconsistent with Sintana's expectations
Summaries of proposed work programs and related timing and budgets relating to other property interests of Sintana and the availability of extensions of applicable licenses and permits. See "Petroleum and Natural Gas Prospects" and "Subsequent Events"	The market prices of petroleum and natural gas will be favourable; all requisite permits (including renewals thereof), equipment, materials, supplies, services, access and personnel will be obtained in a timely manner upon acceptable terms; proposed exploration and development activities and the costs associated therewith will occur as currently anticipated; actual results of exploration are positive; financing will be available to Sintana upon acceptable terms; interest and exchange rates and political and economic considerations will remain favourable; future extensions to existing	Petroleum and natural gas market prices volatility; changes in debt and equity markets; increases in costs; interest and exchange rates fluctuations; changes in economic and political conditions; availability of permits (including renewals thereof), equipment, materials, supplies, services, access, personnel and financing; proposed exploration and development activities will not occur as currently anticipated; actual results of exploration are inconsistent with Sintana's expectations; future

**Sintana Energy Inc.**  
**Management's Discussion & Analysis**  
**Year Ended December 31, 2013**  
**Discussion dated: April 28, 2014**

	property rights and permits will be available	extensions to property rights and permits will not be available on terms acceptable to Sintana or at all
The potential of properties in which Sintana holds private participation interests to contain economic resources or reserves of petroleum and / or natural gas. See "Petroleum and Natural Gas Prospects"	Management's expectations as based on the known geology and history of the properties are accurate; the market prices of petroleum and natural gas will be favourable; all requisite permits, equipment, materials, supplies, services, access and personnel will be obtained in a timely manner upon acceptable terms; proposed exploration and development activities will occur as currently anticipated; actual results of exploration are positive; financing will be available to Sintana upon acceptable terms; interest and exchange rates and political and economic considerations will remain favourable	Petroleum and natural gas market prices volatility; changes in debt and equity markets; interest and exchange rates fluctuations; changes in economic and political conditions; availability of permits, equipment, materials, supplies, services, access, personnel and financing; proposed exploration and development activities will not occur as currently anticipated; actual results of exploration are inconsistent with Sintana's expectations
Option to convert the VMM-4 2D seismic to 3D seismic using an ANH standard conversion factor of 1.6X. See "Petroleum and Natural Gas Prospects"	Proposed exploration and development activities and all applicable government consents will occur as currently anticipated	Proposed exploration and development activities and all applicable governmental consents will not occur as currently anticipated; actual results of exploration are inconsistent with Sintana's expectations
Successful Farmout of a majority private participation interest in VMM-37 conventional formations	Farmout will be obtained; farmor will pay for 100% of 2014 and 2015 expenditures; all requisite regulatory approval will be obtained.	Exploration and development deferred for an indefinite period; Sintana expends additional capital expenditures; farmout partners and regulatory approvals are unavailable

Inherent in forward-looking statements are risks, uncertainties and other factors beyond Sintana's ability to predict or control. Please also make reference to those risk factors referenced in the "Risk Factors" section below. Readers are cautioned that the above chart does not contain an exhaustive list of any and all relevant factors and / or assumptions that may affect forward-looking statements, and that assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Sintana's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law and / or regulation. If the Company does

update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

### **Overall Performance**

As at December 31, 2013, the Company had assets of \$6,349,410 and a net equity position of \$5,353,625. This compares with assets of \$11,389,464 and a net equity position of \$4,637,514 at December 31, 2012. At December 31, 2013, the Company had \$995,785 of liabilities (December 31, 2012 - \$6,751,950). For the year ended December 31, 2013, the Company recovered (net) \$1,742,975 (year ended December 31, 2012 – expensed \$37,938,990) from its oil and natural gas ownership interests.

At December 31, 2013, the Company had working capital of \$5,353,625 (December 31, 2012 – \$4,637,514). The Company had unrestricted cash and cash equivalents of \$5,556,095 at December 31, 2013 (December 31, 2012 - \$5,955,166). The increase in working capital of \$716,111 from December 31, 2012 to December 31, 2013, is primarily due to payments received from Exxon and the sale of the Company's Peruvian property interests.

The Agreement specified that Exxon would reimburse Patriot for prior costs totaling US\$7,500,000 in two equal installments, the first being on the execution of the Agreement (which was paid). The second payment was due upon formal written approval by the ANH to an amendment of the VMM-37 block licence, recognizing Exxon's 70% participation interest. The ANH approved the amendment on April 19, 2013 and Exxon paid Patriot US\$3,750,000 on April 29, 2013.

On April 29, 2013, the Company granted a total of 3,400,000 stock options to four officers of the Company. The options have an exercise price of \$0.20, vest in three equal tranches over the ensuing 24 months and expire on April 29, 2018.

On July 30, 2013, the ANH formally approved the release of the Company's responsibility for the remaining \$4,300,000 warranty related to VMM-37. On August 7, 2013, the guaranteed investment certificates were released.

On August 1, 2013, all debenture obligations of the Company were repaid in full.

On August 28, 2013, the Company completed an Exploration and Production Termination Agreement (the "Termination Agreement") with three Faulkner entities; Faulkner Exploration Inc., Faulkner Exploration Inc., S.A. and Faulkner Exploration and Production, Inc. Under the Termination Agreement, Sintana's undivided 25% rights and obligations with respect to the Bayovar Block (Exploration Permit XXVII) located in the Sechura Basin, onshore Peru were terminated in exchange for a cash payment to Sintana of US\$2,000,000.

See "Petroleum and Natural Gas Prospects" below.

## **Trends**

The Company is focused on acquisition, exploration, development, production and / or sales of crude oil and natural gas resources.

There are significant uncertainties regarding the market prices for crude oil and natural gas and the availability of equity and / or other financing for the purposes of acquisition, exploration, development, production and / or sales activities. The future performance of the Company is largely tied to the acquisition, exploration, development, production and / or sales of properties and overall financial markets. Financial markets are likely to be volatile, reflecting ongoing concerns about the stability of the global economy and weak global growth prospects. Unprecedented uncertainties in financial markets have also led to increased difficulties in borrowing and raising funds. Companies worldwide have been materially and adversely affected by these trends. As a result, the Company might have difficulties raising equity and / or other capital for the purposes of acquisition, exploration, development, production and / or sales of properties, particularly without excessively diluting the interests of existing shareholders. These trends may limit the ability of the Company to explore and / or further develop its current oil and natural gas interests and any additional interests that may be acquired.

The volatility of financial markets is a significant risk for the Company and the industry. As a result, investors might divest assets perceived as higher risk to other investments viewed as having lower risk. Companies like Sintana are considered substantially above average risk investments and are highly speculative. The volatility of markets, and investor sentiment, could make it difficult for Sintana to access capital markets in order to raise the capital it might need to fund its future expenditures.

See also "Risk Factors"

## **Proposed Transactions**

The Company routinely evaluates various business development opportunities which could entail farm-ins, farm-outs, acquisitions, trades and / or divestitures. In this regard, the Company is currently in discussions with various parties, but no definitive agreements respecting any proposed transactions have been entered into as of the date of this MD&A. There can be no assurances that any such transactions will be concluded in the future.

## **Off-Balance-Sheet Arrangements**

As of the date of this MD&A, Sintana does not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future impact on its results of operations or financial condition, including, and without limitation, such considerations as liquidity, capital expenditures and capital resources that would be considered material to investors.

## **Capital Management**

Sintana manages its capital with the following objectives:

- ensure sufficient financial flexibility to achieve its ongoing business objectives;
- maintain a balanced portfolio of various participation interests, with a primary focus on conventional and unconventional opportunities in the Magdalena Basin, Colombia; and
- maximize shareholder value.

Sintana monitors its capital structure and makes adjustments, as necessary, in an effort to meet its commitments and objectives. Sintana can manage its capital structure by issuing new shares and debt, repurchasing outstanding shares, reducing participation interests, adjusting capital spending and operating costs, and / or disposing of assets. The cash forecast and capital structure are reviewed by management and the Board of Directors on an ongoing basis.

Sintana considers its financial capital to be equity, comprising share capital, warrants, contributed surplus and deficit, which at December 31, 2013 totaled \$5,353,625 (December 31, 2012 – equity of \$4,637,514).

Sintana monitors its sources and uses of capital through its financial and operational forecasting processes. Sintana reviews its working capital and forecasts its future cash flows based on anticipated operating and overhead expenditures, and other investing and financing activities. The forecast is updated periodically based on current and planned activities related to its oil and natural gas participation interests. Forecast summaries are provided to the Board of Directors. Sintana's capital management objectives, policies and processes have remained unchanged during the years ended December 31, 2013 and December 31, 2012. Sintana is not subject to any external capital requirements.

### **Selected Annual Financial Information**

The following is selected financial data derived from the audited annual consolidated financial statements of the Company at December 31, 2013, December 31, 2012 and December 31, 2011 and for the periods then ended:

	<b>Year Ended December 31, 2013</b>	<b>Year Ended December 31, 2012</b>	<b>Period from December 20, 2010 to December 31, 2011 <sup>(1)</sup></b>
<b>Income (Loss)</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Total revenues	nil	nil	nil
Total income (loss) <sup>(2)(3)</sup>	749,416	(43,986,601)	(31,078,527)
Net income (loss) per share – basic <sup>(4)(5)</sup>	0.00	(0.22)	(0.70)
Net income (loss) per share – diluted <sup>(4)(5)</sup>	0.00	(0.22)	(0.70)
<b>Assets / Liabilities</b>	<b>As at December 31, 2013</b>	<b>As at December 31, 2012</b>	<b>As at December 31, 2011</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Total assets	6,349,410	11,389,464	5,880,003
Total non-current financial liabilities	nil	nil	7,711,914
Distribution or cash dividends <sup>(6)</sup>	nil	nil	nil

(1) ColCan financial information for the period from December 20, 2010 (date of incorporation) to December 31, 2010 is not readily available at the date of this MD&A.

(2) Income (loss) from continuing operations attributable to owners of the parent, in total;

(3) Income (loss) attributable to owners of the parent, in total;

(4) Income (loss) from continuing operations attributable to owners of the parent, on a per-share and diluted per share basis;

(5) Income (loss) attributable to owners of the parent, on a per-share and diluted per-share basis;

(6) Declared per-share for each class of share.

- The net income for the year ended December 31, 2013, consisted primarily of (i) exploration and evaluation expenditures recoveries \$1,742,975; (ii) general and administrative expenses of \$2,141,119; (iii) foreign exchange gain of \$2,062,741; (iv) finance interest expense of \$600,964; (v) income tax expense of \$720,532; and (vi) deferred income tax recovery of \$406,315.
- The net loss for the year ended December 31, 2012, consisted primarily of (i) exploration and evaluation expenditures, net of recoveries of \$37,938,990; (ii) general and administrative expenses of \$4,597,518; (iii) foreign exchange loss of \$492,918; (iv) finance interest expense of \$784,303; (v) impairment of equipment of \$59,519; and (vi) loss on debt extinguishment of \$113,353.
- The net loss for the period from December 20, 2010 to December 31, 2011, consisted primarily of (i) exploration and evaluation expenditures of \$24,579,694; (ii) general and administrative expenses of \$2,986,221; (iii) foreign exchange loss of \$958,945; (iv) finance interest expense of \$1,379,580; and (v) loss on debt extinguishment of \$1,174,087.
- The Company's ability to fund its operations is dependent upon it securing financing by issuing equity, by selling assets, proceeds from sales of oil and natural gas produced, or from royalty income. The value of any oil and gas prospect is dependent upon the existence of economically recoverable reserves, the ability to obtain the necessary financing to complete exploration, development and production activities, and the future profitable production or proceeds from disposition of such oil and natural gas prospect. See "Trends" and "Risk Factors".

