SINTANA ENERGY

MD&A|YE 2011

SNN | TSX-V

SINTANA ENERGY INC.

(FORMERLY DRIFT LAKE RESOURCES INC.)

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2011

(DISCUSSION DATED APRIL 27, 2012)

Exploring a better way

A South America Focus

Introduction

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of Sintana Energy Inc. (Formerly Drift Lake Resources Inc.) ("Sintana", "SNN", "Drift Lake", "DLR" or the "Corporation") constitutes management's review of the factors that affected the Corporation's financial and operating performance for the year ended December 31, 2011. This MD&A has been prepared in compliance 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 Corporation for the years ended December 31, 2011 and 2010, together with the notes thereto. Results are reported in United States dollars, unless otherwise noted. 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 at April 27, 2012, unless otherwise indicated.

DLR made an application to the Canada Revenue Agency to change its fiscal year end from February 28 to December 31. On August 22, 2011, the Canada Revenue Agency gave permission to change the fiscal year end of Sintana from February 28 to December 31 effective December 31, 2011, and DLR filed the notice to give effect to this change to the applicable securities regulators on October 13, 2011.

On October 12, 2011, DLR announced that pursuant to a resolution passed by shareholders on September 21, 2011, the Corporation had changed its name to "Sintana Energy Inc." and its trading symbol to "SNN".

On January 1, 2011, the Corporation adopted International Financial Reporting Standards ("IFRS"). The consolidated financial statements for the year ended December 31, 2011, have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Readers of this MD&A should refer to "Change in Accounting Policies" below for a discussion of IFRS and its effect on the Corporation's financial presentation.

The comparative financial information for 2010 in this MD&A has been restated to conform to IFRS, unless otherwise stated.

Further information about the Corporation and its operations is available at the Corporation's offices and on SEDAR at **www.sedar.com**.

(Note – all references to "C$" mean Canadian dollars)

Cautionary Note Regarding Forward-Looking Information

This MD&A contains forward-looking information. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "estimates", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases, or states that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking information involves known and unknown risks, uncertainties and other factors that might cause actual results, performance or achievements of the Corporation to be materially different from future results, performance or achievements expressed or implied by the forward-looking information.

Examples of such statements include: the Corporation's proposed exploration and development activities and methods for funding thereof, timing of development of reserves, expectations regarding the ability of Sintana to raise additional capital and to continually add to reserves through acquisitions, exploration and development, treatment under governmental regulatory regimes and tax laws, availability of governmental and regulatory approvals, capital expenditure programs and the timing and methods of financing thereof and proposed acquisitions by the Corporation, exploration programs, development plans and status of assets, future growth and performance.

Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking information contained in this MD&A. Such forward-looking information is based on a number of assumptions that may prove to be incorrect, including, but not limited to: the ability of the Corporation to obtain necessary financing, manage risks, the economy generally, current and future stock prices, results of operations and exploration, development, and production activities, fluctuations in oil and natural gas prices and market conditions, the extent of reserves and future growth and performance, the regulatory and foreign environment, future capital and other expenditures (including the amount, nature and sources of funding thereof), uncertainty of reserve estimates, the availability of necessary exploration and development equipment, competitive advantages, fluctuations in foreign currency exchange rates, property title and investments in oil and natural gas properties, business prospects and opportunities, transportation and construction delays, failure of plant, equipment or processes to operate as anticipated, accidents, labour disputes and other risks of the oil and natural gas industry, political instability, arbitrary changes in law, delays in obtaining governmental or regulatory approvals or the lack of availability thereof and anticipated and unanticipated costs. The factors identified above are not intended to represent a complete list of the factors that could affect the Corporation. Additional risk factors are noted under the heading "Risk Factors".

Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking information prove incorrect, actual results, performance or achievement may vary materially from those expressed or implied by the forward-looking information contained in this MD&A. These risk factors should be carefully considered and readers are cautioned not to place undue reliance on forward-looking information, which speaks only as of the date of this MD&A. All subsequent forward-looking information attributable to the Corporation herein is expressly qualified in its entirety by the cautionary statements contained in or referred to herein. The Corporation does not undertake any obligation to release publicly any revisions to this forward-looking information to reflect events or circumstances that occur after the date of this MD&A or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

Description of Business

Sintana is a public Canadian oil and natural gas exploration company listed on the Canadian TSX Venture Exchange under the trading symbol SNN. With offices in Toronto, Canada, Plano, Texas, and Bogota, Colombia, the Corporation is targeting investments in South America, with an initial primary focus on Colombia and Peru. The Corporation's exploration strategy is to acquire, explore, develop and produce superior quality assets with significant reserves potential. Sintana currently holds a 25% working interest in 175,000 acres in the Bayovar Block in the Sechura Basin, Peru, a 30% working interest in 108,336 acres in the Talora Block and a 30% working interest in 272,021 acres in the COR-39 & COR-11 Blocks in the Magdalena Basin, Colombia. The Corporation continues to evaluate a portfolio of other exploration opportunities.

Northbrook Energy, LLC ("Northbrook") was organized as a limited liability company under the Texas Business Organizations Code on June 9, 2008. On April 27, 2011, Northbrook merged with a wholly-owned subsidiary of the Corporation named Drift Lake Texas Inc. ("Subco") to form Northbrook Energy, Inc., a Texas corporation and a wholly-owned subsidiary of Sintana (See "Business Combination and Related Financing", below). The name of Northbrook Energy, Inc. was changed to Sintana Energy Exploration & Production Inc. in December 2011.

Fiscal 2011 Business Combination and Related Financing

Pursuant to a non-binding letter of intent dated November 4, 2010 (as amended by letter dated December 1, 2010), DLR and Northbrook agreed to complete a business combination of the two companies (the "Northbrook Business Combination").

On January 26, 2011, DLR, Northbrook, Subco (a wholly-owned subsidiary of DLR) and 2267582 Ontario Inc. ("FinanceCo") entered into a definitive Master Agreement (the "Master Agreement") dated January 17, 2011, to complete the Northbrook Business Combination by way of a three-cornered amalgamation, pursuant to which Subco would amalgamate with Northbrook and all of the issued and outstanding securities of Northbrook would be acquired by DLR from the existing holders thereof in consideration for the issuance of an aggregate of 27,000,000 common shares of DLR (each, a "DLR Share") and the payment of C$330,000 to the existing shareholders of Northbrook. The consideration for the DLR Shares issued in connection with the Northbrook Business Combination was calculated based upon a deemed price of C$0.50 per DLR Share. Northbrook and DLR were arm's length parties.

Also on January 26, 2011, DLR completed the first tranche of a private placement in connection with the Northbrook Business Combination, pursuant to which an aggregate of 32,430,000 subscription receipts ("Subscription Receipts") were issued at a price of C$0.50 per Subscription Receipt to raise aggregate gross proceeds of C$16,215,000 (the "Financing"). Of this total, an aggregate of 2,830,000 Subscription Receipts were issued by DLR directly (the "DLR Subscription Receipts") and an aggregate of 29,600,000 Subscription Receipts (the "FinanceCo Subscription Receipts") were issued by FinanceCo. Each DLR Subscription Receipt was convertible upon the satisfaction of certain release conditions for no additional consideration into units ("DLR Units"), each DLR Unit consisting of one DLR Share and one-half of one common share purchase warrant (each whole such warrant, a "DLR Warrant"), with each DLR Warrant entitling the holder thereof to acquire one additional DLR Share at an exercise price of C$0.75 for a period of 18 months (subject to accelerated expiry in the event that the closing price of the DLR Shares exceeds C$1.25 for 20 consecutive trading days). Each FinanceCo Subscription Receipt was convertible upon the satisfaction of certain release conditions for no additional consideration into units ("FinanceCo Units"), each FinanceCo Unit consisting of one common share of FinanceCo (each, a "FinanceCo Share") and one-half of one common share purchase warrant (each whole such warrant, a "FinanceCo Warrant"), with each FinanceCo Warrant entitling the holder thereof to acquire one additional FinanceCo Share at an exercise price of C$0.75 for a period of 18 months (subject to accelerated expiry in the event that the closing price of the DLR Shares exceeds C$1.25 for 20 consecutive trading days).

On February 3, 2011, the second tranche of the Financing was completed pursuant to which an aggregate of 6,030,000 FinanceCo Subscription Receipts were issued at a price of C$0.50 per FinanceCo Subscription Receipt to raise aggregate gross proceeds of C$3,015,000. Each FinanceCo Subscription Receipt was convertible upon the satisfaction of certain release conditions for no additional consideration into one FinanceCo Unit.

