



SINTANA
ENERGY

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SINTANA ENERGY INC.
(FORMERLY DRIFT LAKE RESOURCES INC.)

**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011
(EXPRESSED IN UNITED STATES DOLLARS)

UNAUDITED

Exploring a better way

A South America Focus

SINTANA ENERGY INC.
(FORMERLY DRIFT LAKE RESOURCES INC.) (Note 18(b))
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011
(EXPRESSED IN UNITED STATES DOLLARS)
(UNAUDITED)

NOTICE TO READER

The accompanying unaudited condensed interim consolidated financial statements of Sintana Energy Inc. ("Sintana") have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by Sintana's auditors.

Sintana Energy Inc.
(Formerly Drift Lake Resources Inc.) (Note 18(b))
Condensed Interim Consolidated Statements of Financial Position
(Expressed in United States Dollars)
(Unaudited)

	As at September 30, 2011	As at December 31, 2010 (note 17)	As at January 1, 2010 (note 17)
ASSETS			
Current assets			
Cash and cash equivalents (note 6)	\$ 10,774,295	\$ 10,500	\$ 1,003,162
Accounts receivable and other assets (note 8)	112,443	100,222	13,620
Total current assets	10,886,738	110,722	1,016,782
Non-current assets			
Property and equipment (note 7)	62,959	-	-
Total assets	\$ 10,949,697	\$ 110,722	\$ 1,016,782
EQUITY/PARTNERS' DEFICIT AND LIABILITIES			
Current liabilities			
Accounts payable and other liabilities (notes 9 and 13)	\$ 469,057	\$ 173,519	\$ 1,160,542
Related party payable (note 13)	22,984	281,631	249,616
	492,041	455,150	1,410,158
Non-current liabilities			
Warrant liability (note 16)	1,117,240	-	-
Total liabilities	1,609,281	455,150	1,410,158
Equity/partners' deficit	9,340,416	(344,428)	(393,376)
Total equity/partners' deficit and liabilities	\$ 10,949,697	\$ 110,722	\$ 1,016,782

The notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

Subsequent events (notes 11(c) and 18)

Sintana Energy Inc.**(Formerly Drift Lake Resources Inc.) (Note 18(b))****Condensed Interim Consolidated Statements of Loss and Comprehensive Loss****(Expressed in United States Dollars)****(Unaudited)**

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2011	2010	2011	2010
		(note 17)		(note 17)
Operating expenses				
Exploration and evaluation expenditures (note 11)	\$ 6,773,160	\$ 84,027	\$ 11,785,940	\$ 48,842
General and administrative (notes 12, 13 and 15)	499,507	17,289	1,703,414	53,549
Foreign exchange loss	1,035,991	-	1,011,727	-
Finance interest (note 14)	-	-	146,726	-
Impairment of goodwill (note 1)	-	-	18,976,745	-
Change in fair value of warrant liability (note 16)	(2,318,800)	-	(3,072,684)	-
Net loss and comprehensive loss for the period	\$ (5,989,858)	\$ (101,316)	\$ (30,551,868)	\$ (102,391)
Loss per share - basic	\$ (0.05)	\$ (0.00)	\$ (0.40)	\$ (0.00)
Loss per share - diluted	\$ (0.05)	\$ (0.00)	\$ (0.40)	\$ (0.00)
Weighted average number of common shares outstanding - basic	113,637,995	29,315,225	77,096,523	28,696,361
Weighted average number of common shares outstanding - diluted	113,637,995	29,315,225	77,096,523	28,696,361

The notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

Sintana Energy Inc.
(Formerly Drift Lake Resources Inc.) (Note 18(b))
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in United States Dollars)
(Unaudited)

Nine Months Ended
September 30,
2011 **2010**
(note 17)

Operating activities		
Net loss for the period	\$ (30,551,868)	\$ (102,391)
Adjustment for:		
Amortization	3,880	-
Impairment of goodwill (note 1)	18,976,745	-
Common shares issued for Bayovar Block (note 10(b)(ii))	3,000,000	-
Share based payments (note 15)	658,910	-
Change in fair value of warrant liability (note 16)	(3,072,684)	-
Non-cash working capital items:		
Accounts receivable and other assets	30,425	(611)
Accounts payable and other liabilities	132,988	21,690
Related party receivable	-	12,290
Related party payable	(258,647)	172,327
Net cash (used in) provided by operating activities	(11,080,251)	103,305
Investing activities		
Acquisition of property and equipment	(66,839)	-
Net cash acquired from acquisition of FinanceCo (note 1)	707,418	-
Net cash received on acquisition of Drift Lake (note 1)	1,116,797	-
Net cash provided by investing activities	1,757,376	-
Financing activities		
Promissory note issued (note 14)	2,000,600	-
Repayment of promissory note (note 14)	(2,000,600)	-
Issue of securities, net of issued costs (note 10(b)(i))	20,175,837	-
Exercise of stock options	11,993	-
Repayment of former partner	(101,160)	(45,526)
Repayment of deposits	-	(1,000,000)
Net cash provided by (used in) financing activities	20,086,670	(1,045,526)
Net change in cash and cash equivalents	10,763,795	(942,221)
Cash and cash equivalents, beginning of period	10,500	1,003,162
Cash and cash equivalents, end of period	\$ 10,774,295	\$ 60,941

Non-cash items

Non-cash consideration paid for the acquisition of Drift Lake

Issuance of shares	\$ 15,804,213	\$ -
Issuance of options	\$ 122,143	\$ -

Non-cash consideration paid for the acquisition of FinanceCo

Issuance of shares	\$ 4,754,701	\$ -
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The notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

Sintana Energy Inc.**(Formerly Drift Lake Resources Inc.) (Note 18(b))****Condensed Interim Consolidated Statement of Changes in Equity/Partners' Deficit****(Expressed in United States Dollars)****(Unaudited)**

	Number of common shares #	Share capital	Warrants	Contributed Surplus	Deficit	Partners' Capital	Total
Balance, January 1, 2010	19,315,225	\$ 1,270,427	\$ 160,378	\$ 33,730	\$ (618,226)	\$ (393,376)	\$ 452,933
Exercise of warrants - DLR (old)	10,000,000	1,115,478	(160,378)	-	-	-	955,100
Share based payments - DLR (old)	-	-	-	6,022	-	-	6,022
Withdrawals - Northbrook	-	-	-	-	-	(45,526)	(45,526)
Net loss and comprehensive loss for the period of DLR (old) and Northbrook	-	-	-	-	(102,323)	(102,391)	(204,714)
Balance, September 30, 2010	29,315,225	\$ 2,385,905	\$ -	\$ 39,752	\$ (720,549)	\$ (541,293)	\$ 1,163,815
Share based payments - DLR (old)	-	-	-	9,949	-	-	9,949
Net (loss) income and comprehensive (loss) income for the period of DLR (old) and Northbrook	-	-	-	-	(93,771)	196,865	103,094
Balance, December 31, 2010	29,315,225	\$ 2,385,905	\$ -	\$ 49,701	\$ (814,320)	\$ (344,428)	\$ 1,276,858

The notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

Sintana Energy Inc.