### Selected Quarterly Information

Quarter Ending	Total Sales (\$)	Profit or (Loss)		Total Assets (\$)
		Total (\$)	Basic and Diluted Loss Per Share (\$)	
2013-December 31	Nil	(1,469,146) <sup>(1)</sup>	(0.01)	6,349,410
2013-September 30	Nil	1,295,052 <sup>(2)</sup>	0.00	7,905,775
2013-June 30	Nil	2,515,015 <sup>(3)</sup>	0.01	12,643,754
2013-March 31	Nil	(1,591,505) <sup>(4)</sup>	(0.01)	10,180,616
2012-December 31	Nil	(681,412) <sup>(5)</sup>	(0.00)	11,389,464
2012-September 30	Nil	(4,467,423) <sup>(6)</sup>	(0.01)	11,211,546
2012-June 30	Nil	(38,403,606) <sup>(7)</sup>	(0.18)	16,260,762
2012-March 31	Nil	(434,160) <sup>(8)</sup>	(0.01)	4,943,289

Notes:

- (1) Net loss of \$1,469,146 consisted primarily of: exploration and evaluation expenditures of \$1,391,261; general and administrative expenses of \$630,505; foreign exchange gain of \$549,037; and income tax recovery of \$3,583.
- (2) Net income of \$1,295,052 consisted primarily of: exploration and evaluation expenditures recoveries of \$1,315,095; general and administrative expenses of \$451,159; foreign exchange loss of \$53,788; finance interest expense recovery of \$83,967; deferred income tax recovery of \$406,315; and income tax expense of \$5,378.

- (3) Net income of \$2,515,015 consisted primarily of: exploration and evaluation expenditures recoveries of \$2,878,361; general and administrative expenses of \$627,193; foreign exchange gain of \$1,325,105; finance interest expense of \$342,521; and income tax expense of \$718,737.
- (4) Net loss of \$1,591,505 consisted primarily of: exploration and evaluation expenditures of \$1,059,220; general and administrative expenses of \$432,262; foreign exchange gain of \$242,387; and finance interest expense of \$342,410.
- (5) Net loss of \$681,412 consisted primarily of: exploration and evaluation expenditures of \$107,959; general and administrative expenses of \$736,313; foreign exchange gain of \$3,705; finance interest income of \$218,674; and impairment of equipment of \$59,519.
- (6) Net loss of \$4,467,423 consisted primarily of: exploration and evaluation expenditures of \$2,636,784; general and administrative expenses of \$978,814; foreign exchange loss of \$419,347; and finance interest of \$432,478.
- (7) Net loss of \$38,403,606 consisted primarily of: exploration and evaluation expenditures of \$35,038,525; general and administrative expenses of \$2,624,095; foreign exchange loss of \$57,061, loss on debt extinguishment of \$113,353; and finance interest of \$570,572.
- (8) Net loss of \$434,160 consisted primarily of: exploration and evaluation expenditures of \$155,722; general and administrative expenses of \$258,296; foreign exchange loss of \$20,215; and finance interest income of \$73.

Variances in the Company's quarterly net income or loss are largely attributable to variances in the timing of the Company's exploration and evaluation expenditures and recoveries, share-based payments, foreign exchange gain / loss and loss on debt extinguishment.

## Petroleum and Natural Gas Prospects

### Expenditures incurred on Sintana's Petroleum and Natural Gas Prospects

Exploration Expenditures	Year Ended December 31, 2013 \$	Year Ended December 31, 2012 \$
<b>Colombia</b>		
Salaries and benefits	1,815,274	1,201,115
Seismic	1,672,720	2,752,581
Technical support services	608,703	nil
Drilling	261,776	6,047,560
Professional fees	364,296	44,444
Consulting fees	295,167	nil
Administrative and general	480,589	236,970
Office rent	133,191	nil
Travel expenses	68,159	nil
Other	20,652	872,430
Acquisition costs	nil	31,185,394
Recovery of costs	(5,655,210)	(4,478,473)
	<b>65,317</b>	<b>37,862,021</b>
<b>Peru</b>		
Drilling	nil	56,319
Professional fees	174,988	20,650
Other	77,320	nil
Termination fees	(2,060,600)	nil
	<b>(1,808,292)</b>	<b>76,969</b>
<b>Totals</b>	<b>(1,742,975)</b>	<b>37,938,990</b>

Statistical Summary for Sintana's seven (7) exploration blocks in Colombia:

Asset Summary				
Basin / Block	Operator	Gross Acres ('000)	Sintana Net	
			Private Participation Interest	Acres ('000)
<b>Colombia</b>				
<b><u>Middle Magdalena</u></b>				
VMM-37 Unconventional	Exxon	43	30%	13
VMM-37 Conventional	Sintana	n/a	100%	n/a
		<u>43</u>		<u>13</u>
VMM-4	LOH	155	25%	39
VMM-15	LOH	60	25%	15
	(A)	<b>258</b>		<b>67</b>
<b><u>Upper Magdalena</u></b>				
Talora	Petrodorado	34	30%	10
COR-39	Canacol	95	30%	29
COR-11	Canacol	177	30%	53
		<b>306</b>		<b>92</b>
<b><u>Llanos Basin</u></b>				
LLA-18	P1	112	25%	28
<b>Total Colombia</b>		<b>676</b>		<b>187</b>

(A) Square Miles: Gross – 403.

**Middle Magdalena Basin** (Primary sources: ANH – Colombian Sedimentary Basins – 2009 and Petrotech Engineering Report for Sintana Energy Inc. entitled "Evaluation of the Interest of Sintana Energy Inc. in the VMM 37 Block in the Middle Magdalena Valley Basin Colombia"— July 31, 2012 available on SEDAR at [www.sedar.com](http://www.sedar.com)).

The Middle Magdalena Basin is one of the most explored basins of Colombia with discoveries mainly in the Paleocene section. A century of exploration history in the basin has led to the discovery of approximately 1,900 MMBO, 2.5 TCF of natural gas and a total of 41 fields, including Colombia's first field, La Cira-Infantas, with well over 900 MMBO of recoverable reserves to date and still under production. The thick Cretaceous section of 4,000 to over 8,000 feet has long been recognized as one of the world's most important source rocks but the absence of conventional reservoirs has discouraged exploration. With the advent of the unconventional plays, this outlook has changed substantially in that these same kerogen-rich intervals appear to be ideal for unconventional potential. The outlook thus far is very favourable for an unconventional play given what could be considered favourable unconventional "check list" of positive parameters as understood from areas where the unconventional plays are already well established. The ample thickness of these Cretaceous TOC-rich and high resistivity units, the multi-stacked nature of these formations, the ideal liquid hydrocarbon phases (medium to high API gravities

and gas condensates), the overpressure for high recovery factors (.6-.8 psi/ft gradient) and in many areas the presence of relatively high porosities that verge on the porosities found in conventional reservoirs. Thus the Middle Magdalena Cretaceous section was largely ignored for decades (early 1900's to present) due to the lack of conventional reservoirs, but it is now attracting considerable attention, including from the majors, as it appears to contain all of the elements of a high quality unconventional play. On a worldwide inventory basis, the Middle Magdalena basin appears to contain one of the most prolific areas of this type yet to be explored. Successful drilling and development activities over the course of the past 24 months have substantially enhanced oil and natural gas industry participants' assessments of the economic prospectivity of both conventional and unconventional resources.

The basin has a poly-phase deformation history, beginning most notably with rift and sag sedimentary sequences, evolving into a foundered Foreland Basin and ending as an intermontane basin with two 5,000 meter Cordilleras to either side, the Central Cordillera to the west and the Eastern Cordillera to the east. The Central Cordillera margin is characterized by a regional monocline broken into a series of normal faults, some of which help form large heavy oil fields. The Eastern Cordillera margin is characterized by relatively young thrust faults which can form large anticline structures in the overthrust (hangingwall position) and subthrust structural traps in the footwall position. The exploration history of the basin has been mainly directed towards the identification of structural traps in the Tertiary sequences. Subtle stratigraphic traps have not yet been adequately studied in the basin. The sedimentary record shows a succession of continental Jurassic deposits underlying portions of the basin, some perhaps in half-grabens. The earliest widespread sedimentary sequences overlie the Jurassic and consist of predominantly marine Cretaceous sediments, both calcareous and siliciclastic in composition. The Palaeocene sequence overlies the Cretaceous and is made up of siliciclastic rocks deposited mainly under continental conditions with some marine influence. Three major deformational phases are present in the basin, which are responsible for all three types of trap geometries: rifting, thrusting and wrenching.

Cretaceous limestones and shales of the La Luna formation have long been recognized as the main source rock in the basin. Key portions of this source rock were deposited during two worldwide anoxic events.

The Eocene unconformity overlying the Cretaceous separates the primary conventional reservoir above from the underlying active source rock, forming an ideal plumbing system for the migration of petroleum.

Ninety-seven percent of the proven oil in the basin has been produced from continental Palaeocene sandstones (Palaeocene-Miocene), the Lisama, the Esmeraldas-La Paz and the Colorado-Mugrosa formations with average porosities of 15% to 20% and average permeabilities of 20 to 600 mD. The Basal Limestone Group at the bottom of the Cretaceous section and the La Luna Formation in the middle Cretaceous have been very lightly explored and are considered to contain very large hydrocarbon potential via fractured tight oil and unconventional plays. The seals of Paleocene sandstone reservoirs consist of interbedded, non-marine, ductile claystones, mainly from the Esmeraldas and Colorado formations. The seals for potential Cretaceous limestone reservoirs are marine shales of the Simiti and Umir formations and in some areas, units within the La Luna itself.

**VMM-37 Block (Sintana Conventional – 100% private participation interest; Unconventional – 30% private participation interest - carried)**

On March 1, 2011, the ANH awarded 100% of the Hydrocarbon Exploration and Production Contract for the VMM-37 Block (the "Contract") to Patriot.

On March 24, 2011, ColCan Energy Corp. ("ColCan") entered into an asset purchase agreement with Patriot to acquire a 70% private participation interest in VMM-37. Effective the same day, a side letter agreement was executed, which increased the private participation interest held by ColCan to 75%. On April 11, 2011, ColCan entered into a second side letter, whereby it acquired the remaining 25% private participation interest from Patriot. Subsequently, a reorganization occurred in Panama where Patriot was a newly organized spin-out entity that maintained ownership of the Colombian branch, Patriot, holder of the VMM-37 licence.

On May 17, 2012, Sintana acquired ColCan.

On November 12, 2012, Patriot executed the Agreement with Exxon. Under the Agreement and with the approval of the ANH, acquired an undivided 70% participation interest and operatorship in VMM-37 to explore and develop the unconventional reservoirs. For purposes of the Agreement, unconventional formations are defined as the La Luna and deeper.

Patriot retained the remaining 30% participation interest in the unconventional play as well as a 100% participation interest in the conventional resources overlying the top of the unconventional interval.

