SINTANA
ENERGY

AFS|YE 2011

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SINTANA ENERGY INC.

(FORMERLY DRIFT LAKE RESOURCES INC.)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011 AND 2010

RELEASE DATE APRIL 27, 2012

Exploring a better way

A South America Focus

Sintana Energy Inc.
(Formerly Drift Lake Resources Inc.)
Consolidated Statements of Financial Position
(Expressed in United States Dollars)

	As at December 31, 2011	As at December 31, 2010 (note 20)	As at January 1, 2010 (note 20)
ASSETS			
Current assets			
Cash and cash equivalents (note 6)	**$ 8,517,088**	$ 10,500	$ 1,003,162
Accounts receivable and other assets (note 8)	**215,380**	100,222	13,620
Total current assets	**8,732,468**	110,722	1,016,782
Non-current assets			
Property and equipment (note 7)	**46,330**	-	-
Total assets	**$ 8,778,798**	$ 110,722	$ 1,016,782
EQUITY/PARTNERS' DEFICIT AND LIABILITIES			
Current liabilities			
Accounts payable and other liabilities (note 9)	**$ 166,577**	$ 173,519	$ 1,160,542
Related party payable (note 16)	**16,538**	281,631	249,616
Warrant liability (note 12)	**442,680**	-	-
Total liabilities	**625,795**	455,150	1,410,158
Equity/partners' (deficit)	**8,153,003**	(344,428)	(393,376)
Total equity/partners' (deficit) and liabilities	**$ 8,778,798**	$ 110,722	$ 1,016,782

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

Commitments (note 14)
Subsequent event (note 21)

Approved on behalf of the Board:
(signed)"DougManner",Director (signed)
"RonaldA.MacMicken",Director

Sintana Energy Inc.
(Formerly Drift Lake Resources Inc.)
Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income
(Expressed in United States Dollars)

	Year ended December 31, 2011	2010 (note 20)
Operating expenses		
Exploration and evaluation expenditures net of recoveries (notes 13, 14 and 16)	**$ 14,251,066**	$ (359,583)
General and administrative (notes 15 and 16)	**1,459,350**	265,109
Foreign exchange loss	**878,379**	-
Finance interest (note 10)	**146,726**	-
Impairment of goodwill (note 1)	**18,976,745**	-
Change in fair value of warrant liability (note 12)	**(3,747,244)**	-
Net (loss) income and comprehensive (loss) income for the year	**$ (31,965,022)**	$ 94,474
(Loss) per share - basic [1]	**$ (0.37)**	n/a
(Loss) per share - diluted [1]	**$ (0.37)**	n/a
Weighted average number of common shares outstanding - basic	**86,313,624**	28,858,033
Weighed average number of common shares outstanding - diluted	**86,313,624**	29,218,916

[1] (Loss) per share not applicable for the year ended December 31, 2010 since Northbrook was a limited liability partnership ("LLC").

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

Sintana Energy Inc.
(Formerly Drift Lake Resources Inc.)
Consolidated Statements of Cash Flows
(Expressed in United States Dollars)

	Year ended December 31, 2011	Year ended December 31, 2010 (note 20)
Operating activities		
Net (loss) income for the year	**$ (31,965,022)**	$ 94,474
Adjustment for:		
Amortization (note 7)	**4,763**	-
Impairment of goodwill (note 1)	**18,976,745**	-
Common shares issued for Bayovar Block (note 11(b)(ii))	**3,000,000**	-
Share based payments (note 13)	**884,651**	-
Change in fair value of warrant liability (note 12)	**(3,747,244)**	-
Non-cash working capital items:		
Accounts receivable and other assets	**(72,511)**	(86,602)
Accounts payable and other liabilities	**(169,493)**	12,977
Related party payable	**(265,093)**	32,015
Net cash (used in) provided by operating activities	**(13,353,204)**	52,864
Investing activities		
Acquisition of property and equipment	**(51,093)**	-
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	**1,773,122**	-
Financing activities		
Promissory note issued (note 10)	**2,000,600**	-
Repayment of promissory note (note 10)	**(2,000,600)**	-
Issue of securities, net of issue costs (note 11(b)(i))	**20,175,837**	-
Exercise of stock options	**11,993**	-
Repayment to 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	**8,506,588**	(992,662)
Cash and cash equivalents, beginning of year	**10,500**	1,003,162
Cash and cash equivalents, end of year	**$ 8,517,088**	$ 10,500
Non-cash items		
Non-cash consideration paid for the acquisition of Drift Lake		
Issuance of shares (note 1)	**$ 15,804,213**	$ -
Issuance of options (note 1)	**$ 122,143**	$ -
Non-cash consideration paid for the acquisition of FinanceCo		
Issuance of shares (note 1)	**$ 4,754,701**	$ -