(Formerly Drift Lake Resources Inc.) (Note 18(b))

Condensed Interim Consolidated Statement of Changes in Shareholders' Equity/Partners' Deficit

(Expressed in United States Dollars)

(Unaudited)

	Number of common shares #	Share capital	Warrants	Contributed Surplus	Deficit	Partners' Capital	Total
Balance, December 31, 2010	29,315,225	\$ 2,385,905	\$ -	\$ 49,701	\$ (814,320)	\$ (344,428)	\$ 1,276,858
Share based payments - DLR (old)	-	-	-	17,585	-	-	17,585
Exercise of stock options - DLR (old)	600,000	71,033	-	-	-	-	71,033
Fair value of exercise of stock options - DLR (old)	-	49,852	-	(49,852)	-	-	-
Net loss and comprehensive loss for the period of DLR (old)	-	-	-	-	(357,471)	-	(357,471)
Elimination of share capital on acquisition of DLR (note 1)	-	(2,506,790)	-	(17,434)	1,171,791	-	(1,352,433)
Consideration paid by Northbrook for net assets of DLR (note 1)	-	15,804,213	-	122,142	-	-	15,926,355
Common shares issued to former Northbrook partners (note 1)	27,000,000	-	-	-	-	-	-
Consideration paid by Northbrook for net assets of FinanceCo (note 1)	9,000,001	4,754,700	-	-	-	-	4,754,700
Issue of securities, net of issue costs (notes 10(b)(i) and 16)	42,160,000	14,998,023	987,891	-	-	-	15,985,914
Repayment of former partner of Northbrook	-	-	-	-	-	(101,160)	(101,160)
Transfer to share capital on amalgamation of Northbrook with Drift Lake Texas Inc. to form Northbrook Energy, Inc. (note 1)	-	(445,588)	-	-	-	445,588	-
Common shares issued for Bayovar Block (note 10(b)(ii))	5,489,143	3,000,000	-	-	-	-	3,000,000
Share based payments (note 15)	-	-	-	658,910	-	-	658,910
Exercise of stock options	100,000	11,993	-	-	-	-	11,993
Fair value of exercise of stock options	-	60,543	-	(60,543)	-	-	-
Net loss and comprehensive loss for the period	-	-	-	-	(30,551,868)	-	(30,551,868)
Balance, September 30, 2011	113,664,369	\$ 38,183,884	\$ 987,891	\$ 720,509	\$ (30,551,868)	\$ -	\$ 9,340,416

The notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

Sintana Energy Inc.
(Formerly Drift Lake Resources Inc.) (Note 18(b))
Notes to Condensed Interim Consolidated Financial Statements
September 30, 2011
(Expressed in United States Dollars)
(Unaudited)

1. Nature of operations, business combination and going concern

Pursuant to a non-binding letter of intent dated November 4, 2010 (as amended by letter dated December 1, 2010), Sintana Energy Inc. (formerly Drift Lake Resources Inc. (Note 18(b))) ("Sintana", "DLR", the "Company" or "Drift Lake") and Northbrook Energy, LLC ("Northbrook") agreed to complete a business combination of the two companies (the "Northbrook Business Combination").

On January 26, 2011, DLR, Northbrook, Drift Lake Texas, Inc., a wholly owned subsidiary of DLR ("Subco") 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 to be 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.

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 Northbrook Energy, LLC, in consideration of the issuance of equivalent securities of DLR to each of the holders of FinanceCo Shares and FinanceCo Warrants.

On April 13, 2011, in connection with the Business Combination, DLR prepared and filed a filing statement (the "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 (defined herein) 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.

Sintana Energy Inc.
(Formerly Drift Lake Resources Inc.) (Note 18(b))
Notes to Condensed Interim Consolidated Financial Statements
September 30, 2011
(Expressed in United States Dollars)
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1. Nature of operations, business combination and going concern (continued)

Following the closing of 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 (note 10(b)(i)) and existing holders of FinanceCo shares.

DLR (old) refers to Drift Lake prior to the completion of the merger on April 27, 2011.

This transaction was accounted for as a business acquisition. For accounting purposes, Northbrook was deemed to be the acquirer and these unaudited condensed interim consolidated financial statements are a continuation of the financial statements of Northbrook while the capital structure is that of Drift Lake. Northbrook acquired the assets and liabilities of DLR (old) as follows:

<u>Net assets acquired</u>	
Cash	\$ 1,465,475
Accounts receivable	42,646
Accounts payable	(155,689)
Goodwill	14,922,602
	\$ 16,275,034
<u>Consideration paid</u>	
Cash	\$ 348,678
Stock options ⁽¹⁾	122,143
29,915,225 common shares purchased by Northbrook	15,804,213
	\$ 16,275,034

⁽¹⁾ Part of the purchase includes 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:

50,000 stock options with an exercise price of C\$0.10 expire on November 13, 2012

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.

50,000 stock options with an exercise price of C\$0.10 expire on September 30, 2013

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.

100,000 stock options with an exercise price of \$0.14 expire on August 18, 2015

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.