Concurrently with the execution of the Master Agreement, DLR also entered into an amalgamation agreement with a wholly owned subsidiary of DLR ("Newco") and FinanceCo (the "Amalgamation Agreement") pursuant to which DLR and FinanceCo agreed to effect a business combination (the "FinanceCo Business Combination", and together with the Northbrook Business Combination, the "Business Combination") concurrently with the Northbrook Business Combination, which was structured in the form of a three-cornered amalgamation pursuant to which FinanceCo would amalgamate with

Newco and all of the issued and outstanding securities of FinanceCo (including all outstanding FinanceCo Shares and FinanceCo Warrants) would be acquired by DLR from the existing holders thereof in consideration of the issuance of equivalent securities of DLR to each of the holders of FinanceCo Shares and FinanceCo Warrants.

On February 24 and March 11, 2011, the final two tranches of the Financing were completed, with an aggregate of 3,700,000 FinanceCo Subscription Receipts being issued at a price of C$0.50 per FinanceCo Subscription Receipt to raise additional aggregate gross proceeds of C$1,850,000. Each FinanceCo Subscription Receipt was convertible upon the satisfaction of certain release conditions for no additional consideration into one FinanceCo Unit. As a result of the closing of the final tranche, an aggregate of 42,160,000 Subscription Receipts were issued by FinanceCo and DLR pursuant to the Financing in total, to raise aggregate gross proceeds of C$21,080,000. The gross proceeds raised pursuant to the Financing (the "Escrowed Funds") were deposited with Olympia Transfer Services Inc. to be held in escrow pending the satisfaction of certain release conditions relating to the Business Combination, including the receipt of the requisite approval of the Business Combination by shareholders of DLR, and the conditional approval of the Business Combination by the TSX Venture Exchange.

An aggregate of 41,160,000 of the Subscription Receipts issued pursuant to the Financing were issued on a brokered basis by co-lead agents Jones Gable & Company Limited and PowerOne Capital Markets Limited, with a syndicate that included Clarus Securities Inc., Salman Partners Inc. and Primary Capital Inc. (collectively, the "Agents"), while an aggregate of 1,000,000 Subscription Receipts were issued on a non-brokered basis. An aggregate of 2,366,700 broker warrants (the "Broker Warrants") were issued to the Agents as partial consideration for their services in connection with the Financing, each such Broker Warrant entitling the holder thereof to acquire one DLR Share at an exercise price of C$0.50 until the date which is 18 months following the release of the Escrowed Funds. In addition, aggregate fees in the amount of C$1,440,600 were paid to the Agents and certain other advisers assisting in the Financing, upon release of the Escrowed Funds.

On April 13, 2011, in connection with the Business Combination, DLR prepared and filed a Filing Statement in accordance with the regulations of the TSX Venture Exchange summarizing the terms of the proposed Business Combination and related matters.

On April 27, 2011, DLR closed the Business Combination with Northbrook and FinanceCo, pursuant to the Master Agreement and Amalgamation Agreement. Each of Northbrook and FinanceCo amalgamated with wholly-owned subsidiaries of DLR, the Subscription Receipts converted into DLR Units and FinanceCo Units, as applicable, in accordance with the terms thereof, and all of the issued and outstanding securities of each of Northbrook and FinanceCo were subsequently acquired by DLR from the existing holders thereof in consideration of the issuance of an aggregate of 78,160,001 DLR Shares and an aggregate cash payment of C$330,000. Also in connection with the Business Combination, an aggregate of 19,665,000 FinanceCo Warrants were exchanged for DLR Warrants on a 1:1 basis.

In connection with the Business Combination, (i) an aggregate of 27,000,000 DLR Shares were issued to former shareholders of Northbrook in consideration of the acquisition by DLR of all such issued and outstanding Northbrook shares; and (ii) an aggregate of 51,160,001 DLR Shares were issued to subscribers in the Financing and existing holders of FinanceCo Shares. In addition, all directors and officers of DLR resigned with the exception of Bruno Maruzzo and Carmelo Marrelli, and the Board of Directors of DLR was reconstituted and new management associated with Northbrook was appointed, including Doug Manner as Chief Executive Officer, Keith Spickelmier as Executive Chairman and David Cherry as President and Chief Operating Officer. Carmelo Marrelli remained as Chief Financial Officer.

For accounting purposes, Northbrook acquired the assets and liabilities of DLR as follows:

Acquisition of DLR / Consideration	**$**
Net assets acquired	
Cash	1,465,475
Accounts receivable	42,646
Accounts payable	(155,689)
Goodwill	14,922,602
	16,275,034
Consideration paid	
Cash	348,678
Stock options [1]	122,143
29,915,225 DLR Shares purchased by Northbrook	15,804,213
	16,275,034

[1] Part of the purchase included 200,000 stock options issued to former officers and directors of Drift Lake. 50,000 stock options with an exercise price of C$0.10 expire on November 13, 2012; 50,000 stock options with an exercise price of C$0.10 expire on September 30, 2013 and 100,000 stock options with an exercise price of C$0.135 expire on August 18, 2015. For the purposes of the 200,000 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:

<u>50,000 stock options with an exercise price of C$0.10 expire on November 13, 2012</u>
Expected dividend yield of 0%; expected volatility of 134%; risk-free interest rate of 1.74%; and an expected average life of 1.55 years. The estimated value was determined to be $29,268.

<u>50,000 stock options with an exercise price of C$0.10 expire on September 30, 2013</u>
Expected dividend yield of 0%; expected volatility of 138%; risk-free interest rate of 2.34%; and an expected average life of 2.43 years. The estimated value was determined to be $30,324.

<u>100,000 stock options with an exercise price of C$0.135 expire on August 18, 2015</u>
Expected dividend yield of 0%; expected volatility of 138%; risk-free interest rate of 2.34%; and an expected average life of 4.31 years. The estimated value was determined to be $62,551.

This transaction was accounted for as a business acquisition. For accounting purposes, Northbrook was deemed to be the acquirer and the consolidated financial statements are a continuation of the financial statements of Northbrook while the capital structure is that of Drift Lake, now Sintana.

For accounting purposes, Northbrook acquired the assets and liabilities of FinanceCo as follows:

Acquisition of FinanceCo / Consideration	$
Net assets acquired	
Cash	707,418
Accounts payable	(6,860)
Goodwill	4,054,143
	4,754,701
Consideration paid	
9,000,001 common shares purchased by Northbrook	4,754,701
	4,754,701

Goodwill was impaired as Drift Lake no longer concentrates on mineral exploration. In addition, FinanceCo had no other assets other than cash. The Northbrook management team concentrates on the business of oil and natural gas exploration. The impairment amounted to $18,976,745.

Business Combination Subsequent to Year End

On March 12, 2012, the Corporation entered into a definitive agreement (the "Agreement"), with ColCan Energy Corp. ("ColCan"), providing for a business combination of the two companies (the "ColCan Business Combination"). ColCan is a private company existing under the laws of Ontario which is engaged in the acquisition, exploration and development of oil and gas properties in Colombia. The ColCan Business Combination is subject to the satisfaction or waiver of certain customary closing conditions, and is currently expected to be completed in the second quarter of 2012.

The principal purpose of the ColCan Business Combination is to combine the oil and gas assets presently held by Sintana with those owned or in the process of being acquired by ColCan in Colombia. Thus, it is expected that ColCan will provide the combined entity with working interests in four blocks – three blocks in Colombia's Middle Magdalena Basin ("VMM") and one block in the Llanos Basin ("LLA") (VMM-4, VMM-15, VMM-37 and LLA-18). Sintana will provide the combined entity with working interests in four blocks – three in Colombia´s Upper Magdalena Basin (Talora, Cor-11 and Cor-39) and one in Peru´s Sechura Basin (Exploration Permit XXVII).

The ColCan Business Combination will be structured in the form of a three-cornered amalgamation, pursuant to which a wholly-owned subsidiary of Sintana would amalgamate with ColCan, and all of the issued and outstanding common shares of ColCan would be acquired by Sintana from the existing holders thereof in consideration of the issuance of 1.5 common shares of Sintana (each, a "Sintana Share") for each common share of ColCan (each, a "ColCan Share") issued and outstanding immediately prior to the closing of the ColCan Business Combination (the "Exchange Ratio"). The consideration for the ColCan Business Combination was calculated based upon a deemed price of C$0.20 per Sintana Share. The final structure of the ColCan Business Combination will be subject to receipt of appropriate legal, accounting, tax and financial advice.

The ColCan Business Combination is also conditional upon a private placement being completed prior to closing by ColCan of subscription receipts ("Colcan Subscription Receipts") convertible for no additional consideration into ColCan Shares, to raise aggregate gross proceeds of not less than C$11 million (collectively, the "ColCan Financing"). In connection with the ColCan Business Combination, it is proposed that Sintana would acquire the ColCan Shares issued in the ColCan Financing in exchange for equivalent securities of Sintana calculated based upon the Exchange Ratio.

It is a condition to the completion of the ColCan Business Combination that ColCan shall have redeemed, prior to closing, existing debentures of ColCan in a minimum aggregate principal amount of C$4.1 million, which redemption proceeds may be satisfied through the issuance of ColCan Shares in lieu of cash payments (the "Debenture Conversion"). Based on the current shareholdings and present knowledge of each of ColCan and Sintana, it is anticipated that following the closing of the ColCan Business Combination, no person or company will beneficially own, directly or indirectly, or control or direct more than 10% of the issued and outstanding common shares of Sintana.