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

Sintana Energy Inc.
(Formerly Drift Lake Resources Inc.)
Consolidated Statement of Changes in Equity/Partners' (Deficit)
(Expressed in United States Dollars)

	Number of common shares #	Share capital	Warrants	Contributed surplus	Deficit	Partners' deficit	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)	-	-	-	15,971	-	-	15,971
Withdrawals - Northbrook	-	-	-	-	-	(45,526)	(45,526)
Net (loss) income and comprehensive (loss) income for the period of DLR (old) and Northbrook	-	-	-	-	(196,094)	94,474	(101,620)
Balance, December 31, 2010	**29,315,225**	**$ 2,385,905**	**$ -**	**$ 49,701**	**$ (814,320)**	**$ (344,428)**	**$ 1,276,858**

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

Sintana Energy Inc.
(Formerly Drift Lake Resources Inc.)
Consolidated Statement of Changes in Shareholders' Equity/Partners' (Deficit) (continued)
(Expressed in United States Dollars)

	Number of common shares #	Share capital	Warrants	Contributed surplus	Deficit	Partners' deficit	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 11(b)(i) and 12)	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 13)	-	-	-	884,651	-	-	884,651
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 year	-	-	-	-	(31,965,022)	-	(31,965,022)
Balance, December 31, 2011	**113,664,369**	**$ 38,183,884**	**$ 987,891**	**$ 946,250**	**$ (31,965,022)**	**$ -**	**$ 8,153,003**

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

1. Nature of operations and business combination

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.) ("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.

1. Nature of operations and business combination (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 11(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 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:

Netassetsacquired		
Cash	$	1,465,475
Accounts receivable		42,646
Accounts payable		(155,689)
Goodwill		14,922,602
	$	16,275,034

Considerationpaid		
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:

50,000stockoptionswithanexercisepriceofC$0.10expireonNovember13,2012
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.

50,000stockoptionswithanexercisepriceofC$0.10expireonSeptember30,2013
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.

100,000stockoptionswithanexercisepriceofC$0.135expireonAugust18,2015
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.

1. Nature of operations and business combination (continued)

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

Netassetsacquired		
Cash	$	707,418
Accounts payable		(6,860)
Goodwill		4,054,143
	$	4,754,701
Considerationpaid		
9,000,001 common shares purchased by Northbrook	$	4,754,701

Goodwill has been impaired as Sintana no longer concentrates on mineral exploration. In addition, FinanceCo has no other assets other than cash. The Sintana 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 consolidated financial statements of Sintana for the year ended December 31, 2011 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on April 27, 2012.

These 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 year ended December 31, 2011 of $31,965,022, and has an accumulated deficit of $31,965,022. Results for the year ended December 31, 2011 are not necessarily indicative of future results. Sintana had a working capital balance of $8,106,673 at December 31, 2011. 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 Company believes such financing will be available as required. The Company'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

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.