Sintana Energy Inc.
(Formerly Drift Lake Resources Inc.) (Note 18(b))
Notes to Condensed Interim Consolidated Financial Statements
September 30, 2011
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1. Nature of operations, business combination and going concern (continued)

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

<u>Net assets acquired</u>	
Cash	\$ 707,418
Accounts payable	(6,860)
Goodwill	4,054,143
	<hr/>
	\$ 4,754,701
	<hr/>
<u>Consideration paid</u>	
9,000,001 common shares purchased by Northbrook	\$ 4,754,701
	<hr/>

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

Sintana is a public Canadian oil and gas exploration company listed on the Canadian TSX Venture Exchange under the trading symbol SNN. With offices in Toronto, Canada, Dallas, Texas, and Bogota, Colombia, the company is targeting assets in Central and South America, with an initial primary focus on Colombia, Peru and Paraguay. The Company's exploration strategy is to acquire, explore, develop and produce superior quality assets with significant reserve potential. The primary office is located at 360 Bay Street, Suite 500, Toronto, Ontario, Canada, M5H 2V6. The unaudited condensed interim consolidated financial statements of Drift Lake for the three and nine months ended September 30, 2011 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on November 29, 2011.

These unaudited condensed interim consolidated financial statements have been prepared using accounting policies applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due.

Sintana is at an early stage of development and as is common with many exploration companies, it raises financing for its exploration and property acquisition activities. Sintana has incurred losses in the current and prior periods, with a net loss for the nine months ended September 30, 2011 of \$30,551,868, and has an accumulated deficit of \$30,551,868. Results for the period ended September 30, 2011 are not necessarily indicative of future results. Drift Lake had a working capital balance of \$10,394,697 at September 30, 2011, and expects to be a going concern for the following twelve months due to the closing of the merger on April 27, 2011 and funds raised. Further financing may be required for operations beyond the next twelve months. While there is no assurance additional funds can be raised, Sintana believes financing will be available as required.

DLR has made an application to the Canada Revenue Agency to change its 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.

Sintana Energy Inc.
(Formerly Drift Lake Resources Inc.) (Note 18(b))
Notes to Condensed Interim Consolidated Financial Statements
September 30, 2011
(Expressed in United States Dollars)
(Unaudited)

2. Significant accounting policies

(a) Conversion to International Financial Reporting Standards ("IFRS")

Sintana's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Previously, Sintana prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). The disclosures required by the provisions of IFRS 1, "First-time adoption of International Financial Reporting Standards", explaining how the transition to IFRS has affected the reported financial performance, cash flows and financial position of Sintana, are presented in note 17.

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The condensed interim consolidated financial statements should be read in conjunction with Northbrook's December 31, 2010 and Drift Lake's February 28, 2011 annual financial statements.

The accounting policies set out below have been applied consistently to all periods presented in these unaudited condensed interim consolidated financial statements. They also have been applied in preparing an opening IFRS statement of financial position at January 1, 2010 (note 17) for the purposes of the transition to IFRS, as required by IFRS 1, First Time Adoption of International Financial Reporting Standards (IFRS 1).

These unaudited condensed interim consolidated financial statements have been prepared on the basis of IFRS standards that are expected to be effective or available for early adoption by Sintana on December 31, 2011, Sintana's first annual reporting date under IFRS. Sintana has made certain assumptions about the accounting policies expected to be adopted when the first IFRS annual financial statements are prepared.

(b) Basis of presentation

These unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments. In addition, these unaudited condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

In the preparation of these unaudited condensed interim consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the period. Actual results could differ from these estimates. Of particular significance are the estimates and assumptions used in the recognition and measurement of items included in note 2(l).

(c) Basis of consolidation

The unaudited condensed interim consolidated financial statements incorporate the financial statements of Sintana and its wholly owned subsidiaries.

The results of subsidiaries acquired or disposed of during the periods presented are included in the condensed interim consolidated statement of loss and comprehensive loss from the effective date of acquisition and up to the effective date of disposal, as appropriate. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

Sintana Energy Inc.
(Formerly Drift Lake Resources Inc.) (Note 18(b))
Notes to Condensed Interim Consolidated Financial Statements
September 30, 2011
(Expressed in United States Dollars)
(Unaudited)

2. Significant accounting policies (continued)

(d) Financial assets and liabilities

Sintana's financial instruments consist of the following:

Financial assets:	Classification:
Cash and cash equivalents	Fair value through profit and loss ("FVTPL")
Accounts receivable and other assets	Loans and receivables

Financial liabilities:	Classification:
Accounts payable and other liabilities	Other financial liabilities
Warrant liability	FVTPL

Fair value through profit and loss:

Financial assets are classified as FVTPL when acquired principally for the purpose of trading, if so designated by management (fair value option), or if they are derivative assets that are not part of an effective and designated hedging relationship. Financial assets classified as FVTPL are measured at fair value, with changes recognized in the statements of income (loss).

Sintana's financial assets classified as FVTPL include cash and cash equivalents.

Derivatives:

Derivative assets and liabilities include derivative financial instruments that do not qualify as hedges, or are not designated as hedges and are classified as FVTPL. The Company's Canadian dollar-denominated warrants are classified as derivatives.

Loans and receivables:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Other financial liabilities:

Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition.

Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

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Notes to Condensed Interim Consolidated Financial Statements
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2. Significant accounting policies (continued)

(d) Financial assets and liabilities (continued)

Impairment of financial assets:

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted. Evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- the likelihood that the borrower will enter bankruptcy or financial re-organization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial instruments recorded at fair value:

Financial instruments recorded at fair value on the unaudited condensed interim consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As of September 30, 2011, December 31, 2010 and January 1, 2010, except for cash and cash equivalents – which are Level 1 financial instruments and warrant liability - which are Level 2 financial instruments, none of Sintana's financial instruments are recorded at fair value in the unaudited condensed interim consolidated statements of financial position.

(e) Impairment of non-financial assets

At the end of each reporting period, Sintana reviews the carrying amounts of its non-financial assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. In addition, long-lived assets that are not amortized are subject to an annual impairment assessment.

Sintana Energy Inc.
(Formerly Drift Lake Resources Inc.) (Note 18(b))
Notes to Condensed Interim Consolidated Financial Statements
September 30, 2011
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(Unaudited)

2. Significant accounting policies (continued)

(f) Exploration and evaluation expenditures

Sintana expenses exploration and evaluation expenditures as incurred for oil and gas prospects not commercially viable and financially feasible. Exploration and evaluation expenditures include acquisition costs of oil and gas prospects, property option payments and evaluation activities.

Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized. This includes costs incurred in preparing the site for production operations. Capitalization ceases when the oil and natural gas reserves are capable of commercial production, with the exception of development costs that give rise to a future benefit.

Exploration and evaluation expenditures are capitalized if Sintana can demonstrate that these expenditures meet the criteria of an identifiable intangible asset. To date, no such exploration and evaluation expenditures have been identified and capitalized.

(g) Cash and cash equivalents

Cash and cash equivalents in the statements of financial position comprise cash at banks and on hand, and guaranteed investment certificates with an original maturity of three months or less, and which are readily convertible into a known amount of cash. Sintana does not invest in any asset-backed deposits/investments.

(h) Provisions

A provision is recognized when Sintana has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by Sintana from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Sintana had no material provisions at September 30, 2011, December 31, 2010 and January 1, 2010.

(i) Share based payment transactions

The fair value of share options granted to employees is recognized as an expense over the vesting period with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of Sintana.

The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. Share based payments to non-employees are measured at fair value of services provided, measured on the service date and recorded over the service period. At each end of the reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

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2. Significant accounting policies (continued)

(j) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for: goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that Sintana does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess.

(k) Restoration, rehabilitation and environmental obligations

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of an oil and gas property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized to the carrying amount of the asset, as soon as the obligation to incur such costs arises, whether at the start of each project or on an ongoing basis during production. Discount rates using a pretax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit of production or the straight-line method as appropriate under IFRS. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

Sintana has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

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2. Significant accounting policies (continued)

(l) Significant accounting judgments and estimates

The preparation of the unaudited condensed interim 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 unaudited condensed interim 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 Company 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 Company to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate present value. During the three and nine months ended September 30, 2011, goodwill was determined to be impaired as Drift Lake no longer concentrates on mineral exploration. In addition, FinanceCo has no other assets other than cash. The 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 assets. 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 September 30, 2011 was \$62,959 (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 options awards, and the number of awards that are expected to vest. These estimates affect the amount recognized as share based payments in the statement of operations based on estimates of forfeiture and expected lives of the underlying stock options. For the three and nine months ended September 30, 2011 the Company recognized \$152,056 and \$658,910, respectively of share based payments expense (three and nine months ended September 30, 2010 - \$nil).

iv) Warrants issued to investors

The Company'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 statement of (loss) income and comprehensive (loss) income.

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2. Significant accounting policies (continued)

(l) *Significant accounting judgments and estimates (continued)*

Critical accounting estimates (continued)

v) Warrants issued for services

The Company'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 these unaudited condensed interim 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 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 Company's oil and gas properties. Once technical feasibility and commercial viability of a property can be demonstrated, related development expenditures are capitalized. As at September 30, 2011 and December 31, 2010 management has determined that no oil and 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 financial statements.

(m) *Business Combinations*

Acquisitions of subsidiaries are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given up, liabilities incurred or assumed, and equity instruments issued by Sintana in exchange for control of the subsidiary. Acquisition related costs are recognized in profit or loss as incurred.

(n) *Warrant liability*

Warrants with an exercise price denominated in a foreign currency are recorded at fair value and classified as a warrant liability. The warrant liability is initially measured at estimated fair value with subsequent changes in fair value recorded as a gain or loss in the consolidated statement of (loss) income and comprehensive (loss) income. As the warrants are exercised, the value of the recorded warrant liability will be included in share capital along with the proceeds from the exercise. If these warrants expire, the related warrant liability is reversed through the consolidated statement of (loss) income. These warrants have not been listed on an exchange and therefore do not trade on an active market.

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2. Significant accounting policies (continued)

(o) Recent Accounting Pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after December 31, 2010 or later periods. Many are not applicable or do not have a significant impact to Sintana and have been excluded below. The following have not yet been adopted and are being evaluated to determine their impact on Sintana.

(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, 2013. The IASB has proposed to move the effective date of IFRS 9 to 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 entity’s 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.

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2. Significant accounting policies (continued)

(o) *Recent Accounting Pronouncements (continued)*

(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;
- disclosure 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 categorized 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) 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 might be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012.

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3. Capital risk 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 September 30, 2011, totaled \$9,340,416 (December 31, 2010 - partners' deficit - \$344,428).

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 to the Board of Directors of Sintana. Sintana's capital management objectives, policies and processes have remained unchanged during the three and nine months ended September 30, 2011. Sintana is not subject to any external capital requirements.

4. Financial risk management

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 September 30, 2011, no accounts receivable are considered impaired or past due.

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4. Financial risk management (continued)

(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 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 September 30, 2011, Sintana had cash and cash equivalents of \$10,774,295 (December 31, 2010 - \$10,500 and January 1, 2010 - \$1,003,162) to settle current liabilities of \$492,041 (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.

Sintana is not exposed to any liquidity risk, and has sufficient funds to meet its ongoing obligations for twelve months due to the closing of the merger on April 27, 2011 (note 1).

(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 September 30, 2011, the Company funds certain operations, exploration and administrative expenses in Colombia and Peru on a cash call basis using US Dollar currency converted from its Canadian Dollar bank accounts held in Canada. The Company maintains Peruvian Nuevo Sol bank accounts in Peru and Colombian Peso accounts in Colombia. The Company is subject to gains and losses from fluctuations in the Canadian Dollar, Peruvian Nuevo Sol and Colombian Peso against the United States Dollar.

Sensitivity analysis

Based on management's knowledge and experience of the financial markets, Sintana believes the following movements are reasonably possible over a nine 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. Sensitivity to a plus or minus 10% change in foreign exchange rate against the US Dollar would affect the reported loss and comprehensive loss by approximately \$1.0 million.