Following the closing of the ColCan Business Combination, there will be no changes to the Board of Directors or management of Sintana, and the existing officers and directors of Sintana will continue in their present roles.

Completion of the ColCan Business Combination is subject to a number of conditions, including the approval of the TSX Venture Exchange and the receipt of all applicable shareholder approvals. The ColCan Business Combination cannot close until all required regulatory and shareholder approvals are obtained. There can be no assurance that the ColCan Business Combination will be completed as proposed or at all.

Overall Performance

As at December 31, 2011, the Corporation had assets of $8,778,798 and a net equity position of $8,153,003. This compares with assets of $110,722, a net partners' deficit position of $344,428 at December 31, 2010 and a net partners' deficit position of $393,376 at January 1, 2010. At December 31, 2011, the Corporation had $625,795 of liabilities (December 31, 2010 - $455,150; January 1, 2010 - $1,410,158). For the year ended December 31, 2011, the Corporation expensed $14,251,066 (year ended December 31, 2010 – recovery of $359,583) of its oil and natural gas ownership interests.

At December 31, 2011, the Corporation had working capital of $8,106,673 (December 31, 2010 – working capital deficit of $344,428; January 1, 2010 – working capital deficit of $393,376). The Corporation had cash and cash equivalents of $8,517,088 at December 31, 2011 (December 31, 2010 - $10,500; January 1, 2010 - $1,003,162). The increase in working capital of $8,451,101 and increase in cash and cash equivalents of $8,506,588 from December 31, 2010, to December 31, 2011, is primarily due to the financing discussed under "Fiscal 2011 Business Combination and Related Financing" above less expenditures on oil and gas ownership interests.

The Corporation has sufficient cash on hand to fund its operating expenses for the twelve-month period ending December 31, 2012, due to the closing of the Business Combination on April 27, 2011. However, the Corporation may lose its oil and natural gas properties if it does not comply with the terms of the agreements it has entered into. Operating expenditures are expected to be funded from current cash reserves. See "Liquidity and Financial Position", below.

See "Petroleum and Natural Gas Prospects" below.

On September 21, 2011, the shareholders approved Grant Fagerheim and Ronald MacMicken as independent director additions to the Corporation's board.

On March 12, 2012, the Corporation entered into the ColCan Business Combination, with ColCan, providing for a business combination of the two companies. See "Business Combination Subsequent to Year End", above.

Trends

After giving effect to the Business Combination, the Corporation has focused on crude oil and other natural resources.

There are significant uncertainties regarding the price of crude oil and other natural resources and the availability of equity financing for the purposes of acquisitions, exploration and development activities. The future performance of the Corporation is largely tied to the development of its oil and natural gas properties and the overall financial markets. Financial markets are likely to be volatile, reflecting ongoing concerns about the stability of the global economy and weakening global growth prospects. Unprecedented uncertainty in the credit markets has 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 Corporation may have difficulties raising equity financing for the purposes of oil and natural gas exploration and development, particularly without excessively diluting the interests of existing shareholders. These trends may limit the ability of the Corporation to develop and / or further explore its current oil and gas properties and any additional property interests that may be acquired, including the properties that may be acquired through the proposed ColCan Business Combination.

In addition to the risks outlined in this MD&A, Sintana has identified the extreme volatility occurring in the financial markets recently as a significant risk for the Company. As a result of the market turmoil, investors are moving away from assets they perceive as risky to those they perceive as less so. Companies like Sintana are considered risk assets and as mentioned above are highly speculative. The volatility in the markets and investor sentiment may make it difficult for Sintana to access the capital markets in order to raise the capital it will need to fund its current level of expenditures.

See also "Risk Factors"

Selected Annual Financial Information

The following is selected financial data derived from the audited annual consolidated financial statements of the Corporation at December 31, 2011, 2010 and 2009 and for the years then ended.

(Loss) Income	**Year Ended December 31, 2011 (IFRS) ($)**	**Year Ended December 31, 2010 (IFRS) ($)**	**Year Ended December 31, 2009 (Canadian GAAP) (1) ($)**
Total revenues	Nil	Nil	1,870
Total (loss) income (2)(3)	(31,965,022)	94,474	(410,421)
Net (loss) earnings per share – basic (4)(5)(6)	(0.37)	n/a	n/a
Net (loss) earnings per share – diluted (4)(5)(6)	(0.37)	n/a	n/a
Assets / Liabilities	**As at December 31, 2011 ($)**	**As at December 31, 2010 ($)**	**As at December 31, 2009 ($)**
Total assets	8,778,798	110,722	1,016,782
Total non-current financial liabilities	442,680	Nil	Nil
Distribution or cash dividends (7)	Nil	n/a	n/a

(1) Canadian GAAP is defined as Canadian generally accepted accounting principles.
(2) Loss from continuing operations attributable to owners of the parent, in total;
(3) Loss attributable to owners of the parent, in total;
(4) Loss from continuing operations attributable to owners of the parent, on a per-share and diluted per share basis;
(5) Loss attributable to owners of the parent, on a per-share and diluted per-share basis;
(6) Loss per share not applicable for the years ended December 31, 2010 and 2009 since Northbrook was a limited liability partnership; and
(7) Declared per-share for each class of share.

- The net loss for the year ended December 31, 2011, consisted primarily of (i) exploration and evaluation expenditures, net of recoveries of $14,251,066; (ii) general and administrative expenses of $1,459,350; (iii) foreign exchange loss of $878,379; (iv) finance interest of $146,726 and (v) impairment of goodwill of $18,976,745. This was partially offset by change in fair value of warrant liability of $3,747,244.

- The net income for the year ended December 31, 2010, consisted primarily of (i) exploration and evaluation expenditures, net of recoveries of $(359,583); and (ii) general and administrative expenses of $265,109.

- The net loss for the year ended December 31, 2009, consisted primarily of (i) oil and natural gas royalties of $1,870; (ii) abandoned and expired prospect of $52,777; (iii) legal fees of $246,677; (iv) professional fees of $55,350; (v) travel and entertainment of $42,842; and (vi) general and administrative expenses of $14,645.

- The Corporation's ability to fund its operations is dependent upon it securing financing by issuing equity, by selling assets 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 and development activities, and the future profitable production or proceeds from disposition of such oil and gas prospect. See "Trends" and "Risk Factors".

Selected Quarterly Information

Quarter Ending	Total Sales ($)	Profit or (loss) Total ($)	Profit or (loss) Basic and Diluted Loss Per Share ($)	Total Assets ($)
2011-December 31	Nil	(1,413,154) (1)	(0.02)	8,778,798
2011-September 30	Nil	(5,989,858) (2)	(0.05)	10,949,697
2011-June 30	Nil	(24,262,603) (3)	(0.28)	18,911,179
2011-March 31	Nil	(299,407) (4)	(0.14)	2,006,272
2010-December 31	Nil	196,865 (5)	0.01	110,722
2010-September 30	Nil	(101,316) (6)	(0.00)	62,882
2010-June 30	Nil	81,112 (7)	0.00	98,769
2010-March 31	Nil	(82,187) (8)	(0.00)	1,016,305

Notes:

(1) Net loss of $1,413,154 consisted primarily of: exploration and evaluation expenditures of $2,465,126; general and administrative expenses of ($244,064); foreign exchange gain of $133,348 and change in fair value of warrant liability of $674,560.
(2) Net loss of $5,989,858 consisted primarily of: exploration and evaluation expenditures of $6,773,160; general and administrative expenses of $499,507; foreign exchange loss of $1,035,991; and change in fair value of warrant liability of $2,318,800.
(3) Net loss of $24,262,603 consisted primarily of: exploration and evaluation expenditures of $4,978,481; general and administrative expenses of $1,049,331; foreign exchange gain of $86,464; finance interest of $98,394; impairment of goodwill of $18,976,745; and change in fair value of warrant liability of $753,884.
(4) Net loss of $299,407 consisted primarily of: exploration and evaluation expenditures of $34,299; general and administrative expenses of $154,576; foreign exchange loss of $62,200; and finance interest of $48,332.
(5) Net income of $196,865 consisted primarily of: general and administrative expenses of $211,560. These amounts were offset by a net recovery of exploration and evaluation expenditures of $408,425.
(6) Net loss of $101,316 consisted primarily of: exploration and evaluation expenditures of $84,027; and general and administrative expenses of $17,289.
(7) Net income of $81,112 consisted primarily of: general and administrative expenses of $20,012. This amount was offset by a recovery of exploration and evaluation expenditures of $101,124.
(8) Net loss of $82,187 consisted primarily of: exploration and evaluation expenditures of $65,939 and general and administrative expenses of $16,248.