On April 3, 2013, the ANH approved an Agreement amendment that allows Patriot to assign 70% of the private participation interest, rights and obligations and the operation of the Agreement to Exxon for the exploration and development of unconventional oil and natural gas resources underlying the VMM-37 Block.

On August 21, 2013, the ANH approved an amendment to the Agreement approving a revision of the work program to include the hydraulic stimulation (fracking) and production testing of one (1) A3 exploration well, drilled to a minimum depth of 14,000 feet (the first well). Also now required is the drilling of a second A3 well to a depth of at least 14,000 feet plus the drilling of a lateral segment (horizontal) of at least 4,000 feet with fracking and production testing of the horizontal segment. The horizontal segment replaces the previously required third vertical well and the prior requirement for a seismic acquisition program was cancelled. The amendment also increased warranties related to the expected increase in costs to drill and frac the 2 vertical and 1 horizontal well bores.

Though the requirement for a seismic data acquisition program was cancelled, management anticipates that one will be executed at some point after the initial drilling campaign has been executed.

On January 16, 2014, Sintana announced that Patriot had received written notice from the Autoridad Nacional de Licencias Ambientales of Colombia (the "ANLA") of final approval of the Environmental License effective January 17, 2014 for the VMM-37 Block.

**Reimbursement of past expenses:**

As per the Agreement, Exxon reimbursed Patriot for past expenses of US\$7,500,000 in two equal installments. The second installment for US\$3,750,000 was received on April 29, 2013.

**Work program:**

- The contractual work program consists of three (3) exploration wells in Phase I. Exxon will pay 100% of all costs.
- Exxon will have an option to proceed to the next phase. In this Exploration Phase II, it will have the option to pay 100% of all additional costs to a maximum of US\$45 million, of which US\$10 million will be recouped by Exxon from 50% of Patriot's production proceeds (if any).

- As agreed by Patriot and Exxon, as joint participants in the VMM-37 Block, good faith efforts will be made to locate exploration wells targeting the unconventional play in such a way as to also test conventional prospects. The location of the first and second exploration wells was selected to accomplish this goal.
- At various stages of the work program, as defined in the Agreement, Exxon has the right to withdraw from the project, relinquish operatorship and reassign to Patriot the right to the 70% private participation interest it would have retained had Exxon met all investments and activities requirements of the Agreement.

**Supplemental Investment Capital:**

- In the event that exploration and development of the unconventional resources continue beyond the activities and costs enumerated above, those costs will be shared based on the parties individual participation interests.
- Further exploration and subsequent development plans for the unconventional and conventional formations will be determined once technical data obtained from drilling the deeper unconventional play, and other sources, are analyzed.

**Budgeted 2014 Activities:**

- Complete a number of tasks including obtaining a drilling permit, constructing roads and building drilling pads.
- Contract for a drilling rig and commence drilling operations on the initial well, the Manati Blanco-1. Anticipated time to drill to an estimated target depth of 16,000 feet is approximately three months. It will be located near the western edge of the Block and has been designed to penetrate both conventional and unconventional prospects.
- A second well, the Manati Gris-1, will be located near the northern boundary of VMM-37 approximately five miles from the initial well. It will also target conventional and unconventional formations. Current plans call for drilling to an estimated total depth of 16,000 feet with the same rig, immediately following the cessation of Manati Blanco-1 operations. A three month drilling program is the current estimate for the second well. Permitting, road construction and pad preparation for the Manati Gris-1 will run concurrent with Manati Blanco-1 drilling activities.
- The third Phase I well is planned to be drilled as a horizontal sidetrack from the Manati Gris-1 to a length of at least 4,000 feet.

**Conventional Lisama Wedge**

The first two VMM-37 wells are planned to target both conventional and unconventional (shale) reservoirs. The primary conventional formation to be drilled through is the Lisama. The block has two large conventional prospects and four leads. Multiple conventional producing fields are in relatively close proximity to VMM-37. The largest, La Cira-Infantas, operated by Ecopetrol, is the largest oil field in the basin with estimated recoverable reserves of approximately 900 million barrels of oil. It is currently producing at a rate of approximately 30,000 barrels per day (industry published / Wood MacKenzie Database). An example of recent activity in the basin is Canacol Energy Ltd's announcements of a number of successful wells in the basin that had discoveries in both conventional (Lisama) and unconventional (La Luna) formations. It recently announced a multi-well drilling program to initiate development activities for one of these conventional discoveries. Also recently, it announced its acquisition of two additional participation interests in the basin, both in the vicinity of the Talora and COR-39 Blocks, in each of which the Company holds private participation interests.

**VMM-4 Block, Colombia (Sintana – 25% private participation interest - carried)**

The VMM-4 Block is located on the eastern edge of the Middle Magdalena Basin, where the basin ends against the Eastern Cordillera with its major mainly strike-slip fault-systems and rugged highlands. The Block consists of an area of 154,904 acres and is part of three municipalities, Rio de Oro, San Martin, and San Alberto. This acreage was originally part of larger exploration blocks. Examples of prior industry activity in the area include Texaco in the 1960s when the Torcoroma wells were drilled and then by Pluspetrol (in the 1990s) in a large block named Torcoroma.

- The VMM-4 Block is from the 2008 Bid Round.
- The Exploration & Production (“E&P”) contract for the VMM-4 Block, dated March 10, 2009, was awarded to Golden Oil Corp. (“Golden Oil”) by the ANH. Production is subject to the standard sliding scale of the ANH royalty rates and an additional 7% that was offered by Golden Oil in its X-factor bid.
- On June 17, 2010, as decreed by the ANH in Resolution #220, the VMM-4 contract was transferred from Golden Oil to LOH Energy Sucursal Colombia (“LOH”).
- On September 29, 2010, in a private participation agreement between APO Energy Ltd. (“APO-Barbados”), a wholly-owned indirect subsidiary of P1 Energy Corporation (“P1”) and LOH, P1 obtained a 75% participation interest in the VMM-4 Block.
- Subsequently, ColCan acquired a 25% participation interest from LOH with a 25% carry.
- As such, Sintana has a 25% Work Program carry on VMM-4 via its amalgamation with ColCan.

**Total Proposed VMM-4 Work Program:**

- Drill 1 A3 well in Phase I
- 125.4 + 170 km = 295.4 km 2D seismic
- Company has option to convert this 2D to 3D using an ANH standard conversion factor of 1.6X (or x 0.625)
- 295.4 km 2D / 1.6X ANH conversion factor = 184.625 km<sup>2</sup> 3D seismic

The 3D conversion option was selected. In working out the design details of this 3D seismic survey, in large measure due to certain seismic data acquisition activities falling outside of the VMM-4 Block, the acquired amount of data was greater than the commitment. In addition to the seismic, the partnership is obligated to drill one (1) exploration well in Phase I and one (1) exploration well in Phase II.

Sintana is carried for the costs of both the seismic program and the Phase I exploration well.

The 3D seismic data was acquired and is currently being processed and interpreted. The work program calls for 1 A3 well to be drilled by the end of 2014. To maintain the license, the operator will be required to file for an extension.

**VMM-15 Block, Colombia (Sintana – 25% private participation interest - carried)**

The E&P contract for the VMM-15 Block dated March 10, 2009 was awarded to Golden Oil by the ANH. Production is subject to the standard sliding scale of the ANH royalty rates and an additional X-factor which is 7% for this block. On June 17, 2010, by way of Resolution #219 from the ANH, the transfer of ownership of this block was made to LOH.

---

The VMM-15 Block covers an area of 59,522 acres in the municipalities of Guaduas, and Puerto Salgar in the Department of Cundinamarca; Honda in the Department of Tolima, and La Dorada; and Victoria, in the Department of Caldas. It is located on the far southwest side of the Middle Magdalena Basin.

- The VMM-15 Block is from the 2008 Bid Round.
- The E&P contract for the VMM-15 Block, dated March 10, 2009, was awarded to Golden Oil by the ANH. Production is subject to the standard sliding scale of the ANH royalty rates and an additional 7% that was offered by Golden Oil in its X-factor bid.
- On June 17, 2010, as decreed by the ANH in Resolution #219, the VMM-15 contract was transferred from Golden Oil to LOH.
- On September 29, 2010, in a private participation agreement between APO-Barbados, a wholly-owned indirect subsidiary of P1 and LOH, P1 obtained a 75% participation interest in the VMM-15 Block.
- Subsequently, ColCan acquired a 25% participation interest from LOH with a 25% carry.
- As such, Sintana has a 25% work program carry on VMM-15 via its amalgamation with ColCan

**Total Proposed VMM-15 Work Program:**

- 48.2 km of 2D seismic.
- Drill 2 A3 wells.
- 200 km of 2D seismic.
- Drill 1 A3 well.

**Exploration Program**

Acquire process and interpret 248 km of 2D seismic. Drill two (2) exploration wells in Phase I and one (1) exploration well in Phase II. Sintana is carried for the 2D seismic program and two of the three exploration wells via its amalgamation with ColCan.

The operator has yet to commence executing the work program. The current term of the license extends through March 2015. Application for an extension will most likely be required.

**Upper-Middle Magdalena Basin, Transition Area, Colombia**

There are four field areas surrounding Sintana's acreage in what can be referred to as the Upper-Middle Magdalena Transition Area. As an example of size and success, management estimates, based on prior work experience and frequent communications with other industry participants, that recoverable reserves in one of these area fields, Guando, are approximately 120 MMBO, that peak production was greater than 30,000 BOPD and is currently producing in a range around 20,000 BOPD. These field areas stake out a rough rectangle around Sintana's two (2) main blocks, Talora and COR-39. COR-11 is located further to the SE, within its own transition area between the Upper Magdalena Basin and the Eastern Cordillera in a frontier wildcat area, fairly high up in the mountains. These four fields are:

- Guando Field discovered in 2000
- Toqui-Toqui Field discovered in 1986

- Puli Field discovered in 1991
- Abanico Field ("Main") discovered in 1999

The Guando Field is 25 km to the southeast of Talora and is one of the most important Upper Magdalena basin fields. This field, which was discovered by Petrobras and Nexen Inc. in 2000 (from the Lasmo prospect inventory acquired in 1998), is one of the most notable fields in Colombia due to its shallow position, the excellent thick Cretaceous Guadalupe reservoir, with over 1,000 feet of net sandstone, and a world-class hydrocarbon column of over 2,100 feet. The good quality medium-gravity oil is surprising for such a shallow field, especially since the field has low reservoir pressure. The shallow position of such a large field and its proximity to infrastructure in the Magdalena Valley and the nearby Bogotá metro area, about 60 km to the east, gives the field considerable commercial advantage. The key to success in low-pressure fields such as Guando is to maintain reasonable reservoir pressures and efficient water flooding programs as long as possible.

When one focuses upon the individual areas, it becomes clear that there may be additional clues as to how even more crude oil and natural gas potential might have been overlooked. Nine wells have been drilled in the immediate Talora area since 1921. Closer inspection, however, reveals that these wells are located on the edges of the main structures and mainly along the faults rather than on the anticlines between the faults. Sintana has often urged the operator to be prepared for encountering both conventional fractured sandstones and unconventional shales and carbonates during drilling operations. The commercial outlook in this section of the basin is excellent due to the proximity of infrastructure in the well-developed Bogotá / Sabana region where both natural gas and oil are commercially viable.