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5. Categories of financial instruments

	As at September 30, 2011	As at December 31, 2010	As at January 1, 2010
		(note 17)	(note 17)
Financial assets:			
FVTPL			
Cash and cash equivalents	\$ 10,774,295	\$ 10,500	\$ 1,003,162
Loans and receivables			
Accounts receivable and other assets	\$ 112,443	\$ 100,222	\$ 13,620
Financial liabilities:			
FVTPL			
Warrant liability	\$ 1,117,240	\$ -	\$ -
Other financial liabilities			
Accounts payable and other liabilities	\$ 469,057	\$ 173,519	\$ 1,160,542
Related party payable	\$ 22,984	\$ 281,631	\$ 249,616

6. Cash position

	As at September 30, 2011	As at December 31, 2010	As at January 1, 2010
Cash	\$ 533,687	\$ 10,500	\$ 1,003,162
Cash equivalents	10,240,608	-	-
	\$ 10,774,295	\$ 10,500	\$ 1,003,162

7. Property and equipment

COST

	Furniture and fixtures
Balance, December 31, 2010	\$ -
Additions	66,839
Balance, September 30, 2011	\$ 66,839

ACCUMULATED DEPRECIATION

	Furniture and fixtures
Balance, December 31, 2010	\$ -
Depreciation for the period	3,880
Balance, September 30, 2011	\$ 3,880

CARRYING AMOUNTS

	Furniture and fixtures
At December 31, 2010	\$ -
At September 30, 2011	\$ 62,959

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8. Accounts receivable and other assets

	As at September 30, 2011	As at December 31, 2010	As at January 1, 2010
Accounts receivable	\$ 76,834	\$ 100,222	\$ 1,330
Prepays	35,609	-	-
Related party receivable	-	-	12,290
	<u>\$ 112,443</u>	<u>\$ 100,222</u>	<u>\$ 13,620</u>

9. Accounts payable and other liabilities

	As at September 30, 2011	As at December 31, 2010	As at January 1, 2010
Falling due within the year			
Trade payables	\$ 469,057	\$ 173,519	\$ 1,160,542

10. Share capital

a) Authorized share capital

At September 30, 2011, the authorized share capital consisted of an unlimited number of common shares.

The common shares do not have a par value. All issued shares are fully paid.

b) Common shares issued

At September 30, 2011, the issued share capital amounted to \$38,183,884. The change in issued share capital for the period was as follows:

	Number of common shares	Amount
Balance, December 31, 2010	29,315,225	\$ 2,385,905
Exercise of stock options	700,000	83,026
Fair value of exercise of stock options	-	110,395
Elimination of share capital on acquisition of Drift Lake (note 1)	-	(2,506,790)
Consideration paid by Northbrook for net assets of Drift Lake (note 1)	-	15,804,213
Common shares issued to former Northbrook partners (note 1)	27,000,000	-
Consideration paid by Northbrook for net assets of FinanceCo (note 1)	9,000,001	4,754,700
Issue of securities, net of issue costs (i)	42,160,000	14,998,023
Transfer to share capital on amalgamation of Northbrook with Drift Lake Texas Inc. to form Northbrook Energy, Inc. (note 1)	-	(445,588)
Common shares issued for Bayovar Block in Peru (ii)	5,489,143	3,000,000
Balance, September 30, 2011	113,664,369	\$ 38,183,884

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10. Share capital (continued)

b) Common shares issued (continued)

(i) On January 26, 2011, DLR completed the first tranche of the 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"), which amount was held in escrow. 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 common share of DLR (each, a "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 Subscription Receipts were issued by FinanceCo at a price of C\$0.50 per Subscription Receipt to raise aggregate gross proceeds of C\$3,015,000. Each Subscription Receipt was convertible upon the satisfaction of certain release conditions for no additional consideration into one FinanceCo Unit.

On February 24 and March 11, 2011, the final two tranches of the Financing were completed, with an aggregate of 3,700,000 Subscription Receipts being issued by FinanceCo at a price C\$0.50 per Subscription Receipt to raise additional aggregate gross proceeds of C\$1,850,000. Each 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 (the "Filing Statement") in accordance with the regulations of the TSX Venture Exchange summarizing the terms of the proposed Business Combination and related matters.

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10. Share capital (continued)

b) Common shares issued (continued)

(i) (continued) 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.

A value of \$4,189,924 was estimated for the 21,080,000 warrants on the date of grant using a relative fair value method based on the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 134%; risk-free interest rate of 1.74%; and an expected average life of 1.5 years.

A value of \$987,891 was estimated for the 2,366,700 broker warrants 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 1.74%; and an expected average life of 1.5 years.

(ii) Northbrook Oil and Gas, LLC, a wholly-owned subsidiary of Sintana has received an assignment of all of the rights of the assignor under the Exploration and Production Participation Agreement dated as of February 4, 2011 with Faulkner Exploration, Inc., Faulkner Exploration, Inc. S.A. and Faulkner Exploration and Production, Inc. (the "Bayovar Agreement") with respect to the License Contract for Exploration and Exploitation of Hydrocarbons dated April 15, 2009 (the "Bayovar License") governing the parcel of land referred to as the Bayovar Block located in the Country of Peru. Pursuant to the terms of the Bayovar Agreement, Northbrook acquired an undivided 25% interest in the rights and obligations of the Contractor under the Bayovar License in consideration of (i) a cash payment to be made in the aggregate amount of \$2,000,000 (paid); and (ii) the issuance of 5,489,143 Drift Lake common shares at C\$0.525 per share, representing a market value of \$3.0 million, based on the weighted average closing price of Drift Lake's common shares on the TSX Venture Exchange for the first ten trading days after the completion of the Business Combination.

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11. Exploration and evaluation expenditures

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Exploration activities				
Colombia (d)				
Acquisition costs (a)	\$ 5,200,000	\$ -	\$ 5,200,000	\$ -
Salaries and benefits	167,266	-	167,266	-
Administrative and general	243,383	-	366,980	-
Consulting	220,249	-	352,751	-
Travel	3,787	-	22,096	-
Professional fees	12,878	-	55,379	-
Other	62,540	-	101,671	-
	\$ 5,910,103	\$ -	\$ 6,266,143	\$ -
Peru (b)				
Acquisition costs (note 10(b)(ii))	\$ -	\$ -	\$ 5,000,000	\$ -
Drilling	836,283	-	836,283	-
Professional fees	14,837	-	19,985	-
	\$ 851,120	\$ -	\$ 5,856,268	\$ -
United States (c)				
Sale of oil and gas interests	\$ (30,000)	\$ (14,900)	\$ (430,000)	\$ (149,000)
Land service	-	-	5,765	-
Geological services	41,734	-	87,522	-
Other	203	98,927	222	197,842
	\$ 11,937	\$ 84,027	\$ (336,491)	\$ 48,842
	\$ 6,773,160	\$ 84,027	\$ 11,785,920	\$ 48,842

(a) On August 17, 2011, Sintana announced that its S.A. Operations Office located in Bogotá and existing under the laws of Colombia ("Sintana Energy"), has entered into an agreement with Petrodorado Energy Ltd. ("Petrodorado") to farm-in for an undivided 30% 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.