Proposed Transactions

As at the date of this MD&A, other than the ColCan Business Combination and the associated increase in working capital, there are no proposed transactions of a material nature being considered by Sintana. The Corporation continues to evaluate additional oil and natural gas projects.

Petroleum and Natural Gas Prospects

Big Cypress Prospect

On May 9, 2011, the Corporation announced that its US subsidiary had entered into a farmout agreement with an arm's-length party for its ownership interests in several leases located in Marion County, Texas, known as the Big Cypress prospect. The US subsidiary received a cash payment of $400,000 upon closing and retained a 15% working interest in the initial test well after payout and a 15% working interest in all future development wells. In addition, the US subsidiary received an overriding royalty interest, ranging up to 2% depending on the lease, in all oil and natural gas produced. The transaction closed on June 20, 2011.

Rock Hill Prospect

On August 26, 2011, the Corporation's US subsidiary entered into a farmout agreement with an arm's length party for a majority of its ownership interests in a prospect consisting of several leases located in Wood County, Texas and received a $30,000 cash deposit as partial payment of the $400,000 sales price. After completion of the arm's-length party's due diligence, the transaction was closed on October 5, 2011 and the remaining $370,000 in sales proceeds were received by the US subsidiary. In addition to the cash received, a 15% working interest after payout of the initial test well and a 15% working interest in all future development wells were retained. The US subsidiary will also receive overriding royalty interests in all oil and natural gas produced, or the associated sales proceeds, from each lease currently held, extended or subsequently taken in an area of mutual interest as defined in the agreement.

Bayovar Block

The Bayovar Block consists of an undivided 25% working interest in the License Contract for Exploration and Exploitation of Hydrocarbons dated April 15, 2009 (the "Bayovar License") and a 25% working interest in Exploration Permit XXVII ("EP XXVII"), comprising approximately 175,000 acres (70,820 hectares) in the Sechura Basin, in the Province of Sechura, Peru.

DLR entered into an agreement (the "Assignment Agreement") with Douglas Manner, Keith Spickelmier and David Cherry, (collectively the "Manner Group") pursuant to which all rights and obligations of the Manner Group under the Exploration and Production Participation Agreement dated February 4, 2011, between the Manner Group, Faulkner Exploration, Inc., Faulkner Exploration, Inc. S.A. ("Faulkner") and Faulkner Exploration and Production Inc. (the "Bayovar Agreement") with respect to the property known as the Bayovar Block were assigned to Northbrook Oil & Gas LLC (a wholly-owned subsidiary of Northbrook) for no additional consideration. Pursuant to the terms of the Assignment Agreement and the Bayovar Agreement, Northbrook agreed to acquire the Bayovar Block in consideration of (i) a cash payment in the aggregate amount of $2,000,000 (paid); and (ii) the issuance of 5,489,143 DLR Shares at C$0.525 per share (issued).

Faulkner is the operator of the Block under the Bayovar Agreement.

Exploration program

On August 22, 2011, the Corporation announced that its South American Operations Office located in Bogatá and existing under the laws of Colombia ("Sintana Energy - Colombia"), had received notice from Faulkner Exploration, Inc. that the Peru Ministry of Energy and Mines (EIA) had approved a 10 well drilling permit for the Bayovar Block.

The Assignment Agreement commits the Corporation to participate in the drilling of the first 5 wells drilled out of the 10 wells covered by the permit. Faulkner estimates drilling costs of approximately $3.0 million gross per well.

In November 2011, drilling commenced on the initial exploration well (San Cayetano #1). Costs to December 31, 2011, inclusive of a cash call, amounted to $851,544. The well reached a total depth of 5,276 feet and technical data collected is being evaluated. The operator is considering sidetracking the well, casing the Palaeozoic formation, and conducting and extended flow test.

Talora Block, Colombia

On August 17, 2011, the Corporation announced that Sintana Energy - Colombia had entered into an agreement with Petrodorado Energy Ltd. ("Petrodorado") to farm-in for an undivided 30% working interest in the 108,336 acre Talora Block located in Colombia's oil prolific Magdalena Basin. The Talora Block, which is operated by Petrodorado, is immediately adjacent to the region's main oil and gas pipelines and only 60 kilometers 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, both consisting of light and medium-gravity oil and totaling to more than 150 MMBO recoverable, all within about 25 kilometers of Talora.

The Guando Field, south of Talora, is one of the most important Upper Mag fields, contains 120 MMBO and is currently producing 20,000+ BOPD. 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 the shallow position, the excellent Cretaceous Guadalupe reservoir, the good quality medium-gravity oil and its close proximity to infrastructure and the populated areas near Bogotá.

In summary a total of nine wells have been drilled in the area by other operators either off structure and / or on structures that are mainly located outside of the Talora Block and importantly, no well has yet reached the Cretaceous Caballos reservoir.

Historically, the Verdal-1 well, operated by Petrodorado in 2010, was the first well to target the two main thrust anticlines located near the center of the block. The Verdal-1, despite having to stop drilling hundreds of feet above the main Caballos reservoir target due to well control problems, resulted in a technical gas discovery in the upper gas-charged Cretaceous Tetuan Formation. The Verdal-1 well revealed important new information about stratigraphy and the hydrocarbon content of the units in the area including that the main Cretaceous Caballos reservoir was deeper than originally thought. It also demonstrated the presence of an abundant overlying seal and that these structures are hydrocarbon-charged with trapping in place, all critical parameters that are expected to reduce the technical risk of the next well.

Management believes that the Caballos reservoir is hydrocarbon-charged, has a trapping mechanism in place and therefore represents a prime exploration target for the two adjacent thrust anticlines, the Dorado Prospect, which is scheduled to be spud in Q2 2012, followed by a second Caballos well later in 2012 possibly on the adjacent Verdal-La Cabaña Prospect, up-dip from the existing Verdal-1 well.

The Talora Block is considered by management to be one of the most prospective remaining contracts in Colombia from the 2004 vintage in which there is no X-Factor, no state oil company back-in and use of the sliding scale royalty regime of 8% of production up to 5,000 barrels a day increasing to 8-20% for production from 5,001-125,000 BOPD to a maximum of 25% over 600,000 BOPD. The Talora Block is located in an area of emerging interest, not only because of the nearby Guando-type discovery of 120 MMBO medium-gravity oil in 2000, but for the hidden and overlooked thrust anticlines which have not been drilled in the last decade. Sintana Energy - Colombia is pursuing other major opportunities in the region to compliment the Talora farm-in. This transaction provides the Corporation with a high-quality, high-potential, ready-to-drill opportunity and, if successful, will provide near-term production and positive cash flow as it is in close proximity to pipelines.

Consideration for the acquisition was: (i) a cash payment made in the aggregate amount of $5.2 million (paid); (ii) assumption of 60% of the drilling costs of the first exploratory well, estimated to equal $3.9 million net to Sintana and (iii) if a second exploratory well is drilled on the block, the assumption of 45% of the drilling costs for that well, estimated to equal $2.9 million net.

Drilling of the initial well in the Talora Block is scheduled to commence in Q2 2012.

COR-39 and COR-11 Blocks, Colombia

On September 15, 2011, the Corporation announced that Sintana Energy - Colombia had entered into an agreement with Canacol Energy Colombia S.A., (a subsidiary of Canacol Energy Ltd. – TSX:CNE) to farm-in for an undivided 30% working interest in the COR-11 and COR-39 Blocks in the Upper Magdalena Basin, Colombia.

These two Blocks are located in the Guando trend of Colombia's Upper Magdalena Basin. Guando is one of the last 100 million barrel fields to be found in Colombia with some favorable world-class attributes that have not yet been adequately pursued in the trend. Guando was discovered in 2000 and contains medium-gravity oil with a hydrocarbon column over 2,100 feet thick and a net reservoir over 1,000 feet thick. Recoverable reserve estimates continue to increase and are now more than 126 million barrels due to improved water flood programs.

COR-39 and COR-11 are 60 kilometers apart (north-south direction) on either side of Guando Field: COR-39 is 20 kms north of Guando and COR-11 is 40 kms south of Guando. 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 square kilometers). The Blocks are located 50 and 90 kilometers, respectively, southwest of the capital city of Bogotá and are close to established infrastructure and local markets. COR-39 is adjacent and south of the Talora Block, the Corporation's initial acquisition in Colombia.

Sintana's approach is to establish a series of contiguous blocks along specific play fairways in order to explore and produce in a more systematic way as opposed to having blocks in widely diverse areas. In the northern Upper Magdalena basin, Sintana's has selected areas which have excellent nearby field analogs with a balanced set of prospects, some of them "close-in" and ready to drill. The objective is to shorten the cycle-time to establish positive cash flow. Management believes that Talora and the two COR Blocks provide an ideal diversification of prospect types, resource range and risk profile. Prospects range from well-defined conventional low risk types in Talora and COR-39 to higher risk and higher reward prospects with significant upside in COR-11.