It is important to point out that the best-known reservoirs in this "Upper-Middle Magdalena Transition Area," are stratigraphically situated in the upper Cretaceous section. Unfortunately, large areas have been eroded and stripped of this upper Cretaceous section due to uplift, incision and erosion. In the Talora area, as is true in much of the transitional area between the Upper and Middle Magdalena basins, the lower Cretaceous is often considered to be "*shaley*" even though it is largely unknown or very poorly understood. In some areas – in particular to the NE – the lower Cretaceous is thought to be dominated by shales, marls and poorly developed limestones (<20 kms away are the shaley Chawina wells). In other areas – for example toward the SW – the lower Cretaceous is dominated by hundreds of feet of hard sandstones and conglomerates as observed in the Raspe-1 and Lucha-1 wells (~20 kms SW of Talora). Across the entire area, closer inspection reveals a widespread lack of trap in the features that have been drilled over the years.

It is in part due to these widespread perceptions by industry participants that Sintana chose this "Upper-Middle Magdalena Transition Area," as a strategic focus area as some of these concerns are justified. However, there are also several overlapping favorable conditions that one might suggest lead to conclusions opposite from those often held by other crude oil and natural gas industry participants. There are 4 main strategic reasons:

**(1) Reserve Scale: Avoids the "Reserve Treadmill"**

In the opinion of management, this area has world-class oil charge volumes as well as very thick net reservoir. These world-class characteristics provide the large reserve scale observed in the nearby Guando Field. The upper Cretaceous reservoir in Guando (Guadalupe) has over 2,000 feet gross and around 1,000 feet net reservoir. The disadvantage in the Talora Block is that this upper Cretaceous section has been eroded and has mainly the upper and middle Cretaceous section exposed at the surface. Thus the reservoir section in Talora must depend on the middle and lower Cretaceous. As stated above, Sintana's view is that this Upper-Middle Magdalena transition area has more conventional

sandstone reservoirs hidden in the undrilled Cretaceous sequences, likely representing progressively greater water depths in the northward direction. Though the age of the reservoir unit may vary from field to field and prospect to prospect, it is important to note that these Cretaceous transitional sequences might provide 100s of feet of net reservoir. This reserve scale in Sintana's Upper-Middle Magdalena transition area provides an important exploration element in Sintana's strategy and that is to avoid the reserve treadmill. This is a common vicious circle that is difficult to break in which companies find themselves in a state of constant reserve depletion due to the small size of their discoveries.

**(2) Underexplored Conventional Sandstone Reservoirs:** *Additional Conventional Upside*

Sintana's view is that this transitional area is underexplored and that there are large sections of conventional sandstone reservoirs hidden in the undrilled Cretaceous sequences of this Upper-Middle Magdalena transition area. Due to the thickness of some of these conventional reservoirs and the large hydrocarbon volumes native to this area, the conventional play has considerable long-term upside and reserve scale, much more than is generally recognized.

**(3) New Unconventional Play:** *Significant New Unconventional Reserves*

There is increasing evidence being collected and compiled for unconventional plays in the Upper-Middle Magdalena transition area. The La Luna and the Simiti-Tablazo formations are the main source rocks in the basin. Therefore, they are the main unconventional targets. The basin is highly charged with geochemical characteristics of the Cretaceous section which are being analyzed with very encouraging source rock characteristics, including the fact that some are within the present-day oil window, even at relatively shallow depths (e.g. 3,000-6,000 feet). If these source-prone sections are proven to be viable unconventional reservoirs, they may provide significant reserve scale. (Petrotech Engineering Report for Sintana Energy Inc. entitled "Evaluation of the Interests of Sintana Energy Inc. in the VMM 37 Block in the Middle Magdalena Valley Basin Colombia" – July 31, 2012 available on SEDAR at [www.sedar.com](http://www.sedar.com)).

**(4) Less Competitive Area, but Excellent Infrastructure & Proximity to Market:** *Under the Radar*

Finally, despite its close proximity to crude oil and natural gas pipeline infrastructure, which serve the country's major growing industrial centers, including Bogata, this Upper-Middle Magdalena transition area is not nearly as competitive or over-sold as some of Colombia's other basins. For example, many of the active portions of the Llanos basin are extremely competitive within the industry and yet they are known to have small reserve size, they are often isolated by great distances without infrastructure and overall, the Llanos' new discoveries lack access to pipelines and even face serious trucking challenges. In great contrast, the Upper-Middle Magdalena area faces none of these problematic issues. The Upper-Middle Magdalena transition area is in one of the most ideal locations with respect to natural gas commercialization. Due to the proximity of the pipelines and the nearby facilities, oil development in this mature Magdalena area results in low development costs.

**Talora Block, Colombia (Sintana – 30% private participation interest)**

On August 17, 2011, the Company announced that Sintana Energy Inc. Sucursal Colombia had entered into an agreement with Petrodorado Energy Ltd. ("Petrodorado") to farm-in to an undivided 30% private participation interest in the 108,336-acre Talora Block located in Colombia's oil prolific Magdalena Basin. The block was subsequently reduced to 58,812 acres through the normal contract relinquishment schedule (September 2011) and again recently to 34,194 acres. The Talora Block, which is operated by Petrodorado, is immediately adjacent to the region's main oil and natural gas pipelines and only 60 kilometres west of the capital city of Bogotá.

The Talora Block straddles the boundary between the Upper and Middle Magdalena Basins and is flanked by Middle Magdalena oil fields to the north and Upper Magdalena oil fields to the south. In the Cretaceous, this area represents the transition between the Upper Magdalena's long-known prolific conventional sandstone reservoirs to the south and the very recent excitement over an increasingly compelling unconventional section in the Middle Magdalena Basin to the north. Sintana's technical strategy is to establish, in addition to acreage within the northern unconventional acreage (e.g. VMM-37), a focus area in this transition area between the Upper and Middle Magdalena basins with the concept that there are attractive prospects in both the conventional and unconventional sections. Sintana's view is that there are more conventional sandstone reservoirs in this transition area within the undrilled Cretaceous sequences than the industry has recognized to date, sequences which likely contain the range of depositional clastic environments in a northward direction as Cretaceous water depths generally increase, from fluvial to paralic to marine. Conversely, although the unconventional play-types are now being investigated in Colombia's northern and central Middle Magdalena and Eastern Cordillera basins, the industry has largely ignored the transition area between the Upper and Middle Magdalena. This transition area has long been recognized for its oil seeps and rich source rocks, often at shallow depths. Only recently have companies begun to view these hydrocarbon-rich sections as potential unconventional reservoirs. In fact it is possible that both conventional and unconventional reservoirs will be found in the same wellbores.

#### ***Verdal-1X (2010)***

The Verdal-1X well was drilled by the current operator, Petrodorado, in 2010. It was the first well to target one of the two main thrust anticlines located near the center of the Talora Block. The Verdal-1 ceased drilling and was abandoned while drilling the shale, limestone and marl of the Tetuan Formation due to well control problems, including significant quantities of natural gas coming from the Tetuan Formation. The well depth was estimated to be only a few hundred feet above the main Caballos reservoir target. Drill stem test attempts in the Tetuan failed due to insufficient stimulation or possibly that the tests indicated a limited natural gas volume in the Tetuan. Ultimately, the Verdal-1X test results were considered inconclusive. However, the well was declared a technical natural gas discovery by the ANH in the gas-charged Cretaceous Tetuan formation. The Verdal-1X well revealed important new information about stratigraphy and the hydrocarbon content of the Cretaceous units in these thrust anticlines, including that the main Cretaceous Caballos reservoir may be deeper than originally thought in the Verdal structure. See "Subsequent Events" section for update of current activities.

#### ***Dorados-1X (2012)***

Sintana's first well on Talora, Dorados-1X, commenced drilling on July 31, 2012. The original planned total depth for the well was 9,500 feet (MD, Measured Depth) with the Cretaceous Caballos and Tetuan (Albian / Aptian) formations being the primary objectives. While drilling in the Cretaceous Cenomanian section above these objectives, the well encountered a younger and exceptionally thick sand-prone sequence which had not previously been reported in the basin. This sand-prone section, named the Dorados Sands, was encountered from about 5,160 feet (MD) to below 7,000 feet, or around 1,850 feet thick (gross). This section (5,160 to 6,035 feet) yielded excellent wet gas and oil shows as measured by both Gas Chromatography and Mass Spectroscopy. The economic basement was reached, much higher than the prognosis, at 7,282 feet (MD), without seeing the Tetuan or Caballos formations and as such, the partnership decided to terminate drilling operations at this depth on September 29, 2012 with the forward plan to log and then production test the extensive Dorados Sands.

In mid-November, 2012 a program to flow test up to six (6) sandstone intervals was initiated with a completion and testing rig. Due to significant formation damage which occurred during drilling operations, only a limited amount of additional reservoir data was obtained. The test results confirmed that the sand section is a low-pressure reservoir system and that oil has been emulsified. Geochemical lab analysis from production tests proved that this emulsion contains viable medium gravity crude oil with 20° API. This provides incontrovertible evidence regarding the severity of the mud invasion and a valid reason as to why certain sandstone intervals with good porosities did not flow during testing. It is important to note that these low-pressure reservoirs are common in this part of the Basin, including in the Guando Field.

On October 22, 2013, the Company announced that it had commenced an arbitration action, through the International Chamber of Commerce in Paris, France, against Petrodorado and Petrosouth Energy Corp., the operator (together "Petro"), relating to the Talora Block. Sintana contends that Petro committed multiple breaches of their farmout agreement. Since the commencement of this dispute, it has been the strong preference of Sintana to amicably reach an acceptable compromise and preserve the partnership. To date, the matters in dispute have not been resolved. Accordingly, Sintana has referred the matter to arbitration and will vigorously pursue its claims in accordance with the terms and conditions of the agreement. Preparations for an arbitration hearing are continuing.

#### ***Verdal-2X (2013)***

The Verdal-2X exploration well commenced drilling on November 17, 2013, and targeted sands within the Hondita Formation, which lie above the Tetuan Formation source rock. The well reached the original target depth of 5,000 feet on November 28, and subsequently was drilled to a total depth of 6,102 feet on December 1, 2013, with casing set at 6,204 feet. Petrophysical evaluation indicates that three prospective reservoir units were encountered. The partners are currently discussing a plan to deepen the well by approximately 1,000 feet, hydraulically frac the formation and conduct an extended production test.

#### ***Talora Work Program – 2-Year Appraisal & Exploratory Extensions***

The Talora E&P contract began in 2004, in the year following the start of the ANH and its new function as the administrator of Colombia's oil and gas contracts. The Talora contract had the typical 6-year exploration term and thus 2010, the year in which the Verdal-1X was drilled, was the final exploration year. Given fulfillment of the contractual work program and an adequate indication of a new hydrocarbon resource, these E&P contracts allow for 2-year contract extensions beyond the normal 6-year exploration term in which the partnership has additional time to prove up a commercial project. This additional time consists of 2-year extensions, typically in exchange for drilling a well, performing other work program activities and / or making partial acreage relinquishments, all subject to approval by the ANH. By approval of the ANH, the Verdal-1X well was formally declared a technical natural gas discovery on January 17, 2011, thereby providing the Talora partnership with the option of an extension in exchange for a defined, ANH approved, work program. That extension, which originally was to expire in early September 2013, was further extended to allow sufficient time for the operator to drill an additional well, Verdal-2X. On April 15, 2014, the ANH issued a letter confirming that the drilling of the Verdal-2X well to a depth below 5,000 feet satisfied all work program commitment requirements to date and that the Talora License was in good standing.