2. Significant accounting policies

(a) Statement of compliance as issued by the International Accounting Standards Board ("IASB")

Sintana's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Previously, Sintana prepared its consolidated 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 ("IFRS 1"), explaining how the transition to IFRS has affected the reported financial performance, cash flows and financial position of Sintana, are presented in note 20.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. They also have been applied in preparing an opening IFRS statement of financial position at January 1, 2010 (note 20) for the purposes of the transition to IFRS, as required by IFRS 1.

These consolidated financial statements have been prepared on the basis of IFRS standards that are effective on December 31, 2011, Sintana's first annual reporting date under IFRS.

(b) Basis of presentation

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

In the preparation of these 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 consolidated 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(n).

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of Sintana and its wholly-owned subsidiaries. The Company has (A) three direct subsidiaries, being (i) Sintana Energy Exploration and Production Inc., which exists under the laws of Texas; (ii) Sintana Energy Finance Inc., which exists under the laws of Ontario; and (iii) Sintana Energy Peru S.A.C., which exists under the laws of Peru; (B) one indirect subsidiary, being Northbrook Oil and Gas LLC which exists under the laws of Texas; and (C) one branch, being Sintana Energy (Colombia) Inc. which has been established under the laws of Colombia.

The results of subsidiaries acquired or disposed of during the periods presented are included in the consolidated statements of (loss) income and comprehensive (loss) income 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.

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
Related party payable	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 (loss) income.

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 derivative liabilities.

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.

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 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 December 31, 2011, December 31, 2010 and January 1, 2010, except for cash and cash equivalents – which are Level 1 financial instruments and warrant liability - which is Level 3 financial instruments, none of Sintana's financial instruments are recorded at fair value in the 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.

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 consolidated 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) Property and equipment

Property and equipment are stated at cost, less accumulated amortization and accumulated impairment losses. The cost of property and equipment comprises its purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the estimated close down and restoration costs associated with the asset. Depreciation is provided using the straight-line method over 5 years from the date of acquisition. Residual values and useful lives are reviewed, and adjusted if appropriate, at each financial position date. Changes to the estimated residual values or useful lives are accounted for prospectively.

(i) Foreign currency

Transactions in foreign currencies are translated to United States dollars at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to U.S. dollars at the period end exchange rate. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognized in the statement of comprehensive loss.

(j) 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 December 31, 2011, December 31, 2010 and January 1, 2010.

2. Significant accounting policies (continued)

(k) 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.

(l) 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.

(m) 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.

2. Significant accounting policies (continued)

(n) Significant accounting judgments and 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.

Criticalaccountingestimates

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) 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 consolidated statement of operations based on estimates of forfeiture and expected lives of the underlying stock options. For the year ended December 31, 2011 the Company recognized $884,651 of share based payments expense (year ended December 31, 2010 - $nil).

ii) 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 consolidated statement of (loss) income and comprehensive (loss) income.

iii) 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.

Criticaljudgmentsusedinapplyingaccountingpolicies

In the preparation of these 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 Company's oil and gas properties. Once technical feasibility and commercial viability of a property can be demonstrated, related development expenditures will be capitalized. As at December 31, 2011, December 31, 2010, and January 1, 2010 management has determined that no oil and gas properties should be capitalized.

2. Significant accounting policies (continued)

(n) Significant accounting judgments and estimates (continued)

Criticaljudgmentsusedinapplyingaccountingpolicies(continued)

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.

(o) 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.

(p) Warrant liability

Warrants issued to investors 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.

(q) Recent accounting pronouncements

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee ("IFRIC") that are mandatory for accounting periods after July 1, 2012 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, 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.

2. Significant accounting policies (continued)

(q) Recent Accounting Pronouncements (continued)

(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.

(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) 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 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.

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 December 31, 2011, totaled $8,153,003 (December 31, 2010 - partners' deficit - $344,428; 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 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.

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 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 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.

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).

4. Financial risk management (continued)

(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 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 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 Company 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 assets	114,766	-
Accounts payable and other liabilities	(95,052)	-
Related party payable	(8,818)	-

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.