Permits have been approved and Canacol Energy Colombia S.A. plans to acquire 120 kilometers of 2D seismic in COR-39 and 155 kilometers of 2D seismic in COR-11. This is expected to be followed by interpretation of the seismic data and then with an aggressive drilling program of at least two wells in COR-39 and 1 well in COR-11 during 2013.

Under the terms of the farm-in agreement, the Corporation will earn an undivided 30% working 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. The total estimated net cost to Sintana to complete the earn-in exploration phase is approximately $28 million.

Exploration Program

COR-39

Sintana is required to incur 60% of Phase 1 costs to earn a 30% working interest. As of the date of this MD&A, the estimated costs that Sintana is required to incur are approximately $12.4 million. Included in this estimate are an extensive 2D seismic data acquisition program in 2012 and the drilling of two exploration wells in 2013.

COR-11

Sintana is required to incur 60% of Phase 1 costs to earn a 30% working interest. As of the date of this MD&A, the estimated costs that Sintana is required to incur are approximately $14.1 million. Included in this estimate are an extensive 2D seismic data acquisition program in 2012 followed by an exploration well to commence drilling in Q3 2013.

(Reference Note - All reserve estimates contained in the Talora, COR-39 and COR-11 Blocks, Colombia Section are from industry-published sources, including the Wood MacKenzie database).

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 effect 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.

Overall Objective

The primary business objective of Sintana is to build a significant oil and natural gas exploration and development company based upon its current holdings in South America. In furtherance of this objective, Sintana, after completion of the Business Combination, established the following business strategy:

- complete exploration and development programs on acquired property interests with a view to establishing oil and natural gas reserves; and

- capitalize on management's technical expertise and ability to identify, evaluate and acquire exploration and development properties.

Expenditures incurred on Sintana's Petroleum and Natural Gas Prospects

Exploration Expenditures	Year Ended December 31, 2011 $	Year Ended December 31, 2010 $
Colombia		
Acquisition costs	5,200,000	nil
Advances	600,000	nil
Salaries and benefits	1,098,419	nil
Administrative and general	390,067	nil
Consulting	390,172	nil
Drilling	775,855	nil
Travel	115,398	nil
Professional fees	155,835	nil
Other	352,212	nil
	9,077,958	**nil**
Peru		
Acquisition costs	5,000,000	nil
Drilling	817,721	nil
Professional fees	33,823	nil
	5,851,544	**nil**
United States		
Sale of oil and gas interests	(800,000)	(595,666)
Land service	6,475	nil
Geological services	114,867	nil
Other	222	236,083
	(678,436)	**(359,583)**
Totals	**14,251,066**	**(359,583)**

Discussion of Operations

Year ended December 31, 2011, compared with year ended December 31, 2010

Sintana's net loss totalled $31,965,022 the year ended December 31, 2011 with basic and diluted loss per share of $0.37. This compares with a net income of $94,474 for the year ended December 31, 2010 with basic and diluted income per share of $0.00. The increase of $31,870,548 in net loss was principally because:

- Exploration and evaluation expenditures increased by $14,610,649, as work increased subsequent to Sintana completing the Business Combination, which closed on April 27, 2011. See "Petroleum and Natural Gas Prospects" above for a description of current exploration activities. The bulk of the increase can be attributed to the payments of $5 million in respect of the Bayovar Block and $5.2 million in respect of the Talora Block.

- General and administrative expenses increased by $1,194,241. General and administrative expenses totalled $1,459,350 for the year ended December 31, 2011 (year ended December 31, 2010 - $265,109) and consisted of administrative and general expenses of $193,993 (year ended December 31, 2010 - $10,193), professional fees of $465,992 (year ended December 31, 2010 - $200,232), reporting issuer costs of $102,308 (year ended December 31, 2010 - $nil), travel and accommodation of $166,240 (year ended December 31, 2010 - $54,684), depreciation of $4,763 (year ended December 31, 2010 - $nil), salaries and benefits of $650,120 (year ended December 31, 2010 - $nil), and interest income of $124,066 (year ended December 31, 2010 - $nil).

    - Administrative and general expenses include compensation, rent, professional services and other corporation office expenses. The increase in administrative and general expenses can be attributed to ramp up costs to support Sintana's South America exploration initiatives.

    - The Corporation incurred an increase in professional fees of $265,760 for the year ended December 31, 2011, compared to the year ended December 31, 2010. The increase can be attributed to hiring consultants for assistance in meeting its regulatory filing commitments, completing the Business Combination and assisting company management with its IFRS conversion.

    - The Corporation incurred an increase in reporting issuer costs of $102,308 for the year ended December 31, 2011, compared to the year ended December 31, 2010. Northbrook continued as a reporting issuer subsequent to the completion of the Business Combination on April 27, 2011. In the comparative period presented, Northbrook did not have such costs.

    - The Corporation incurred an increase in travel and accommodation of $111,556 for the year ended December 31, 2011, compared to the year ended December 31, 2010. The increase can be attributed to business development and travel charges incurred to raise its investor profile, including developing new project opportunities in South America.

    - The Corporation incurred an increase in salaries and benefits of $650,120 for the year ended December 31, 2011, compared to the year ended December 31, 2010. The increase can be attributed to cash compensation paid to management (See "Related Party Transactions" below) and share-based payment due to the vesting overtime of 2.7 million stock options granted on May 11, 2011 and vesting over time of 6.65 million stock options granted on December 20, 2011.

      The 2.7 million stock options granted on May 11, 2011 will be exercisable at C$0.49 per share, the closing price on May 11, 2011, and will vest from time to time over two years. For the purposes of these 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 138%; risk-free interest rate of 2.23%; and an expected average life of five years. The estimated value of $1,216,448 will be recorded as a debit to salaries and benefits and a credit to contributed surplus as the options vest. 500,000 options vest as to 1/3 immediately, 1/3 after one year and 1/3 after two years and 2.2 million options vest as to 1/3 after one year and 2/3 after two years. For the year ended December 31, 2011, the impact on expenses was $567,833. $498,957 of this amount was included in exploration and evaluation expenditures and 68,876 of this amount was included in salaries and benefits.

The 6.65 million stock options granted on December 20, 2011 will be exercisable at C$0.20 per share. For the purposes of these 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 134%; risk-free interest rate of 1.17%; and an expected average life of five years. The estimated value of $910,083 will be recorded as a debit to salaries and benefits and a credit to contributed surplus as the options vest. The options vest as to 1/3 immediately, 1/3 after one year and 1/3 after two years. For the year ended December 31, 2011, the impact on expenses was $316,818. $184,494 of this amount was included in exploration and evaluation expenditures and $132,324 of this amount was included in salaries and benefits.

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

- The expected term: the Corporation used the maximum term ascribed to stock options issued for the purposes of calculating their value. The Corporation 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 Corporation 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 Corporation 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 Corporation has not paid dividends in the past because it is in the development stage and has not yet earned any significant income. Also, the Corporation 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 Corporation incurred a foreign exchange loss of $878,379, which was mostly attributed to C$ Dollar, Peruvian Nuevo Sol and Colombian Peso exchange rate fluctuations.

- The Corporation incurred finance interest of $146,726 resulting from a promissory note that was repaid during the period.

- Goodwill has been impaired as Drift Lake no longer concentrates on mineral exploration. In addition, FinanceCo has no other assets other than cash. The management team will concentrate on the business of oil and gas exploration. The impairment amounted to $18,976,745.

- Gain on warrant revaluation amounted to $3,747,244 for the year ended December 31, 2011 compared to $nil for the comparative period in 2010. The increase of $3,747,244 can be attributed to the fair value warrant adjustment at December 31, 2011. The fair value of the warrants was determined using the Black-Scholes option pricing model. 21,080,000 warrants issued to investors with an exercise price of C$0.75 meet the revaluation requirement and therefore the value of these warrants is presented as a current liability on the consolidated statement of financial position. As at December 31, 2011, warrant liability was $442,680 (December 31, 2010 - $nil; January 1, 2010 - $nil).

Three months ended December 31, 2011, compared with three months ended December 31, 2010

Sintana's net loss totalled $1,413,154 for the three months ended December 31, 2011 with basic and diluted loss per share of $0.02. This compares with net income of $196,865 for the three months ended December 31, 2010 with basic and diluted income per share of $0.01. The increase of $1,610,019 in net loss was principally because:

- Exploration and evaluation expenditures increased by $2,873,551, as work increased subsequent to Sintana completing the Business Combination, which closed on April 27, 2011. See "Petroleum and Natural Gas Prospects" above for a description of current exploration activities. The bulk of the increase can be attributed to the payments of $5.2 million in respect of the Talora Block and $0.8 million for the drilling program on its first well (San Cayetano #1) on the Bayovar Block.