The next commitment requirement is the submission of a Commercialization Development Plan (the "Plan") for the Verdal Evaluation Area. Company technical staff are actively participating in preparation of the Plan which has a submission due date of July 28, 2014. However, the Company will not make any additional financial commitment until such time as the arbitration issues are resolved to the satisfaction of Sintana.

**COR-39 and COR-11 Blocks, Colombia (Sintana – 30% private participation interests)**

On September 15, 2011, the Company announced that it had entered into an agreement with Canacol Energy Colombia S.A., ("Canacol") (a subsidiary of Canacol Energy Ltd.) to farm-in to undivided 30% private participation interests in the COR-11 and COR-39 Blocks in the Guando trend of Colombia's Upper Magdalena Basin.

COR-39 and COR-11 are 60 km apart (north-south direction) on either side of Guando Field: COR-39 is 20 km to the north and COR-11 is 40 km to the south. The COR-39 and COR-11 Blocks were awarded to Canacol in Colombia's 2010 bid round and have positive contract terms and minimal X-factors of only 1% each. These blocks represent sizeable exploration tracts, consisting of 95,106 and 176,915 acres, respectively, for a total of 272,021 acres (1,100 km<sup>2</sup>). The blocks are located 50 and 90 km, respectively, southwest of the capital city of Bogotá and are close to established infrastructure and local markets. COR-39 is immediately adjacent and south of the Talora Block, the Company's initial acquisition in Colombia.

Under the terms of the Canacol agreement, the Company will earn an undivided 30% private participation interest in each of the COR-39 and COR-11 blocks by paying 60% of the seismic and exploration costs related to the drilling of the first three wells.

**COR-39 Block, Colombia (Sintana – 30% participation interest)**

Sintana will be required to spend approximately \$11 million for a work program consisting of 100 km of 2D seismic acquisition (net cost to date of \$4.2 million) and two (2) exploratory wells. Field work for the seismic program has been completed. Processing and interpretation are in progress. A two well drilling program was originally budgeted to commence in 2014. However, the operator has advised Sintana that a 24 month extension was applied for, that verbal approval was received, and that the drilling program has been deferred indefinitely.

**COR-11 Block, Colombia (Sintana – 30% participation interest)**

Sintana will be required to spend approximately \$10 million for a work program consisting of acquiring 155 km of 2D seismic acquisition which was originally budgeted to commence in the first quarter of 2014. As a result of issues beyond the control of the operator, an extension application has been submitted. Verbal approval has been received with official documents to follow. When ultimately executed, post data acquisition activities will include extensive processing and interpretation, as is currently the case with COR-39 data.

**LLA-18 Block, Colombia (Sintana – 25% participation interest - carried)**

The E&P contract for the LLA-18 Block, dated March 10, 2009, was awarded to Golden Oil by the ANH. Oil production is subject to the standard sliding scale of the ANH royalty rates plus an additional X-factor that is 7% as offered by Golden Oil in their bid for this block. The LLA-18 Block has an area of 45,173 hectares near the municipality of Paz de Ariporo in the Department of Casanare.

- On June 17, 2010, by way of Resolution #218 from the ANH, ownership of LLA-18 was transferred from Golden Oil to LOH.

- Through a private participation agreement dated September 29, 2010 between APO-Barbados a wholly-owned indirect subsidiary of P1, and LOH, P1 obtained a 75% private participation interest in the LLA-18 Block.
- Subsequently, ColCan acquired a 25% private participation interest from LOH.
- As such, Sintana has a 25% work program carry on LLA-18 via its amalgamation with ColCan.

Sintana's technical focus is the Magdalena Basin. LLA-18 is classified as non-core and a candidate for divestment.

### **Exploration Program**

Acquire, process and interpret 490 km of 2D seismic. Drill three (3) exploration wells. Sintana is carried for the costs of the 2D seismic program and two of the exploration wells. Management projects that no expenditures by Sintana will be required for an extended period of time.

### **Technical Information**

Phil de Gruyter, Vice President Exploration and South American Manager of Sintana has reviewed and verified the technical content of the information contained in this MD&A.

### **Environmental Contingency**

The Company's exploration activities are subject to various government laws and regulations relating to the protection of the environment. These environmental regulations are continually changing and are generally becoming more restrictive. As of the date of this MD&A, the Company believes that there are no significant environmental obligations requiring material capital outlays in the immediate future.

### **Discussion of Operations**

#### Year Ended December 31, 2013, compared with the year ended December 31, 2012

Sintana's net income totalled \$749,416 for the year ended December 31, 2013, with basic and diluted income per share of \$0.00. This compares with a net loss of \$43,986,601 for the year ended December 31, 2012, with basic and diluted loss per share of \$0.22. The increase of \$44,736,017 in net income was principally due to:

- Exploration and evaluation expenditures decreased by \$39,681,965, net of recovery of costs of \$5,655,210 and termination fees of \$2,060,600, as work decreased and due to the business combination (the "Business Combination") with ColCan on May 17, 2012. See "Petroleum and Natural Gas Prospects", above for a description of current exploration activities.
- General and administrative expenses decreased by \$2,456,399. General and administrative expenses totalled \$2,141,119 for the year ended December 31, 2013 (year ended December 31, 2012 - \$4,597,518) and consisted of administrative and general expenses of \$235,132 (year ended December 31, 2012 - \$339,859), professional fees of \$469,264 (year ended December 31, 2012 - \$415,664), consulting fees of \$5,940 (year ended December 31, 2012 - \$1,340,888), reporting issuer costs of \$36,519 (year ended December 31, 2012 - \$41,620), travel expenses of \$165,255 (year ended December 31, 2012 - \$159,126), salaries and benefits of \$1,231,676 (year ended December 31, 2012 - \$1,671,401), transaction costs of \$nil (year ended December 31,

2012 - \$592,392) and interest income of \$2,667 (year ended December 31, 2012 – interest expense of \$8,417).

- The Company incurred a decrease in salaries and benefits of \$439,725 for the year ended December 31, 2013, compared to the year ended December 31, 2012. The decrease can be attributed to the vesting over time of options granted.
  - On April 29, 2013, the Company granted a total of 3,400,000 stock options to four officers of the Company. The options have an exercise price of \$0.20, vest in three equal tranches over the next 24 months and expire on April 29, 2018. For the purposes of the 3,400,000 options, the fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 130%; risk-free interest rate of 1.18%; and an expected average life of five years. The options were valued at \$319,600. \$214,016 was expensed to salaries and benefits (share-based payments) and as an addition to contributed surplus for the year ended December 31, 2013.
  - On November 28, 2012, the Company granted a total of 2,000,000 stock options to an officer, a consultant and employees. The awarded options are exercisable at \$0.20 per share and an expiry date of November 28, 2017. Vesting of the stock options is as follows: 1/3 immediately, 1/3 after one year and 1/3 after two years. For the purposes of the 2,000,000 options, the fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 125%; risk-free interest rate of 1.25%; and an expected average life of five years. The fair value assigned to these options was \$338,000. For the year ended December 31, 2013, \$158,994 (year ended December 31, 2012 - \$127,676) was expensed to salaries and benefits (share-based payments) and as an addition to contributed surplus as the option vested.
  - On May 17, 2012, the Company granted a total of 6,945,000 stock options to former ColCan stock option holders. The awarded options are exercisable at \$0.27 per share. For the purposes of the 6,945,000 options, the fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 133% to 138%; risk-free interest rate of 1.30% to 2.67%; and an expected average life of five years. The options were valued at \$1,643,919. During the year ended December 31, 2012, \$976,076 was expensed to salaries and benefits (share-based payments) and as an addition to contributed surplus as the options vested. The option vested immediately.
  - During the year ended December 31, 2013, there was a decrease in contributed surplus of \$nil (year ended December 31, 2012 - \$667,842) related to the cancellation of stock options held by former ColCan option holders.

Several variables are used when determining the value of stock options using the Black-Scholes valuation model:

- The expected term: the Company used the maximum term ascribed to stock options issued for the purposes of calculating their value. The Company chose

the maximum term because it is difficult to determine with any reasonable degree of accuracy when these stock options will be exercised.

- Volatility: the Company used historical information on the market price of common shares of a similar company to determine the degree of volatility at the date the stock options were granted. Therefore, depending on when the stock options were granted and the period of historical information examined, the degree of volatility can be different when calculating the value of different stock options.
  - Risk-free interest rate: the Company used the interest rate available for government securities of an equivalent expected term as at the date of the grant of the stock options. The risk-free interest rate varies depending on the date of the grant of the stock options and their expected term.
  - Dividend yield: the Company has not paid dividends in the past because it is in the development stage and has not yet earned any significant income. Also, the Company does not expect to pay dividends in the foreseeable future. Therefore, a dividend rate of 0% was used for the purposes of the valuation of the stock options.
- The Company incurred a decrease in consulting fees of \$1,334,948 compared to the year ended December 31, 2012. This is primarily due to consulting fees paid to former directors and officers of ColCan prior to the Business Combination.
  - The Company incurred an increase in professional fees of \$53,600 for the year ended December 31, 2013, compared to the year ended December 31, 2012. The increase can be attributed to higher corporate activity requiring legal assistance.
  - Administrative and general expenses include rent, professional services and other corporate office expenses. The decrease in administrative and general expenses can be attributed to lower support costs for Sintana's operations in Colombia and formerly Peru.
  - The Company incurred an increase in travel expenses of \$6,129 for the year ended December 31, 2013, compared to the year ended December 31, 2012. The increase can be attributed to more business development, operations monitoring and investor relations activities.
  - The Company incurred a decrease in transaction costs of \$592,392 for the year ended December 31, 2013, compared to the year ended December 31, 2012. These one-time costs in 2012 were required to complete the Business Combination with ColCan.
- The Company incurred a foreign exchange gain of \$2,062,741, up from a loss of \$492,918 in the previous period, which was primarily attributable to US dollar and Colombian peso exchange rate fluctuations.
  - The Company incurred a decrease in finance interest expense of \$183,339 for the year ended December 31, 2013, compared to the year ended December 31, 2012 due to the decreased accretion on debentures. As of December 31, 2013, all debentures have been repaid in full.
  - The Company incurred an increase in income tax expense of \$720,532 for the year ended December 31, 2013, compared to the year ended December 31, 2012. The increase can be

attributed to income tax expense to be paid relating to the US\$7,500,000 payment received from Exxon.

- The Company incurred an increase in deferred income tax recovery of \$406,315 for the year ended December 31, 2013, compared to the year ended December 31, 2012. The increase can be attributed to 24,375,000 warrants that have expired during the year ended December 31, 2013 (year ended December 31, 2012 – 23,446,700 warrants).