5. Categories of financial instruments

	As at December 31, 2011	As at December 31, 2010	As at January 1, 2010
Financial assets:			
FVTPL			
Cash and cash equivalents	**$ 8,517,088**	$ 10,500	$ 1,003,162
Loans and receivables			
Accounts receivable and other assets	**$ 215,380**	$ 100,222	$ 13,620
Financial liabilities:			
FVTPL			
Warrant liability	**$ 442,680**	$ -	$ -
Other financial liabilities			
Accounts payable and other liabilities	**$ 166,577**	$ 173,519	$ 1,160,542
Related party payable	**$ 16,538**	$ 281,631	$ 249,616

6. Cash position

	As at December 31, 2011	As at December 31, 2010	As at January 1, 2010
Cash	**$ 403,912**	$ 10,500	$ 1,003,162
Cash equivalents (interest rate of 1.65%)	**8,113,176**	-	-
	$ 8,517,088	$ 10,500	$ 1,003,162

7. Property and equipment

Cost

	Furniture and fixtures
Balance, January 1, 2010 and December 31, 2010	$ -
Additions	51,093
Balance, December 31, 2011	$ 51,093

Accumulated depreciation

	Furniture and fixtures
Balance, January 1, 2010 and December 31, 2010	$ -
Depreciation for the year	4,763
Balance, December 31, 2011	$ 4,763

Carrying amounts

	Furniture and fixtures
At January 1, 2010	$ -
At December 31, 2010	$ -
At December 31, 2011	$ 46,330

8. Accounts receivable and other assets

	As at December 31, 2011	As at December 31, 2010	As at January 1, 2010
Accounts receivable	$ 90,513	$ 100,222	$ 1,330
Prepaids	124,867	-	-
Related party receivable	-	-	12,290
	$ 215,380	$ 100,222	$ 13,620

9. Accounts payable and other liabilities

	As at December 31, 2011	As at December 31, 2010	As at January 1, 2010
Falling due within the year			
Trade payables	$ 166,577	$ 173,519	$ 1,160,542

10. 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 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 for the year ended December 31, 2011 amounted to $146,726. The promissory note was repaid in full in April 2011 in the amount of C$2,086,329.

11. Share capital

a) Authorized share capital

At December 31, 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.

11. Share capital (continued)

b) Common shares issued

At December 31, 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, January 1, 2010	**19,315,225**	**$ 1,270,427**
Exercise of warrants - DLR (old)	10,000,000	1,115,478
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, December 31, 2011	**113,664,369**	**$ 38,183,884**

(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.

11. Share capital (continued)

b) Common shares issued (continued)

(i) (continued) 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.

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.

11. Share capital (continued)

b) Common shares issued (continued)

(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.

12. Warrants

	Number of warrants	Weighted average exercise price (C$)
Balance, January 1, 2010	**10,000,000**	**0.10**
Exercised	(10,000,000)	0.10
Balance, December 31, 2010	**-**	**-**
Issued (note 11(b)(i))	23,446,700	0.72
Balance, December 31, 2011	**23,446,700**	**0.72**

The following table reflects the actual warrants issued and outstanding as of December 31, 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 liability on the consolidated statements of financial position. As at December 31, 2011, warrant liability was $442,680 (December 31, 2010 - $nil; January 1, 2010 - $nil).

A change in fair value of warrant liability of $3,747,244 was recognized in the consolidated statements of (loss) income and comprehensive (loss) income for the year ended December 31, 2011 relating to the revaluation of the warrants outstanding.

13. Stock options

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 TSX Venture 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.