- General and administrative expenses decreased by $455,624. General and administrative expenses totalled ($244,064) for the three months ended December 31, 2011 (three months ended December 31, 2010 - $211,560) and consisted of administrative and general expenses of $75,759 (three months ended December 31, 2010 - $(2,892)), professional fees of $188,008 (three months ended December 31, 2010 - $190,407), reporting issuer costs of $8,459 (three months ended December 31, 2010 - $nil), travel and accommodation of ($11,721) (three months ended December 31, 2010 - $24,045), depreciation of $883 (three months ended December 31, 2010 - $nil), salaries and benefits of ($489,952) (three months ended December 31, 2010 - $nil), and interest income of $15,500 (three months ended December 31, 2010 - $nil).

    - Administrative and general expenses include compensation, rent, professional services and other corporate office expenses. The increase in administrative and general can be attributed to ramp up costs to support Sintana's South America exploration expense initiatives.

    - The Corporation incurred a decrease in professional fees of $2,399 for the three months ended December 31, 2011, compared to the three months ended December 31, 2010. Professional fees incurred in 2011 are consistent with professional fees incurred in 2010.

    - The Corporation incurred an increase in reporting issuer costs of $8,459 for the three months ended December 31, 2011, compared to the three months ended December 31, 2010. Northbrook continued as a reporting issuer subsequent to the completion of the Business combination on April 27, 2011. In the comparative period presented, Northbrook did not have such costs.

    - The Corporation incurred a decrease in travel and accommodation of $35,766 for the three months ended December 31, 2011, compared to the three months ended December 31, 2010. The decrease can be attributed to a decrease in business development and travel charges incurred to raise SNN's investor profile, including developing new project opportunities in South America.

    - The Corporation incurred a decrease in salaries and benefits of $489,952 for the three months ended December 31, 2011, compared to the three months ended December 31,

2010. The decrease can be attributed to salaries and benefits that have been reallocated to exploration and evaluation expenditures.

The 2.7 million stock options granted on May 11, 2011 will be exercisable at C$0.49 per share, the closing price on May 11, 2011, and will vest from time to time over two years. For the purposes of these 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 138%; risk-free interest rate of 2.23%; and an expected average life of five years. The estimated value of $1,216,448 will be recorded as a debit to salaries and benefits and a credit to contributed surplus as the options vest. 500,000 options vest as to 1/3 immediately, 1/3 after one year and 1/3 after two years and 2.2 million options vest as to 1/3 after one year and 2/3 after two years.

The 6.65 million stock options granted on December 20, 2011 will be exercisable at C$0.20 per share. For the purposes of these 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 134%; risk-free interest rate of 1.17%; and an expected average life of five years. The estimated value of $910,083 will be recorded as a debit to salaries and benefits and a credit to contributed surplus as the options vest. The options vest as to 1/3 immediately, 1/3 after one year and 1/3 after two years.

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 17-18.

- The Corporation incurred a foreign exchange gain of $133,348, which was mostly attributed to C$ Dollar, Peruvian Nuevo Sol and Colombian Peso exchange rate fluctuations.

- Gain on warrant revaluation amounted to $674,560 for the three months ended December 31, 2011 compared to $nil for the comparative period in 2010. The increase of $674,560 can be attributed to the fair market value warrant adjustment at December 31, 2011. The fair value of the warrants was determined using the Black-Scholes option pricing model. 21,080,000 warrants issued to investors with an exercise price of C$0.75 meet the revaluation requirement and therefore the value of these warrants is presented as a current liability on the consolidated statement of financial position. As at December 31, 2011, warrant liability was $442,680 (December 31, 2010 - $nil; January 1, 2010 - $nil).

Liquidity and Financial Position

Expected use of funds includes:

Country	Budget for 2012 and 2013 ($ millions) [1]
Colombia	65.5
Peru	1.6
General and corporate expenses	7.2
Cash balance at December 31, 2011	(8.5)
Additional cash required	**65.8**

[1] The use of funds table has been modified from that which was included in the Filing Statement filed on SEDAR at **www.sedar.com** on April 13, 2011. Management determined that the table disclosed above better reflects management's objectives and current estimates.

The Corporation does not have sufficient funds to meet its exploration commitments. Further financings will be required to meet these funding obligations. There is no guarantee that Sintana will be able to successfully complete such financings. See "Risk Factors".

The Corporation has sufficient cash on hand to fund its operating expenses for the twelve-month period ending December 31, 2012, due to the closing of the Business Combination on April 27, 2011. The Corporation does not have sufficient funds to finance its current proposed exploration and development programs for the next twelve months. Further funds will be required to finance planned spending over the next twelve months. While there is no assurance these funds can be raised, the Corporation believes such financing will be available as required. The Corporation's discretionary exploration activities do have considerable scope for flexibility in terms of the amount and timing of exploration expenditure, and activities may be adjusted accordingly. See "Risk Factors".

On February 24, 2009, Northbrook's wholly owned subsidiary entered into a $50 million Senior First Lien Secured Credit Agreement (the "Credit Facility") with Macquarie Bank Limited ("Macquarie"). To date, the Corporation has not drawn down any borrowings under the Credit Facility. The purpose of the Credit Facility is to drill development wells, finance future property acquisitions and to fund interest payments and other working capital needs. The interest rate is LIBOR (London inter-bank offered rate) plus 750 basis points or prime plus 550 bps at the Corporation's option. Macquarie also is to receive a net profits interest of 25% of the Corporation's working interest in each prospect, which will be reduced to 15% when Macquarie has received a 25% Internal Rate of Return. The Credit Facility is available for 24 months following the first drawdown. Any advances are secured by a first lien on the assets of the Corporation and a guarantee by the Corporation. The Credit Facility matures on February 24, 2013. To date the Corporation has not used any of this funding.

The Credit Facility was established to provide a funding mechanism in the event the Corporation and Macquarie agreed to fund acquisitions that fit within Macquarie's lending guidelines. No such acquisitions have been found to date. The Corporation will require additional funding in order to execute on its business strategy.

After giving effect to the Business Combination, Sintana's future capital requirements depend on many factors, including, among others, cash flow from operations. To the extent that existing resources are insufficient to fund Sintana's losses until profitability is reached, Sintana will need to raise additional funds through debt and / or equity financing. No assurance can be given that additional funds will be available, or that they can be obtained on terms acceptable to Sintana. If adequate funds are not available, Sintana may be required to delay, defer or drop possible expansion plans or acquisitions. See "Risk Factors".

Changes in the capital markets, including a decline in the prices of oil and natural gas could materially and adversely impact Sintana's ability to complete further financings, with the result that Sintana may be forced to scale back its operational activities.

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 conducted in the normal course of operations are measured at the exchange value (the amount established and agreed to by the related parties).

Sintana was party to the following transactions with related parties during the year ended December 31, 2011:

(a) Sintana reimbursed the former partners of Northbrook (Petroven, Inc., Douglas Manner and Keith Spickelmier) for expenses paid by the partners related to Northbrook's business. At December 31, 2011, related party payable included $nil (December 31, 2010 - $261,631 and January 1, 2010 - $249,616) relating to these costs. Transactions with related parties are recorded at the exchange amount being the price agreed to between the parties.

(b) Sintana was party to the following transactions with related parties:

Related Parties	Year Ended December 31, 2011 $	Year Ended December 31, 2010 $
Marrelli CFO Outsource Syndicate Inc. ("Marrelli") (i)(iii)	7,581	nil
Marrelli Support Services Inc. ("MSSI") (ii)(iii)	72,445	nil
DSA Corporate Services Inc. ("DSA") (iv)	9,940	nil
D & R Filing Corp. ("D & R") (v)	9,759	nil
Marrelli Tax Compliance Services Inc. ("Marrelli Tax") (vi)	1,516	nil

(i) The Chief Financial Officer ("CFO") of Sintana is the president of Marrelli. Fees are related to the CFO function performed.

(ii) The CFO of Sintana is the president of MSSI. Fees are related to the CFO function performed.

(iii) As at December 31, 2011, MSSI was owed $13,872 (December 31, 2010 - $nil) and these amounts were included in related party payable. In addition, as at December 31, 2011, Marrelli was owed $nil (December 31, 2010 - $20,000) and these amounts were included in related party payable.

(iv) The CFO of Sintana is an officer of DSA. Fees are related to corporate secretarial services provided by DSA. As at December 31, 2011, DSA was owed $1,408 (December 31, 2010 - $nil) and these amounts were included in related party payable.

(v) The CFO of Sintana is an officer of D & R. Fees are related to filing services provided by D & R. As at December 31, 2011, D & R was owed $1,258 (December 31, 2010 - $nil) and these amounts were included in related party payable.