Three Months Ended December 31, 2013, compared with the three months ended December 31, 2012

Sintana's net loss totalled \$1,469,146 for the three months ended December 31, 2013, with basic and diluted loss per share of \$0.01. This compares with a net loss of \$681,412 for the three months ended December 31, 2012, with basic and diluted loss per share of \$0.00. The increase of \$787,734 in net loss was principally due to:

- Exploration and evaluation expenditures increased by \$1,283,302, net of recovery of costs of \$1,063,133, as work increased. See "Petroleum and Natural Gas Prospects", above for a description of current exploration activities.
- General and administrative expenses decreased by \$105,808. General and administrative expenses totalled \$630,505 for the three months ended December 31, 2013 (three months ended December 31, 2012 - \$736,313) and consisted of administrative and general expenses of \$81,092 (three months ended December 31, 2012 - \$69,517), consulting fees of \$5,940 (three months ended December 31, 2012 - \$2,801), professional fees of \$214,137 (three months ended December 31, 2012 - \$213,831), reporting issuer costs of \$62 (three months ended December 31, 2012 - \$34,285), travel expenses of \$41,691 (three months ended December 31, 2012 - \$22,973), depreciation of \$nil (three months ended December 31, 2012 - \$7,659), salaries and benefits of \$288,365 (three months ended December 31, 2012 - \$422,347) and interest income of \$782 (three months ended December 31, 2012 – interest income of \$37,100).
  - The Company incurred a decrease in salaries and benefits of \$133,982 for the three months ended December 31, 2013, compared to the three months ended December 31, 2012. The decrease can be attributed to the vesting over time of options granted.
    - On April 29, 2013, the Company granted a total of 3,400,000 stock options to four officers of the Company. The options have an exercise price of \$0.20, vest in three equal tranches over the next 24 months and expire on April 29, 2018. For the purposes of the 3,400,000 options, the fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 130%; risk-free interest rate of 1.18%; and an expected average life of five years. The options were valued at \$319,600. \$40,251 was expensed to salaries and benefits (share-based payments) and as an addition to contributed surplus for the three months ended December 31, 2013.
    - On November 28, 2012, the Company granted a total of 2,000,000 stock options to an officer, a consultant and employees. The awarded options are exercisable at \$0.20 per share and an expiry date of November 28, 2017. Vesting of the stock options is as follows: 1/3 immediately, 1/3 after one year and 1/3 after two years. For the purposes of the 2,000,000 options, the fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility

of 125%; risk-free interest rate of 1.25%; and an expected average life of five years. The fair value assigned to these options was \$338,000. For the three months ended December 31, 2013, \$32,244 (three months ended December 31, 2012 - \$127,676) was expensed to salaries and benefits (share-based payments) and as an addition to contributed surplus as the option vested.

Several variables are used, including the expected term, volatility, risk-free interest rate and dividend yield, when determining the value of stock options using the Black-Scholes valuation model, as described on pages 24 and 25.

- The Company incurred an increase in professional fees of \$306 for the three months ended December 31, 2013, compared to the three months ended December 31, 2012. The increase can be attributed to higher corporate activity requiring legal assistance.
- The Company incurred an increase in travel expenses of \$18,718 for the three months ended December 31, 2013, compared to the three months ended December 31, 2012. The increase can be attributed to higher business development, operations monitoring and investor relations activities.
- The Company incurred a foreign exchange gain of \$549,037, up from a gain of \$3,705 in the corresponding period in 2012, which was mostly attributed to US dollar and Colombian peso exchange rate fluctuations.
- The Company incurred a decrease in finance interest expense of \$218,674 for the three months ended December 31, 2013, compared to the three months ended December 31, 2012 due to the decreased accretion on debentures. As of December 31, 2013, all debentures have been repaid in full.
- The Company incurred an impairment of equipment of \$59,519 for the three months ended December 31, 2012, compared to \$nil for the three months ended December 31, 2013.

## **Liquidity and Financial Position**

Expected use of funds for the following twelve months includes:

**Sintana Energy Inc.**  
**Management's Discussion & Analysis**  
**Year Ended December 31, 2013**  
**Discussion dated: April 28, 2014**

	<b>Budget from January 1, 2014 to December 31, 2014 (US\$ millions) <sup>(1)</sup></b>
<b>Cash inflow</b>	
Cash balance at December 31, 2013	<b>5.6</b>
Forecasted reimbursements	<b>1.2</b>
<b>Total cash inflow</b>	<b>6.8</b>
<b>Cash outflow</b>	
Exploration expenses	<b>0.4</b>
General and corporate expenses	<b>3.7</b>
Budgeted drilling / seismic program <sup>(2)</sup>	<b>2.0</b>
<b>Total cash outflow</b>	<b>6.1</b>
<b>Expected cash balance</b>	<b>0.7</b>

<sup>(1)</sup> No agreements have been entered into or finalized. The Company has projected the flow of funds for the following twelve months. These events may or may not occur. See "Cautionary Note Regarding Forward-Looking Information"

<sup>(2)</sup> The expenditures provided in the table above represent the Company's estimated costs to satisfy contractual commitments as of December 31, 2013 (US\$ millions). Actual expenditures to satisfy these commitments may, and most likely will, differ from these estimates.

**Work Program Commitments**

<b>Activity / Block</b>	<b>2014 (US\$ millions)</b>	<b>2015 (US\$ millions)</b>	<b>2016 (US\$ millions)</b>	<b>2017 (US\$ millions)</b>	<b>2018 (US\$ millions)</b>
Talora – 30% and 45%	-	0.9			
COR-39 – 60% and 30%	-	-	13.0	-	-
COR-11 – 60% and 30%	-	7.3	-	3.6	-
<b>Total (a)</b>	-	<b>8.2</b>	<b>13.0</b>	<b>3.6</b>	-

(a) Excludes VMM-37, VMM-4, VMM-15 and LLA-18 Blocks. Prior commitments extinguished as a result of Farmout Agreements.

The Company believes that it does have sufficient cash on hand to fund its operating expenses and exploration programs, including all of its exploration commitments, for the twelve-month period ending December 31, 2014. Further financings will be required to develop the Company's oil and natural gas participation interests, to meet ongoing obligations and discharge its liabilities in the normal course of business. There is considerable flexibility in terms of the pace and timing of exploration and how expenditures have been, or may be adjusted, limited or deferred subject to current capital resources and potential to raise further funds. The Company will continue to manage its expenditures essential to the viability of its oil and natural gas participation interests. The Company is currently pursuing multiple near-term and longer-term financing options. There is no assurance that these funds can be raised upon terms acceptable to the Company or at all and funding for junior companies remains challenging. Accordingly, the Company's financial statements have been prepared on a going concern basis. Material adjustments could be required if the Company cannot obtain adequate financing. In addition, the Company might lose

its oil and natural gas participation interests at some future date should circumstances arise where it can no longer comply with the terms of the agreements it has entered into. See "Risks Factors"

Changes in the capital markets, including a decline in the market prices for crude oil and natural gas, could materially and adversely impact Sintana's ability to complete further financings or disposition of assets, with the result that it may be forced to scale back its operations.

### **Change in Accounting Policies**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after December 31, 2012. The following new standards have been adopted:

(i) IFRS 10 – Consolidated financial statements ("IFRS 10") was issued by the IASB in May 2011. IFRS 10 was a new standard which identifies the concept of control as the determining factor in assessing whether an entity should be included in the consolidated financial statements of the parent company. Control is comprised of three elements: power over an investee; exposure to variable returns from an investee; and the ability to use power to affect the reporting entity's returns. At January 1, 2013, the Company adopted this pronouncement and there was no material impact on the Company's consolidated financial statements.

(ii) IFRS 11 – Joint arrangements ("IFRS 11") was issued by the IASB in May 2011. IFRS 11 was a new standard which focuses on classifying joint arrangements by their rights and obligations rather than their legal form. Entities are classified into two groups: parties having rights to the assets and obligations for the liabilities of an arrangement, and rights to the net assets of an arrangement. Entities in the former case account for assets, liabilities, revenues and expenses in accordance with the arrangement, whereas entities in the latter case account for the arrangement using the equity method. At January 1, 2013, the Company adopted this pronouncement and there was no material impact on the Company's consolidated financial statements.

(iii) IFRS 12 – Disclosure of interests in other entities ("IFRS 12") was issued by the IASB in May 2011. IFRS 12 was a new standard which provides disclosure requirements for entity's reporting interests in other entities, including joint arrangements, special purpose vehicles, and off balance sheet vehicles. IFRS 12 was effective for annual periods beginning on or after January 1, 2013. At January 1, 2013, the Company adopted this pronouncement and there was no material impact on the Company's consolidated financial statements.

(iv) IFRS 13 – Fair value measurement ("IFRS 13") was effective for the Company beginning on January 1, 2013, provides guidance on the measurement of fair value and related disclosures through a fair value hierarchy. The Company's adoption of IFRS 13, on January 1, 2013, did not have a material financial impact upon the unaudited condensed interim consolidated financial statements, however, certain new or enhanced disclosures were required and can be found in note 6 of the consolidated financial statements.

(v) IAS 1 – Presentation of financial statements ("IAS 1") was amended by the IASB in June 2011 in order to align the presentation of items in other comprehensive income with US GAAP standards. Items in other comprehensive income are required to be presented in two categories: items that might be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remain unchanged. At January 1, 2013, the Company adopted this pronouncement and there was no material impact on the Company's consolidated financial statements.

(vi) IAS 27 - Separate financial statements ("IAS 27") was effective for annual periods beginning on or after January 1, 2013. As a result of the issue of the new consolidation suite of standards, IAS 27 has been reissued, as the consolidation guidance will now be included in IFRS 10. IAS 27 will now only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. At January 1, 2013, the Company adopted this pronouncement and there was no material impact on the Company's consolidated financial statements.

#### Recent accounting pronouncements

(i) IFRS 9 – Financial instruments ("IFRS 9") was issued by the IASB in October 2010 and will replace IAS 39 - Financial instruments: recognition and measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 will be effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Company is currently assessing the impact of this pronouncement.

(ii) IAS 32 - Financial instruments, presentation ("IAS 32") will be effective for annual periods beginning on or after January 1, 2014. IAS 32 will be amended to clarify that the right of offset must be available on the current date and cannot be contingent on a future date. Earlier application is permitted. The Company is currently assessing the impact of this pronouncement.

### **Disclosure of Internal Controls**

Management has established processes to provide it with sufficient knowledge to support representations that it has exercised reasonable diligence to ensure that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements, and (ii) the consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flow of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 ("NI 52-109"), Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing such certificate are not making any representations relating to the establishment and maintenance of:

(i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

(ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with the issuer's GAAP (IFRS).

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

## **Share Capital**

As of the date of this MD&A, an aggregate of 310,632,503 common shares of Sintana are issued and outstanding.

In addition, as of the date of this MD&A, Sintana had the following securities outstanding, each entitling the holder to acquire one common share of Sintana in accordance with the terms thereof:

- 9,250,000 stock options (50,000 with an exercise price of \$0.135 until August 18, 2015, 2.7 million with an exercise price of \$0.49 until May 11, 2016, and 6.5 million with an exercise price of \$0.20 until December 20, 2016);
- 6,945,000 stock options to certain directors, officers and consultants, each exercisable to acquire one Sintana share at an exercise price of \$0.27 (6,615,000 until April 19, 2016; 30,000 until March 2, 2017; and 300,000 until April 25, 2017);
- 2,000,000 stock options to an officer, employees and a consultant of the Company. The options have an exercise price of \$0.20, vest in three equal tranches over 24 months and expire on November 28, 2017; and
- 3,400,000 stock options to four officers of the Company. The options have an exercise price of \$0.20, vest in three equal tranches over 24 months and expire on April 29, 2018.