Consideration for the acquisition is: (i) a cash payment to be made in the aggregate amount of \$5,200,000 (paid); (ii) assumption of 60% of the drilling costs of the first exploratory well, estimated to equal \$3,900,000 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 \$2,925,000 net.

(b) On August 22, 2011, Sintana announced that Sintana Energy has received notice from Faulkner Exploration, Inc. that the Peru Ministry of Energy and Mines (EIA) has approved a 10 well drilling permit for the Bayovar Block XXVII License.

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11. Exploration and evaluation expenditures (continued)

(c) On August 26, 2011, Sintana'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 was 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 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.

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

Under the terms of the farm-in agreement, the Company will earn an undivided 30% working interest in 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.

12. General and administrative

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2011	2010	2011	2010
Administrative and general	\$ 36,297	\$ 3,827	\$ 118,234	\$ 13,085
Professional fees	35,838	3,657	277,984	9,825
Reporting issuer costs	70,400	-	93,849	-
Travel and accommodation	61,144	9,805	177,961	30,639
Depreciation	1,671	-	3,880	-
Salaries and benefits	400,911	-	1,140,072	-
Interest income	(106,754)	-	(108,566)	-
	\$ 499,507	\$ 17,289	\$ 1,703,414	\$ 53,549

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13. Related party balances and 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).

(a) Sintana reimbursed the former partners of Northbrook (Petroven, Inc., Douglas Manner and Keith Spickelmier) for expenses paid by the Partners related to Company business. At September 30, 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:

	Notes	Three Months Ended		Nine Months Ended	
		September 30,		September 30,	
		2011	2010	2011	2010
Marrelli CFO Outsource Syndicate Inc. ("Marrelli")	(i)(iii)	\$ 4,619	\$ -	\$ 7,708	\$ -
Marrelli Support Services Inc. ("MSSI")	(ii)(iii)	17,681	-	50,875	-
DSA Corporate Services Inc. ("DSA")	(iv)	5,034	-	6,293	-
D & R Filing Corp. ("D & R")	(v)	755	-	8,581	-

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

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

(iii) As at September 30, 2011, MSSI was owed \$18,203 (December 31, 2010 - \$nil) and these amounts were included in related party payable. In addition, as at September 30, 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 related to corporate secretarial services provided by DSA. As at September 30, 2011, DSA was owed \$3,972 (December 31, 2010 - \$nil) and these amounts were included in related party payable.

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13. Related party balances and transactions (continued)

(v) The CFO of Sintana is an officer of D & R. Fees related to filing services provided by D & R. As at September 30, 2011, D & R was owed \$809 (December 31, 2010 - \$nil) and these amounts were included in related party payable.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Salaries and benefits ⁽¹⁾	\$ 269,240	\$ -	\$ 479,856	\$ -
Share based payments	152,056	-	658,910	-

⁽¹⁾ Salaries and benefits include director fees.

14. Promissory note

On February 22, 2011, Drift Lake issued a promissory note in exchange for C\$2,000,000 (\$2,000,600) received from a lender. The principal sum of C\$2,000,000 was payable on or before the date which was the earlier of (i) one business day after the release of private placement funds from escrow to Drift Lake by Drift Lake which funds are being held in escrow on certain conditions in connection with the merger, (ii) the bankruptcy or insolvency of Drift Lake or the date Drift Lake takes advantage of any statute which permits the compromise of any obligations owing by a debtor to a creditor, and (iii) May 31, 2011, together, in each case, with interest payable on the same date calculated on the principal sum outstanding from time to time at a rate of 24% per annum calculated monthly on the principal sum from time to time remaining unpaid and payable both before and after default, as well as before and after maturity and after judgment. The promissory note was secured by Drift Lake's equipment, inventory, general intangibles, and all other property and assets of Drift Lake and all proceeds and products thereof. Interest as of September 30, 2011 amounted to \$146,726. The promissory note was repaid in full in April 2011 in the amount of C\$2,086,329.

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15. Stock options

The following table reflects the continuity of stock options for the period ended September 30, 2011:

	Number of stock options	Weighted average exercise price (\$) (Canadian)
Balance, January 1, 2010	450,000	0.10
Granted	350,000	0.135
Balance, September 30, 2010 and December 31, 2010	800,000	0.12
Exercised	(700,000)	0.12
Granted	2,700,000	0.49
Balance, September 30, 2011	2,800,000	0.48

The following table reflects the actual stock options issued and outstanding as of September 30, 2011:

Expiry date	Exercise price (\$) (Canadian)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)	Number of options unvested
September 30, 2013	0.10	2.00	50,000	50,000	-
August 18, 2015	0.135	3.89	50,000	50,000	-
May 11, 2016	0.49	4.62	2,700,000	900,000	1,800,000
		4.56	2,800,000	1,000,000	1,800,000

^(a) 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 an officer did not join the Company, leaving 2.7 million 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 2,700,000 options, the fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 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 (share based payments) and an addition 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 common shares reserved for issuance upon exercise of stock options is 10% of the issued and outstanding common shares of the Company. Options may only be issued to directors, officers, employees and consultants subject to Exchange policies and regulations, all as further set out in the management information circular of the Company delivered to shareholders in connection with the annual general meeting.

For the three and nine months ended September 30, 2011, the impact on expenses was \$152,056 and \$658,910, respectively. These amounts were included in salaries and benefits (share based payments) in the condensed interim consolidated statements of loss and comprehensive loss.

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16. Warrants

	Number of warrants
Balance, January 1, 2010	10,000,000
Exercised	(10,000,000)
Balance, September 30, 2010 and December 31, 2010	-
Issued (note 10(b)(i))	23,446,700
Balance, September 30, 2011	23,446,700

The following table reflects the actual warrants issued and outstanding as of September 30, 2011:

Expiry date	Exercise price (\$)	Warrants outstanding
October 27, 2012	C0.75	21,080,000
October 27, 2012	C0.50	2,366,700
		23,446,700

The warrants issued to investors with an exercise price denominated in a foreign currency is accounted for as a derivative liability, measured at fair value with subsequent changes in fair value accounted for through the consolidated statement of (loss) income. The fair value of these 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 this requirement and therefore the value of these warrants is presented as a non-current liability on the consolidated statement of financial position. As at September 30, 2011, warrant liability was \$1,117,240 (December 31, 2010 - \$nil; January 1, 2010 - \$nil).