(c) Remuneration of Directors and key management personnel of the Corporation was as follows:

Cash Compensation	Year Ended December 31, 2011 $	Year Ended December 31, 2010 $
Keith D. Spickelmier - Director / Executive Chairman	131,250	nil
Douglas G. Manner - Director / Chief Executive Officer	193,085	nil
David L. Cherry - President & Chief Operating Officer	262,407	nil
Sean J. Austin - Vice President, Controller, Secretary & Treasurer	125,948	nil
Bruno Maruzzo - Director	10,000	nil
Lee Pettigrew - Director	10,000	nil
Source deductions	55,232	nil
Total	**787,922**	**nil**

Share-based Compensation	**Year Ended December 31, 2011 $**	**Year Ended December 31, 2010 $**
Keith D. Spickelmier - Director / Executive Chairman	47,642	nil
Douglas G. Manner - Director / Chief Executive Officer	47,642	nil
David L. Cherry - President & Chief Operating Officer	47,642	nil
Carmelo Marrelli - Chief Financial Officer	21,031	nil
Bruno Maruzzo - Director	28,177	nil
Grant Fagerheim - Director	14,292	nil
Ron MacMicken - Director	14,292	nil
Lee Pettigrew - Former Director	7,146	nil
Phil de Gruyter - Vice President Exploration & South America Manager	468,259	nil
Sean J. Austin - Vice President, Controller, Secretary & Treasurer	38,692	nil
Greg Schlatcher - Reservoir Engineering Manager	47,642	nil
Beatriz Zornoza - Executive Assistant / Bogota Office Manager	46,826	nil
Woodruff Lee - Geology Consultant	19,995	nil
Total	**849,278**	**nil**

Compensation includes director fees. During the year ended December 31, 2011, $223,699 of compensation was included in exploration and evaluation expenditures.

During the year ended December 31, 2011, $683,451 of share-based payments was categorized as exploration and evaluation expenditures.

Critical Accounting Estimates

The preparation of the consolidated financial statements using accounting policies consistent with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. The preparation of the consolidated financial statements also requires management to exercise judgment in the process of applying the accounting policies.

Critical accounting estimates

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. The following are the key estimate and assumption uncertainties, considered by management.

i) Impairment of assets

When there are indications that an asset may be impaired, the Corporation is required to estimate the asset's recoverable amount. Recoverable amount is the greater of value in use and fair value less costs to sell. Determining the value in use requires the Corporation to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate present value. During the year ended December 31, 2011, goodwill was determined to be impaired as Sintana no longer concentrates on mineral exploration. Impairment amounted to $18,976,745.

ii) Useful life of property and equipment

Property and equipment is amortized over the estimated useful life of the each capitalized asset. Changes in the estimated useful lives could significantly increase or decrease the amount of depreciation recorded during the year and the carrying value of property and equipment. Total carrying value of property and equipment at December 31, 2011 was $46,330 (December 31, 2010 - $nil, January 1, 2010 - $nil).

iii) Stock-based compensation

Management is required to make certain estimates when determining the fair value of stock option awards, and the number of awards that are expected to vest. These estimates affect the amount recognized as share-based compensation in the statement of operations based on estimates of forfeiture and expected lives of the underlying stock options. For the year ended December 31, 2011 the Corporation recognized a total expense of $884,651 (year ended December 31, 2010 - $nil). $683,451 of this amount was included in exploration and evaluation expenditures and $201,200 of this amount was included in salaries and benefits

iv) Warrants issued to investors

The Corporation's warrant instruments issued to investors are classified as derivative financial liabilities and measured at fair value until the instrument is extinguished or exercised. Fair value is determined based on quoted market prices for the warrants. If quoted market prices are not available, fair value is calculated using the Black-Scholes option pricing model. Any gain or loss arising from the revaluation of these warrants is recognized in the consolidated statement of (loss) income and comprehensive (loss) income.

v) Warrants issued for services

The Corporation's warrant instruments issued for services are classified as equity and measured at fair value on the date of issue. If quoted market prices are not available, fair value is calculated using the Black-Scholes option pricing model. Subsequent to issue, these warrants are not revalued.

Critical judgments used in applying accounting policies

In the preparation of the consolidated financial statements management has made judgments, aside from those that involve estimates, in the process of applying the accounting policies. These judgments can have an effect on the amounts recognized in the consolidated financial statements.

i) Exploration and evaluation costs

Management is required to apply judgment in determining whether technical feasibility and commercial viability can be demonstrated for the Corporation's oil and natural gas properties. Once technical feasibility and commercial viability of a property can be demonstrated, related development expenditures are capitalized. As at December 31, 2011 and December 31, 2010 management determined that no oil or natural gas properties should be capitalized.

ii) Income taxes and recovery of deferred tax assets

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the consolidated financial statements.

Changes in Accounting Policies

Impact of Adopting IFRS on the Corporation's Accounting Policies

For the year ended December 31, 2011, the Corporation began preparing its consolidated financial statements in accordance with IFRS. Reconciliations, descriptions and explanations of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Corporation are provided in Note 20, "Conversion to IFRS" of the consolidated financial statements. This note also includes reconciliations of equity and comprehensive (loss) income for comparative periods reported under Canadian GAAP with amounts reported for those periods under IFRS.

The Corporation has changed certain accounting policies to be consistent with IFRS as it is effective on December 31, 2011, the Corporation's first annual IFRS reporting date. The changes to its accounting policies have resulted in certain changes to the recognition and measurement of assets, liabilities, equity, revenue and expenses within its consolidated financial statements.

The following summarizes the significant changes to the Corporation's accounting policies on adoption of IFRS.

(a) Impairment of (non-financial) assets

IFRS requires a write-down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Current Canadian GAAP requires a write-down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

The Corporation's accounting policies related to impairment of non-financial assets have been changed to reflect these differences. There was no impact on the consolidated financial statements.

(b) Decommissioning liabilities (asset retirement obligations)

IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while current Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions.

The Corporation's accounting policies related to decommissioning liabilities have been changed to reflect these differences. There is no impact on the consolidated financial statements.

(c) Exploration and evaluation

On transition to IFRS, the Corporation elected to expense exploration and evaluation expenditures as incurred. Previously, the Corporation's Canadian GAAP policy was to capitalize exploration and evaluation expenditures as incurred.

The Corporation has chosen to expense its exploration and evaluation expenditures as incurred instead of capitalizing these costs to the consolidated statement of financial position. The Corporation has chosen this policy because management has not yet determined that there will be a future benefit for its exploration properties.

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 is effective for annual periods beginning on or after January 1, 2015.

(ii) IFRS 10 – Consolidated financial statements ("IFRS 10") was issued by the IASB in May 2011. IFRS 10 is 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. IFRS 10 is effective for annual periods beginning on or after January 1, 2013. Earlier adoption is permitted.

(iii) IFRS 11 – Joint arrangements ("IFRS 11") was issued by the IASB in May 2011. IFRS 11 is 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. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

(iv) IFRS 12 – Disclosure of interests in other entities ("IFRS 12") was issued by the IASB in May 2011. IFRS 12 is a new standard which provides disclosure requirements for entities reporting interests in other entities, including joint arrangements, special purpose vehicles, and off balance sheet vehicles. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

(v) IFRS 13 – Fair value measurement ("IFRS 13") was issued by the IASB in May 2011. IFRS 13 is a new standard which provides a precise definition of fair value and a single source of fair value measurement considerations for use across IFRSs. The key points of IFRS 13 are as follows:

- fair value is measured using the price in a principal market for the asset or liability, or in the absence of a principal market, the most advantageous market;
- financial assets and liabilities with offsetting positions in market risks or counterparty credit risks can be measured on the basis of an entity's net risk exposure;
- disclosures regarding the fair value hierarchy has been moved from IFRS 7 to IFRS 13, and further guidance has been added to the determination of classes of assets and liabilities;
- a quantitative sensitivity analysis must be provided for financial instruments measured at fair value;
- a narrative must be provided discussing the sensitivity of fair value measurements categorised under Level 3 of the fair value hierarchy to significant unobservable inputs;
- and information must be provided on an entity's valuation processes for fair value measurements categorized under Level 3 of the fair value hierarchy.

IFRS 13 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

(vi) In October 2011, the IASB issued IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine. This interpretation requires the capitalization and depreciation of stripping costs in the production phase if an entity can demonstrate that it is probable future economic benefits will be realized, the costs can be reliably measured and the entity can identify the component of the ore body for which access has been improved. Retrospective application of this interpretation is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

(vii) 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 will be required to be presented in two categories: items that will 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 remains unchanged. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012.

Financial Instruments

Financial risk

Sintana'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.

(i) Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Sintana's credit risk is primarily attributable to cash and cash equivalents and accounts receivable. All of Sintana'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, 2011, no accounts receivable are considered impaired or past due.

(ii) Liquidity risk

Liquidity risk is the risk that Sintana will not have sufficient cash resources to meet its financial obligations as they come due. Sintana's liquidity and operating results may be adversely affected if its access to the capital markets is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to Sintana. Sintana generates cash flow primarily from its financing activities. As at December 31, 2011, Sintana had cash and cash equivalents of $8,517,088 (December 31, 2010 - $10,500 and January 1, 2010 - $1,003,162) to settle current liabilities of $625,795 (December 31, 2010 - $455,150 and January 1, 2010 - $1,410,158). All of Sintana's financial liabilities, except warrant liability, have contractual maturities of less than 30 days and are subject to normal trade terms. Sintana regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity.