## **Outlook**

The Company routinely evaluates various business development opportunities which could entail farm-ins, farmouts, acquisitions and / or divestitures.

The Company continues to monitor its spending and will amend its plans and budgets based on exploration results and expectations of being able to obtain additional funds as and when required.

## **Risk Factors**

Investment in Sintana must be considered highly speculative due to the nature of Sintana's business, its formative stage of development, its current financial position and its lack of an earnings record. An investment in any securities of Sintana should only be considered by those persons who can afford a total loss of their investment.

### **Requirement to invest to retain rights**

Most of the leases and other operating rights that Sintana has and will acquire granting Sintana the right to explore for and exploit crude oil and natural gas resources require, within defined lengths of time, Sintana to drill wells and / or conduct seismic activities to maintain those rights. There can be no assurance that Sintana will have the resources necessary to drill the required wells or conduct the

requisite seismic activities within the required time periods. Sintana does not have adequate cash at present to complete all of its drilling activities required to maintain its interests in oil and natural gas properties. In addition, Sintana will prioritize its drilling program so as to pursue its best prospects, thus running the risk that certain of its rights may expire. If Sintana does not perform the required drilling or other required activities within the defined time periods, its rights to explore may lapse, which could have a material adverse effect on Sintana.

#### **Ongoing need for financing**

As Sintana has limited revenue, its ability to continue exploration, development, acquisition and divestiture efforts are largely reliant on its continued attractiveness to equity investors. Sintana will incur operating losses as it continues to expend funds to explore and develop its properties and possibly other properties. Even if its financial resources are presently sufficient to fund its current exploration and development programs, there is no guarantee that Sintana will be able to develop any of its properties to commercial production. Additionally, should Sintana require additional capital to continue exploration and development, failure to raise such capital could result in Sintana going out of business. From time to time, Sintana may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed wholly or partially with debt, which may temporarily increase Sintana's debt levels above industry standards.

#### **Crude oil and natural gas development**

No reserves have been assigned in connection with Sintana's property interests to date, given their early stage of development. The future value of Sintana is therefore dependent on the success or otherwise of Sintana's activities, which are principally directed toward the further exploration, appraisal and development of its assets in South America, and potential acquisition of additional property interests in the future. Exploration, appraisal and development of crude oil and natural gas reserves are speculative and involve a significant degree of risk. There is no guarantee that exploration or appraisal of the property interests of Sintana will lead to a commercial discovery or, if there is a commercial discovery, that Sintana will be able to realize the value of such reserves as intended. Few properties that are explored are ultimately developed into new reserves. If at any stage Sintana is precluded from pursuing its exploration or development programs, or such programs are otherwise not continued, Sintana's business, financial condition and / or results of operations and, accordingly, the trading price of Sintana Shares, is likely to be materially adversely affected.

Crude oil and natural gas exploration involves a high degree of risk and there is no assurance that expenditures made for future exploration or development activities by Sintana will result in discoveries of crude oil, condensate or natural gas that are commercially or economically viable. It is difficult to project the costs of implementing any exploratory drilling or development program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over-pressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof.

#### **Political risks**

All of Sintana's current operations are presently conducted in Colombia and Peru, South America and as such, Sintana's operations are exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties vary from country to country and include, but are not limited to, currency exchange rates; high rates of inflation; labour unrest; renegotiation or nullification of existing concessions, licenses, permits and contracts; terrorism; changes in taxation policies; restrictions on foreign exchange; and changing political conditions; currency controls and governmental regulations that

favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Future political actions cannot be predicted and may adversely affect Sintana. Changes, if any, in oil and natural gas or investment policies or shifts in political attitude in the countries in which Sintana holds property interests may adversely affect Sintana's business, results of operations and financial condition. Future operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and oil and natural gas safety matters. The possibility that future governments may adopt substantially different policies, which may extend to the expropriation of assets, cannot be ruled out.

Failure to comply strictly with applicable laws, regulations and local practices relating to property applications and tenure, could result in loss, reduction or expropriation of entitlements. The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the Company's consolidated business, results of operations and financial condition.

#### **Volatile stock price**

The stock price of Sintana is highly volatile and will most likely be drastically affected by exploration and development results. Sintana cannot predict the results of its exploration and development activities expected to take place in the future. The results of these activities will inevitably affect Sintana's decisions related to further exploration and development of any of the properties that Sintana may hold in the future, and will likely trigger major changes in the trading price of the Sintana shares.

#### **Potential conflicts of interest**

Some of the individuals who serve as directors or officers of Sintana are also directors, officers and / or promoters of other reporting and non-reporting issuers. As of the date of this MD&A, and to the knowledge of the directors and officers of Sintana, there are no existing conflicts of interest between Sintana and any of the individuals who are directors or officers of SNN other than as disclosed elsewhere in this MD&A. Situations may arise where the directors and / or officers of Sintana may be in competition with Sintana. Any conflicts will be subject to and governed by the laws applicable to directors' and officers' conflicts of interest. In the event that such a conflict of interest arises at a meeting of Sintana's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of Sintana are required to act honestly, in good faith and in the best interests of Sintana.

#### **No history of production**

Sintana's properties are exploration stage only. Sintana has never had any material interest in crude oil and / or natural gas producing properties. There is no assurance that commercial quantities of crude oil or natural gas will be discovered at any of the properties of Sintana or any future properties, nor is there any assurance that the exploration or development programs of Sintana thereon will yield any positive results. Even if commercial quantities of crude oil and / or natural gas are discovered, there can be no assurance that any property of Sintana will ever be brought to a stage where oil and / or natural gas can profitably be produced thereon. Factors which may limit the ability of Sintana to produce oil and / or natural gas from its properties include, but are not limited to, the commodity prices, availability of additional capital and financing and the nature of any crude oil and / or natural gas deposits.

### **Reliance on limited number of properties**

The principal property interests of Sintana are currently the VMM-37, Talora, COR-11, COR-39 and Bayovar Blocks. As a result, any adverse developments affecting any or all of these Blocks could have a material adverse effect upon Sintana and would materially and adversely affect the potential production, profitability, financial performance and results of operations of Sintana.

### **Future sales of Sintana shares by existing shareholders**

Sales of a large number of Sintana shares in the public markets, or the potential for such sales, could decrease the trading price of the Sintana shares and could impair Sintana's ability to raise capital through future sales of Sintana shares. Sintana may from time to time have previously issued securities at an effective price per share that is lower than the then current market price of the Sintana shares. Accordingly, certain shareholders of Sintana may have an investment profit in the Sintana shares that they may seek to liquidate.

### **Market price of Sintana shares**

Securities of micro-cap and small-cap companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally, and market perceptions of the attractiveness of particular industries. The price of the Sintana shares is also likely to be significantly affected by short-term changes in oil and natural gas prices or in Sintana's financial condition or results of operations of the Company. Other factors unrelated to Sintana's performance that may have an effect on the price of the Sintana shares include the following: the extent of analytical coverage available to investors concerning Sintana's business may be limited if investment banks with research capabilities do not follow Sintana's securities; lessening in trading volume and general market interest in Sintana's securities may affect an investor's ability to trade significant numbers of Sintana shares; the size of Sintana's public float may limit the ability of some institutions to invest in Sintana's securities; and a substantial decline in the price of the Sintana shares that persists for a significant period of time could cause Sintana's securities, if listed on an exchange, to be delisted from such exchange, further reducing market liquidity.

As a result of any of these factors, the market price of the Sintana shares at any given point in time may not accurately reflect Sintana's long-term value. Securities class-action litigation often has been brought against companies following periods of volatility in the market price of their securities. Sintana may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

### **Environmental regulation and risks**

All phases of Sintana's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect Sintana's operations. Environmental hazards may exist on the properties in which Sintana holds interests that are unknown to Sintana at present and which have been caused by previous or existing owners or operators of the properties.

Government approvals, approval of aboriginal people and permits are currently and may in the future be required in connection with Sintana's direct and indirect operations. To the extent such approvals are required and not obtained, Sintana may be curtailed or prohibited from continuing its oil and / or natural exploration operations or from proceeding with planned exploration or development of its properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in the exploration or development of natural resource properties may be required to compensate those suffering loss or damage by reason of the exploration and development activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of crude oil and natural gas exploration companies, or more stringent implementation thereof, could have a material adverse impact on Sintana and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new properties.

#### **Requirement for permits and licenses**

The operations of Sintana require it to obtain licenses for operating, permits, and in some cases, renewals of existing licenses and permits from the authorities in South America. Sintana believes that it currently holds or has applied for all necessary licenses and permits to carry on the activities it is currently conducting under applicable laws and regulations in respect of its properties, and also believes that it is complying in all material respects with the terms of such licenses and permits. However, the ability of Sintana to obtain, sustain or renew any such licenses and permits on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable authorities or other governmental agencies in foreign jurisdictions.

#### **Exploration, development and operating risks**

Exploration, development and production operations generally involve a high degree of risk. The operations of Sintana are subject to all the hazards and risks normally encountered in the exploration, development and production of oil and natural gas, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, producing facilities, damage to life or property, environmental damage and possible legal liability. Although adequate precautions to minimize risk will be taken, operations are subject to hazards that may result in environmental pollution and consequent liability.

#### **Insurance and uninsured risks**

Sintana's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, mechanical failures, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to crude oil and natural gas properties and / or production facilities, personal injury or death, environmental damage to the properties of Sintana, or the properties of others, delays in exploration, development and production activities, monetary losses and possible legal liability.

Although Sintana maintains insurance to protect against certain risks in such amounts as it considers reasonable, its insurance will not cover all the potential risks associated with crude oil and natural gas operations. Sintana may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration, development and production activities is not generally available to Sintana or to other companies in the oil and natural gas industry on acceptable terms. Sintana might also become subject to liability for pollution or other hazards that may not be insured against or which Sintana may elect not to insure against because of premium costs or other reasons. Losses from these events may cause Sintana to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

### **Infrastructure**

Crude oil and natural gas exploration, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources, water supply and disposal facilities are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the operations, financial condition and results of operations of Sintana.

### **Land title**

No assurances can be given that there are no title defects affecting any properties of Sintana. Title insurance generally is not available, and the ability of Sintana to ensure that it has obtained secure claim to individual properties or concessions may be severely constrained. Furthermore, Sintana has not conducted surveys of the claims in which it currently holds direct or indirect interests and, therefore, the precise area and location of such claims may be in doubt. Accordingly, such natural resource properties may be subject to prior unregistered liens, agreements, transfers or claims, including native land claims, and title may be affected by, among other things, undetected defects. In addition, Sintana may be unable to operate its properties as permitted or to enforce its rights with respect to its properties.

### **Competition**

The crude oil and natural gas industries are competitive in all of their phases. Sintana faces strong competition from other companies in connection with the acquisition of properties producing, or capable of producing, crude oil and natural gas. Many of these companies have greater financial resources, operational experience and technical capabilities than Sintana. As a result of this competition, Sintana may be unable to maintain or acquire attractive properties on terms it considers acceptable or at all. Consequently, the revenues, operations and financial condition of Sintana could be materially adversely affected.