A change in fair value of warrant liability of (\$2,318,800) and (\$3,072,684), respectively was recognized in the condensed interim consolidated statements of loss and comprehensive loss for the three and nine months ended September 30, 2011 relating to the revaluation of the warrants outstanding.

17. Conversion to IFRS

(i) Overview

Sintana's unaudited condensed interim consolidated financial statements are prepared in accordance with IFRS as issued by the IASB.

The policies set out in the significant accounting policies section have been applied in preparing the condensed interim consolidated financial statements for the three and nine months ended September 30, 2011 and in the preparation of an opening IFRS statement of financial position at January 1, 2010 (Sintana's Transition Date).

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17. Conversion to IFRS (continued)

(ii) First-time adoption of IFRS

Sintana did not use any of the exemptions listed in IFRS 1.

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of Sintana's opening IFRS condensed interim consolidated statement of financial position as at the Transition Date are consistent with those that were made under Canadian GAAP.

Sintana's Transition Date IFRS unaudited statement of financial position is included as comparative information in the unaudited condensed interim consolidated statements of financial position in these financial statements.

(iii) Changes to accounting policies

Sintana has changed certain accounting policies to be consistent with IFRS as is expected to be effective or available on December 31, 2011, Sintana'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 financial statements.

The following summarizes the significant changes to Sintana'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.

Sintana's accounting policies related to impairment of non-financial assets have been changed to reflect these differences. There was no impact on the unaudited condensed interim 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.

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

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17. Conversion to IFRS (continued)

(iii) *Changes to accounting policies (continued)*

(c) Exploration and evaluation

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

Sintana has chosen to expense its exploration and evaluation expenditures as incurred instead of capitalizing these costs to the consolidated statement of financial position. Sintana has chosen this policy because management has not yet determined that there is a future benefit for its exploration properties at this point in time.

Impact on Condensed Interim Consolidated Statements of Financial Position

	As at September 30, 2010	As at December 31, 2010	As at January 1, 2010
Adjustment to petroleum and natural gas prospects	\$ (2,870,050)	\$ (2,455,542)	\$ (2,940,125)
Adjustment to deficit	\$ (2,870,050)	\$ (2,455,542)	\$ (2,940,125)

Impact on Condensed Interim Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income

	Year ended December 31, 2010	Three months ended September 30, 2010	Nine months ended September 30, 2010
Adjustment to exploration and evaluation expenditures, net of recoveries	\$ (359,583)	\$ 90,110	\$ 54,925
Impairment of prospects	(125,000)	(125,000)	(125,000)
Adjustment to comprehensive (loss) income	\$ 484,583	\$ 34,890	\$ 70,075

Impact on Condensed Interim Consolidated Statements of Cash Flows

	Year ended December 31, 2010	Nine months ended September 30, 2010
Adjustment to comprehensive loss	\$ 484,583	\$ 70,075
Impairment of prospects	(125,000)	(125,000)
Petroleum and natural gas prospects, net	\$ (359,583)	\$ 54,925

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17. Conversion to IFRS (continued)

(iv) *Reconciliation between IFRS and Canadian GAAP*

The January 1, 2010 Canadian GAAP condensed interim consolidated statement of financial position has been reconciled to IFRS as follows:

	January 1, 2010		
	Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS			
Current assets			
Cash	\$ 1,003,162	\$ -	\$ 1,003,162
Accounts receivable and other assets	13,620	-	13,620
	1,016,782	-	1,016,782
Petroleum and natural gas prospects (note 17(iii)(c))	2,940,125	(2,940,125)	-
	\$ 3,956,907	\$ (2,940,125)	\$ 1,016,782
PARTNERS' CAPITAL (DEFICIT) AND LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	\$ 1,160,542	\$ -	\$ 1,160,542
Related party payable	249,616	-	249,616
	1,410,158	-	1,410,158
Partners' capital (deficit) (note 17(iii)(c))	2,546,749	(2,940,125)	(393,376)
Total liabilities and partners' capital (deficit)	\$ 3,956,907	\$ (2,940,125)	\$ 1,016,782

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17. Conversion to IFRS (continued)

(iv) *Reconciliation between IFRS and Canadian GAAP (continued)*

The December 31, 2010 Canadian GAAP condensed interim consolidated statement of financial position has been reconciled to IFRS as follows:

	December 31, 2010		
	Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS			
Current assets			
Cash	\$ 10,500	\$ -	\$ 10,500
Accounts receivable and other assets	100,222	-	100,222
	110,722	-	110,722
Petroleum and natural gas prospects (note 17(iii)(c))	2,455,542	(2,455,542)	-
	\$ 2,566,264	\$ (2,455,542)	\$ 110,722
PARTNERS' CAPITAL (DEFICIT) AND LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	\$ 173,519	\$ -	\$ 173,519
Related party payable	281,631	-	281,631
	455,150	-	455,150
Partners' capital (deficit) (note 17(iii)(c))	2,111,114	(2,455,542)	(344,428)
Total liabilities and partners' capital (deficit)	\$ 2,566,264	\$ (2,455,542)	\$ 110,722

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17. Conversion to IFRS (continued)

(iv) *Reconciliation between IFRS and Canadian GAAP (continued)*

The September 30, 2010 Canadian GAAP condensed interim consolidated statement of financial position has been reconciled to IFRS as follows:

	September 30, 2010		
	Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS			
Current assets			
Cash	\$ 60,941	\$ -	\$ 60,941
Accounts receivable and other assets	1,941	-	1,941
	62,882	-	62,882
Petroleum and natural gas prospects (note 17(iii)(c))	2,870,050	(2,870,050)	-
	\$ 2,932,932	\$ (2,870,050)	\$ 62,882
PARTNERS' CAPITAL (DEFICIT) AND LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	\$ 182,232	\$ -	\$ 182,232
Related party payable	421,943	-	421,943
	604,175	-	604,175
Partners' capital (deficit) (note 17(iii)(c))	2,328,757	(2,870,050)	(541,293)
Total liabilities and partners' capital (deficit)	\$ 2,932,932	\$ (2,870,050)	\$ 62,882