The Corporation has sufficient cash on hand to fund its operating expenses for the twelve-month period ending December 31, 2012, due to the closing of the Business Combination on April 27, 2011. The Corporation may lose its oil and natural gas properties if it does not comply with the terms of the agreements it has entered into. Operating expenditures will be funded from current cash reserves.

(iii) 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.

(a) Interest rate risk

Sintana has cash balances and no interest-bearing debt. Sintana's current policy is to invest excess cash in guaranteed investment certificates or interest-bearing accounts of major Canadian chartered banks. Sintana regularly monitors compliance to its cash management policy.

(b) Foreign currency risk

Sintana's functional and reporting currency is the United States dollar and major purchases are transacted in United States dollars. As of December 31, 2011, the Corporation funds certain operations, exploration and administrative expenses in Columbia and Peru on a cash call basis using US Dollar currency converted from its Canadian Dollar bank accounts held in Canada. The Corporation maintains Peruvian Nuevo Sol bank accounts in Peru and Colombian Peso accounts in Columbia. The Corporation is subject to gains and losses from fluctuations in the Canadian Dollar, Peruvian Nuevo Sol and Columbian Peso against the United States Dollar.

Sensitivity analysis

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

(i) Cash and cash equivalents are subject to fixed interest rates. Management believes interest rate risk is minimal.
(ii) Sintana holds balances in foreign currencies which could give rise to exposure to foreign exchange risk. As at December 31, 2011, the Corporation held the following monetary assets and liabilities in foreign currencies:

	Canadian Dollar	Colombian Peso
Cash and cash equivalents	8,435,124	272,033,855
Accounts receivable and other amounts	114,766	nil
Accounts payable and other liabilities	(95,052)	nil
Related party payable	(8,818)	nil

Sensitivity to a plus or minus 10% change in foreign exchange rate against the US Dollar would affect the reported (loss) income and comprehensive (loss) income by approximately $1.0 million.

Capital Management

Sintana manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholder return through enhancing the share value.

Sintana monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. Sintana may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

Sintana considers its capital to be equity, which comprises share capital, warrants, contributed surplus and deficit, which at December 31, 2011, totaled $8,153,003 (December 31, 2010 - partners' deficit - $344,428 and January 1, 2010 – partners' deficit - $393,376).

Sintana manages capital through its financial and operational forecasting processes. Sintana reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is updated based on activities related to its oil and natural gas properties. Selected information is provided periodically to the Board of Directors of Sintana. Sintana's capital management objectives, policies and processes have remained unchanged during the year ended December 31, 2011.

Sintana is not subject to any external capital requirements.

Outlook

For 2011, pursuant to the Business Combination, DLR, Northbrook and FinanceCo combined their business operations and continue to operate in the oil and natural gas sector. The Corporation is continually evaluating direct or indirect acquisitions of additional properties. The Corporation 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.

Environmental Contingency

The Corporation'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 generally becoming more restrictive. As of the date of this MD&A, the Corporation believes that there are no significant environmental obligations requiring material capital outlays in the immediate future.

Share Capital

As of the date of this MD&A, Sintana had 113,664,369 Sintana shares outstanding, 21,080,000 Sintana warrants with an exercise price of C$0.75 until October 27, 2012 (subject to accelerated expiry in the event the closing price of the Sintana Shares exceeds C$1.25 for 20 consecutive days), 2,366,700 broker warrants, each such broker warrant entitling the holder thereof to acquire one Sintana Share at an exercise price of C$0.50 until October 27, 2012, and 9,450,000 stock options (50,000 with an exercise price of C$0.10 until September 30, 2013, 50,000 with an exercise price of C$0.135 until August 18, 2015, 2.7 million with an exercise price of C$0.49 until May 11, 2016 and 6.65 million with an exercise price of C$0.20 until December 20, 2016).

At a Board of Directors meeting held on May 11, 2011, the directors granted a total of 3.1 million stock options of which 400,000 were subsequently cancelled as a prospective employee did not join the Corporation, leaving 2.7 million granted stock options. The awarded options will be exercisable at C$0.49 per share, the closing price on May 11, 2011, and will vest from time to time over two years. For the purposes of the 2.7 million stock options, the fair value of each stock 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 138%; risk-free interest rate of 2.23%; and an expected average life of five years. The estimated value of $1,216,448 will be recorded as a debit to salaries and benefits and a credit to contributed surplus as the options vest. 500,000 stock options vest as to 1/3 immediately, 1/3 after one year and 1/3 after two years and 2.2 million stock options vest as to 1/3 after one year and 2/3 after two years.

On December 20, 2011, the Corporation granted a total of 6.65 million stock options. The awarded stock options will be exercisable at C$0.20 per share. For the purposes of the 6.65 million stock options, the fair value of each stock 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 134%; risk-free interest rate of 1.17%; and an expected average life of five years. The estimated value of $910,083 will be recorded as a debit to salaries and benefits and a credit to contributed surplus as the options vest. The options vest as to 1/3 immediately, 1/3 after one year and 1/3 after two years.

The shareholders approved a new 2011 Option Plan in September 2011. Under the 2011 Option Plan the maximum number of Sintana Shares reserved for issuance upon exercise of stock options is 10% of the issued and outstanding Sintana Shares from time to time. Options may only be issued to directors, officers, employees and consultants subject to stock exchange policies and regulations, all as further set out in the management information circular of the Corporation delivered to shareholders in connection with its annual general meeting.

For the year ended December 31, 2011, the impact on expenses for options granted during the year was $884,651. $683,451 of this amount was included in exploration and evaluation expenditures and $201,200 of this amount was included in salaries and benefits.

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 Corporation'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 Bayovar Block, the Talora Block and the CO-11 and CO-39 Blocks. As a result, unless Sintana acquires additional property interests such as the four blocks acquired if the ColCan Business Combination occurs, any adverse developments affecting any or all of the 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 SNN's financial condition or results of operations of the Corporation. Other factors unrelated to SNN'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 SNN's business may be limited if investment banks with research capabilities do not follow SNN's securities; lessening in trading volume and general market interest in SNN's securities may affect an investor's ability to trade significant numbers of Sintana Shares; the size of SNN's public float may limit the ability of some institutions to invest in SNN's securities; and a substantial decline in the price of the Sintana Shares that persists for a significant period of time could cause SNN'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 SNN'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. SNN 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.

ATTRACTION AND RETENTION OF KEY PERSONNEL INCLUDING DIRECTORS
Sintana has a small management team and the loss of a key individual or inability to attract suitably qualified staff could have a material adverse impact on its business. Sintana may also encounter difficulties in obtaining and maintaining suitably qualified staff in certain of the jurisdictions in which it conducts business. Sintana has sought, and will continue, to ensure that directors and key staff members are provided with appropriate incentives; however, their services cannot be guaranteed.

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 SNN'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 SNN'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 SNN'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
SNN'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.

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 Corporation, 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, 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 Corporation'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.

Additional Information

Additional information relating to the Corporation is available on SEDAR at **www.sedar.com**.

CORPORATE INFORMATION

DIRECTORS

Keith D. Spickelmeir, Executive Chairman
Doug Manner, CEO & Director
Grant Fagerheim, Director
Ron MacMicken, Director
Bruno C. Maruzzo, Director

OFFICERS

Doug Manner, Chief Eecutive Officer
David Cherry, President & COO
Carmelo Marrelli, Chief Financial Officer
Sean Austin, Vice President, Secretary/Treasurer
Phil de Gruyter, VP Exploration & Manager, SA

AUDIT COMMITTEE

Ron MacMicken, Director
Grant Fagerheim, Director
Bruno Maruzzo, Director

AUDITORS

MSCM LLP Chartered Accountants
Toronto, Ontario

REGISTRAR AND TRANSFER AGENT

Olmpia Transfer Services Inc.
Toronto, Ontario

LEGAL COUNSEL

Cassels Brock Lawyers
Toronto, Ontario

LISTING

Exchange: TSX Venture
Trading Symbol: SNN
Cusip Number: 26203M
Fiscal Year End: Dec 31

USA

Sintana Energy Inc. – Head Office
2500 North Dallas Parkway, Suite 530,
Plano, TX. USA 75093

☎ 713.825.9591
972.403.1012
info@sintanaenergy.com

CANADA

Sintana Energy Inc. – Registered Office
360 Bay Street Suite 500
Toronto, Ontario M5H 2V6

☎ 416.361.0737
416.361.0923

SOUTH AMERICA

Sintana Energy Inc. – SA Operations
Avenida 9 No. 113-52
Oficina 1804, Torres Unidas II
Bogotá D.C., Colombia

☎ 011.571.214.8365
011.571.612.3193