13. Stock options (continued)

The following table reflects the continuity of stock options for the years ended December 31, 2011 and 2010:

	Number of stock options	Weighted average exercise price (C$)
Balance, January 1, 2010	**450,000**	**0.10**
Granted (i)	350,000	0.135
Balance, December 31, 2010	**800,000**	**0.12**
Exercised	(700,000)	0.12
Granted (ii)(iii)	9,350,000	0.28
Balance, December 31, 2011	**9,450,000**	**0.28**

The following table reflects the actual stock options issued and outstanding as of December 31, 2011:

Expiry date	Exercise price (C$)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)	Number of options unvested
September 30, 2013	0.10	1.75	50,000	50,000	-
August 18, 2015	0.135	3.63	50,000	50,000	-
May 11, 2016	0.49	4.36	2,700,000	166,667	2,533,333
December 20, 2016	0.20	4.97	6,650,000	2,216,667	4,433,333
		4.77	9,450,000	2,483,334	6,966,666

(i) On August 19, 2010, the DRL (old) granted an aggregate of 350,000 stock options exercisable at a price of C$0.135 per share and exercisable for a period of five years, all of which were issued to the Company's directors and officers. The fair value of these options was eliminated on consolidation with the acquisition of DLR (note 1).

(ii) 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 and exploration and evaluation expenditures (share based payments) and an addition 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 2,200,000 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 (share based payments) in the consolidated statements of (loss) income and comprehensive (loss) income.

(iii) On December 20, 2011, the Company granted a total of 6.65 million stock options. The awarded options will be exercisable at C$0.20 per share. For the purposes of the 6,650,000 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 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 exploration and evaluation expenditures (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.

13. Stock options (continued)

(iii) (continued) 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 (share based payments) in the consolidated statements of (loss) income and comprehensive (loss) income.

14. Exploration and evaluation expenditures

	Year ended December 31,	
	2011	**2010**
Exploration activities		
Colombia (d)		
Acquisition costs (a)	**$ 5,200,000**	$ -
Salaries and benefits	**1,098,419**	-
Drilling	**775,855**	-
Advances	**600,000**	-
Consulting	**390,172**	-
Administrative and general	**390,067**	-
Other	**352,212**	-
Professional fees	**155,835**	-
Travel	**115,398**	-
	$ 9,077,958	$ -
Peru (b)		
Acquisition costs (note 11(b)(ii))	**$ 5,000,000**	$ -
Drilling	**817,721**	-
Professional fees	**33,823**	-
	$ 5,851,544	$ -
United States (c)		
Geological services	**$ 114,867**	$ -
Land service	**6,475**	-
Other	**222**	236,083
Sale of oil and gas interests	**(800,000)**	(595,666)
	$ (678,436)	$ (359,583)
	$ 14,251,066	$ (359,583)

(a) On August 17, 2011, Sintana announced that its S.A. Operations Office located in Bogatá 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.

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 scheduled to commence in the second quarter of 2012.

14. Exploration and evaluation expenditures (continued)

(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.

(c) On May 9, 2011, the Sintana's 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.

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 $26.5 million.

15. General and administrative

	Year ended December 31, 2011	Year ended December 31, 2010
Salaries and benefits (note 16)	**$ 650,120**	$ -
Professional fees (note 16)	**465,992**	200,232
Administrative and general	**193,993**	10,193
Travel and accommodation	**166,240**	54,684
Reporting issuer costs	**102,308**	-
Depreciation	**4,763**	-
Interest income	**(124,066)**	-
	$ 1,459,350	$ 265,109

16. 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 at normal commercial terms.

(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 December 31, 2011, related party payable included $nil (December 31, 2010 - $261,631 and January 1, 2010 - $249,616) relating to these costs.

16. Related party balances and transactions (continued)

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

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

(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 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 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 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.

(vi) The CFO of Sintana is the President of Marrelli Tax. Fees relate to tax services provided by Marrelli Tax.

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

	Year ended December 31, 2011	2010
Salaries and benefits (1)	$ **787,922**	$ -
Share based payments (2)	$ **849,278**	$ -

(1) Salaries and benefits include director fees. During the year ended December 31, 2011, $223,699 of salaries and benefits was included in exploration and evaluation expenditures.

(2) During the year ended December 31, 2011, $683,451 of share based payments was included in exploration and evaluation expenditures.