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17. Conversion to IFRS (continued)

(iv) *Reconciliation between IFRS and Canadian GAAP (continued)*

The Canadian GAAP condensed interim consolidated statement of loss and comprehensive loss for the three month period ended September 30, 2010 has been reconciled to IFRS as follows:

	Three months ended September 30, 2010		
	Canadian GAAP	Effect of transition to IFRS	IFRS
Operating expenses			
Exploration and evaluation expenditures (note 17(iii)(c))	\$ (6,083)	\$ 90,110	\$ 84,027
Impairment of prospects (note 17(iii)(c))	125,000	(125,000)	-
General and administrative	17,289	-	17,289
Net loss and comprehensive loss for the period	\$ (136,206)	\$ 34,890	\$ (101,316)

The Canadian GAAP condensed interim consolidated statement of loss and comprehensive loss for the nine month period ended September 30, 2010 has been reconciled to IFRS as follows:

	Nine months ended September 30, 2010		
	Canadian GAAP	Effect of transition to IFRS	IFRS
Operating expenses			
Exploration and evaluation expenditures (note 17(iii)(c))	\$ (6,083)	\$ 54,925	\$ 48,842
Impairment of prospects (note 17(iii)(c))	125,000	(125,000)	-
General and administrative	53,549	-	53,549
Net loss and comprehensive loss for the period	\$ (172,466)	\$ 70,075	\$ (102,391)

The Canadian GAAP statement of (loss) income and comprehensive (loss) income for the year ended December 31, 2010 has been reconciled to IFRS as follows:

	Year ended December 31, 2010		
	Canadian GAAP	Effect of transition to IFRS	IFRS
Operating expenses			
Exploration and evaluation expenditures, net of recoveries (note 17(iii)(c))	\$ -	\$ (359,583)	\$ (359,583)
Impairment of prospects (note 17(iii)(c))	125,000	(125,000)	-
General and administrative	265,109	-	265,109
Net (loss) income and comprehensive (loss) income	\$ (390,109)	\$ 484,583	\$ 94,474

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17. Conversion to IFRS (continued)

(iv) *Reconciliation between IFRS and Canadian GAAP (continued)*

The Canadian GAAP condensed interim consolidated statement of cash flows for the nine months ended September 30, 2010 has been reconciled to IFRS as follows:

	Nine months ended September 30, 2010		
	Canadian GAAP	Effect of transition to IFRS	IFRS
Operating			
Net loss for the period	\$ (172,466)	\$ 70,075 ⁽¹⁾	\$ (102,391)
Impairment of prospects	125,000	(125,000)	-
Non-cash working capital items:			
Accounts receivable and other assets	(611)	-	(611)
Accounts payable and accrued liabilities	21,690	-	21,690
Related party receivable	12,290	-	12,290
Related party payable	172,327	-	172,327
Net cash provided by operating activities	158,230	(54,925)	103,305
Investing activity			
Petroleum and natural gas prospects (note 17(iii)(c))	(54,925)	54,925	-
Net cash (used in) provided by investing activities	(54,925)	54,925	-
Financing activity			
Repayment of deposits	(1,000,000)	-	(1,000,000)
Withdrawal from capital contributions	(45,526)	-	(45,526)
Net cash used in financing activities	(1,045,526)	-	(1,045,526)
Net change in cash	(942,221)	-	(942,221)
Cash, beginning of period	1,003,162	-	1,003,162
Cash, end of period	\$ 60,941	\$ -	\$ 60,941

(1) Refer to Canadian GAAP statement of condensed interim consolidated comprehensive loss for the nine month period ended September 30, 2010 reconciled to IFRS in note 17(iv) above.

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17. Conversion to IFRS (continued)

(iv) *Reconciliation between IFRS and Canadian GAAP (continued)*

The Canadian GAAP statement of cash flows for the year ended December 31, 2010 has been reconciled to IFRS as follows:

	Year ended December 31, 2010		
	Canadian GAAP	Effect of transition to IFRS	IFRS
Operating			
Net (loss) income for the period	\$ (390,109)	\$ 484,583 ⁽¹⁾	\$ 94,474
Adjustment for:			
Impairment of prospects	125,000	(125,000)	-
Non-cash working capital items:			
Accounts receivable and other assets	(86,602)	-	(86,602)
Accounts payable and accrued liabilities	12,977	-	12,977
Related party payable	32,015	-	32,015
Net cash (used in) provided by operating activities	(306,719)	359,583	52,864
Investing activities			
Disposal of petroleum and natural gas prospects (note 17(iii)(c))	595,666	(595,666)	-
Purchase of petroleum and natural gas prospects (note 17(iii)(c))	(236,083)	236,083	-
Net cash (used in) provided by investing activities	359,583	(359,583)	-
Financing activities			
Repayments of deposits	(1,000,000)	-	(1,000,000)
Capital withdrawals	(45,526)	-	(45,526)
Net cash used in investing activities	(1,045,526)	-	(1,045,526)
Net change in cash	(992,662)	-	(992,662)
Cash, beginning of year	1,003,162	-	1,003,162
Cash, end of year	\$ 10,500	\$ -	\$ 10,500

(1) Refer to Canadian GAAP statement of consolidated comprehensive loss for the year ended December 31, 2010 reconciled to IFRS in note 17(iv) above.

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18. Subsequent events

(a) DLR has made an application to the Canada Revenue Agency to change its 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.

(b) On October 12, 2011, DLR announced that pursuant to a resolution passed by shareholders on September 21, 2011, the Company has changed its name to "Sintana Energy Inc."

(c) In November 2011, Sintana made payments to Petrodorado, operator of the Talora Block, totaling to \$1.8 million in response to a cash call. Funds will be used for preparation activities related to the Dorado #1 well, the Company's first well in Colombia. Drilling is currently scheduled to commence in January 2012.

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 Executive 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

Olympia Transfer Services Inc.
Toronto, Ontario

LEGAL COUNSEL

Cassels Brock Lawyers
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LISTING

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

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