### **Commodity prices**

The price of the Sintana shares, its financial results and its exploration, development and production activities, if any, may in the future be significantly adversely affected by declines in the price of crude oil and / or natural gas. The price of crude oil and natural gas fluctuates widely and are affected by numerous factors beyond Sintana's control, such as the sale or purchase of commodities by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global and regional supply and demand, the political and economic conditions of major oil-producing countries throughout the world, and the cost of substitutes, inventory levels and carrying charges. Future price declines in the market value of crude oil

and / or natural gas could cause continued development of and commercial production from its properties to be impracticable. Depending on the price of crude oil and natural gas, cash flow from any potential future operations may not be sufficient and Sintana could be forced to discontinue production and may lose its interest in, or be forced to sell, some of its properties. Potential future production from Sintana's properties, if any, is dependent upon the price of crude oil and / or natural gas being adequate to make these properties economic.

In addition to adversely affecting Sintana's financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or, may interrupt operations until the reassessment can be completed.

### **Government regulation**

Sintana's exploration, development and production activities are subject to various laws, regulations and rules governing prospecting, development, production, taxes, labour standards and occupational health and safety, toxic substances, land use, water use, land claims of local people and other matters. Although to the best knowledge of Sintana the exploration, development and production activities are currently carried out in all material respects in accordance with all applicable laws, rules and regulations, no assurance can be given that new laws, rules and regulations will not be enacted or that existing laws, rules and regulations will not be applied in a manner that could limit or curtail exploration, development, production or sale activities. Amendments to current laws, rules and regulations governing oil and natural gas operations, or more stringent implementation thereof, could have a substantial adverse impact on Sintana.

### **Global financial conditions**

Current global financial conditions have been subject to increased volatility and numerous financial institutions have either gone into bankruptcy or had to be rescued by governmental authorities. Access to public financing has been negatively impacted by government debt burdens, sub-prime mortgages, the liquidity crisis affecting the asset-backed commercial paper market and other factors. These factors may adversely impact the ability of Sintana to obtain equity or debt financing in the future and, if obtained, on terms favourable to it. If these increased levels of volatility and market turmoil continue, the operations of Sintana could be impacted and the value and the price of Sintana shares and other securities could be adversely affected.

### **Dividend policy**

No dividends on any of the Sintana shares have been paid to date. Payment of any future dividends, if any, will be at the discretion of the Board of Directors after taking into account many factors, including Sintana's operating results, financial condition, and current and anticipated cash needs.

### **Management**

The success of the Company is currently largely dependent on the performance of its management. Shareholders will be relying on the good faith, experience and judgment of the Company's management and advisers in supervising and providing for the effective management of the Company's business. The loss of the services of these persons could have a materially adverse effect on the Company's business. There is no assurance the Company can maintain the services of its management or other qualified

personnel required to operate its business. Failure to do so could have a materially adverse effect on the Company.

Additionally, directors and officers of the Company may also serve as directors and/or officers of other reporting issuers from time to time.

The Company has not purchased "key-man" insurance, nor has it entered into non-competition and non-disclosure agreements with management and has no current plans to do so.

### **Additional Information**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com) or the Company's website at [www.sintanaenergy.com](http://www.sintanaenergy.com).

### **Related Party Transactions**

Related parties include the Board of Directors, officers, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. Related party transactions are conducted at normal commercial terms.

The below noted transactions are in the normal course of business and are measured at the exchange amount, as agreed to by the parties, and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

Remuneration of directors and key management personnel of the Company was as follows:

**Sintana Energy Inc.**  
**Management's Discussion & Analysis**  
**Year Ended December 31, 2013**  
**Discussion dated: April 28, 2014**

<b>Cash Compensation <sup>(1)</sup></b>	<b>Year Ended December 31, 2013 \$</b>	<b>Year Ended December 31, 2012 \$</b>
Shaljero Advisors Inc. <sup>(i)</sup>	nil	90,000
Delavaco Capital Inc. <sup>(ii)</sup>	nil	140,978
Playfair Capital Inc. <sup>(iii)</sup>	nil	104,109
Keith D. Spickelmier - Director / Executive Chairman	231,773	137,445
Douglas G. Manner - Director / Chief Executive Officer	309,030	178,293
David L. Cherry - President & Chief Operating Officer	231,772	137,445
Sean J. Austin - Vice President, Controller, Secretary & Treasurer	168,576	109,154
Bruno Maruzzo – Director	20,000	10,000
Grant Fagerheim – Director	20,000	10,000
Ron MacMicken – Director	20,000	nil
Phil de Gruyter – Vice President Exploration & South America Manager	481,104	194,606
Greg Schlatcher – Reservoir Engineering Manager	383,658	127,322
<b>Total</b>	<b>1,865,913</b>	<b>1,239,352</b>

<sup>(1)</sup> Salaries and benefits include director fees. During the year ended December 31, 2013, \$1,100,299 (year ended December 31, 2012 - \$462,767) of salaries and benefits expense was included in exploration and evaluation expenditures. \$183,823 is included in accounts receivable and other assets at December 31, 2013 (December 31, 2012 - \$252,327) and \$22,056 is included in accounts payable and other liabilities (December 31, 2012 - \$nil).

(i) John Martin, former Chief Financial Officer (“CFO”) of ColCan, was the Chief Executive Officer (“CEO”) of Shaljero Advisors Inc.

(ii) Ron MacMicken, Former President and Chief Operating Officer (“COO”) of ColCan, was the president and a director of Delavaco Capital Inc.

(iii) Playfair Capital Inc. shared a common officer with ColCan (Ron MacMicken).

**Sintana Energy Inc.**  
**Management's Discussion & Analysis**  
**Year Ended December 31, 2013**  
**Discussion dated: April 28, 2014**

<b>Share-based payments</b>	<b>Year Ended December 31, 2013 \$</b>	<b>Year Ended December 31, 2012 \$</b>
Shaljero Advisors Inc. <sup>(i)</sup>	nil	137,033
Delavaco Capital Inc. <sup>(ii)</sup>	nil	303,438
Playfair Capital Inc. <sup>(iii)</sup>	nil	354,011
Keith D. Spickelmier - Director / Executive Chairman	62,946	174,000
Douglas G. Manner - Director / Chief Executive Officer	62,946	174,000
David L. Cherry - President & Chief Operating Officer	62,946	174,000
Carmelo Marrelli – Chief Financial Officer	nil	14,600
Bruno Maruzzo – Director	nil	40,700
Grant Fagerheim – Director	nil	52,200
Ron MacMicken – Director	nil	52,200
Sean J. Austin - Vice President, Controller, Secretary & Treasurer	25,178	48,000
Phil de Gruyter - Vice President Exploration & South America Manager	55,648	510,687
Greg Schlatcher - Reservoir Engineering Manager	31,799	199,535
<b>Total</b>	<b>301,463</b>	<b>2,234,404</b>

(i) John Martin, former CFO of ColCan, was the CEO of Shaljero Advisors Inc.

(ii) Ron MacMicken, Former President and COO of ColCan, was the president and a director of Delavaco Capital Inc.

(iii) Playfair Capital Inc. shared a common officer with ColCan (Ron MacMicken).

The Company entered into the following transactions with related parties:

For the year ended December 31, 2013, the Company expensed \$84,740 (year ended December 31, 2012 - \$38,827) to Marrelli Support Services Inc. ("Marrelli Support") for the services of Carmelo Marrelli to act as CFO of the Company. In addition, Marrelli Support also provides outsourced bookkeeping services to the Company. Carmelo Marrelli is the president of Marrelli Support. The amounts charged by Marrelli Support are based on what Marrelli Support charges its clients. \$20,699 is included in accounts payable and other liabilities at December 31, 2013 (December 31, 2012 - \$12,813).

For the year ended December 31, 2013, the Company expensed \$14,995 (year ended December 31, 2012 - \$7,459) to DSA Corporate Services Inc. ("DSA") for corporate secretarial services. The CFO of the Company is an officer of DSA. DSA is a private company controlled by Carmelo Marrelli, the CFO of the Company. Carmelo Marrelli is also the corporate secretary and sole director of DSA. The amounts charged by DSA are based on what DSA charges its clients. \$1,357 is included in accounts payable and other liabilities at December 31, 2013 (December 31, 2012 - \$1,387).

## **Financial Instruments**

### *Financial risk*

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest and foreign exchange risk).

Risk management is carried out by Sintana's management team with guidance from the Board of Directors.

### Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and accounts receivable. All of the Company's cash is held with well-known and established financial institutions. As such, management considers credit risk related to these financial assets to be minimal. Management believes that the credit risk concentration with respect to financial instruments included in accounts receivable is remote. As at December 31, 2013, no accounts receivable were considered impaired or past due.

### Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to capital markets is hindered, whether as a result of a downturn in economic conditions generally or matters specific to Sintana. The Company generates cash flow primarily from its financing and business development activities.

All of the Company's financial liabilities have contractual maturities of less than 90 days and are subject to normal trade terms, except for Colombian income taxes. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity.

The Company will need to secure additional financing to meet its ongoing obligations during the next fiscal year however there is no assurance that the Company will be able to do so. See "Liquidity and Financial Position" above.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

- Interest rate risk

The Company's current policy is to invest excess cash in short-term guaranteed investment certificates or money market funds of major Canadian chartered banks.

- Foreign currency risk

As of December 31, 2013, the Company funds certain operations, exploration and administrative expenses in Colombia on a cash call basis using US Dollar currency. The Company maintains US dollar bank accounts in Canada, Colombia, Panama and the United States. The Company maintains two Colombian Peso bank accounts in Colombia. The Company is subject to gains and losses from fluctuations in the Canadian Dollar, Colombian Peso and the United States Dollar. The Company does not use currency derivative instruments to manage its exposure to foreign currency fluctuations.

The following are the Canadian dollar equivalent balances for items denominated in foreign currencies:

	<b>December 31, 2013 (\$)</b>
Cash and cash equivalents	5,516,865
Accounts receivable and other assets	688,416
Accounts payable and other liabilities	(883,993)

*Sensitivity analysis*

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a twelve month period:

- Sintana holds balances in foreign currencies which could give rise to exposure to foreign exchange risk. Sensitivity to a plus or minus 10% change in the Colombian Peso and US dollar foreign exchange rates against the Canadian Dollar would have affected the reported income (loss) and comprehensive income (loss) by approximately \$532,000 for the year ended December 31, 2013.

### Additional Disclosure for Venture Issuers Without Significant Revenue

	Year Ended December 31, 2013 \$	Year Ended December 31, 2012 \$
<b>General and administrative</b>		
Transaction costs	nil	592,392
Salaries and benefits	1,231,676	1,671,401
Consulting fees	5,940	1,340,888
Professional fees	469,264	415,664
Administrative and general	235,132	339,859
Travel expenses	165,255	159,126
Reporting issuer costs	36,519	41,620
Depreciation	nil	28,151
Interest (income) expenses	(2,667)	8,417
<b>Total</b>	<b>2,141,119</b>	<b>4,597,518</b>

### Subsequent Events

- (i) On January 16, 2014, the Company announced that it had received written notice from the Autoridad Nacional de Licencias Ambientales of Colombia of final approval of the Environmental License effective January 17, 2014 for the VMM-37 Block in Colombia's Middle Magdalena Basin.
- (ii) On March 18, 2014, the Company sold working and overriding royalty interests in Marion County, Texas, for a total of USD\$100,000.
- (iii) On April 15, 2014, the ANH issued a letter confirming that the Talora License was in good standing.