17. Income taxes

Deferred income taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred income tax assets have not been recognized in respect of the following items:

	2011
Share issue costs	$ 490,575
Non-capital losses carried forward	362,986
	$ 853,561

As at December 31, 2011, the Company has the following Canadian income tax attributes to carryforward:

	2011
Non-capital losses	$ 1,438,734

The non-capital loss carry forwards begin to expire in 2026.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

The following table reconciles the expected income tax recovery at the Canadian Federal and Provincial statutory rate of 28.25% to the amount recognized in the statement of operations:

	2011
Loss before recovery of income taxes	$ (31,965,022)
Expected income tax recovery	(9,030,119)
Increase (decrease) resulting from:	
Difference between tax rates in foreign jurisdictions	(65,288)
Tax benefits not previously recognized	(216,681)
Difference between current and future tax rates	(820,028)
Permanent differences and other	9,278,555
Unrecognized deductible temporary differences	853,561
Effective tax rate	$ -

In the prior year, the Company was a LLC. LLC's are not taxable entities and accordingly are not liable to pay income tax or file tax returns. Each partner was required to include (or was entitled to deduct) in computing the partner's income for purposes of the Income Tax Act the partner's share of the tax income (or tax loss) of the LLC allocated to the partner pursuant to the partnership agreement for its fiscal year ending in, or at the end of, the partner's taxation year, whether or not any amount of cash was actually distributed to the partner in the year.

18. Segmented information

The Company's operations comprise a single reporting operating segment engaged in mineral exploration in United States and South America. The Company has administrative offices in Toronto, Canada, Dallas, Texas, and Bogota, Colombia. Segmented information on a geographic basis is as follows:

December 31, 2011	Canada	United States	Peru	Columbia	Total
Cash and cash equivalents	$ 8,294,257	$ 114,583	$ -	$ 108,248	$ 8,517,088
Accounts receivable and other assets	112,849	4,746	1,974	95,811	215,380
Property and equipment	-	46,330	-	-	46,330
Total assets	$ 8,407,106	$ 165,659	$ 1,974	$ 204,059	$ 8,778,798

December 31, 2010	Canada	United States	Peru	Columbia	Total
Cash and cash equivalents	$ -	$ 10,500	$ -	$ -	$ 10,500
Accounts receivable and other assets	-	100,222	-	-	100,222
Total assets	$ -	$ 110,722	$ -	$ -	$ 110,722

January 1, 2010	Canada	United States	Peru	Columbia	Total
Cash and cash equivalents	$ -	$ 1,003,162	$ -	$ -	$ 1,003,162
Accounts receivable and other assets	-	13,620	-	-	13,620
Total assets	$ -	$ 1,016,782	$ -	$ -	$ 1,016,782

19. Credit line facility

On February 24, 2009, the Company entered into a $50 million Senior First Lien Secured Credit Agreement (the "Credit Facility") with Macquarie Bank Limited ("Macquarie"). To date, the Company 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 Company's option. Macquarie also is to receive a net profits interest of 25% of the Company'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 Company and a guarantee by the Company. The Credit Facility matures on February 24, 2013. To date the Company has not used any of this funding.

The Credit Facility was established to provide a funding mechanism in the event the Company and Macquarie agreed to fund acquisitions that fit within Macquarie's lending guidelines. No such acquisitions have been found to date.

20. Conversion to IFRS

(i) Overview

Sintana's 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 consolidated financial statements for the year ended December 31, 2011 and in the preparation of an opening IFRS statement of financial position at January 1, 2010 (Sintana's Transition Date).

20. 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 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 consolidated statement of financial position is included as comparative information in the 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 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 consolidated 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 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 was no impact on the consolidated financial statements.

(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.

Due to the adoption of a policy to expense exploration and evaluation expenditures as incurred, all previous impairments of prospects were derecognized against accumulated deficit and to the extent relating to impairment incurred in the current period, against the statement of (loss) income and comprehensive (loss) income.

20. Conversion to IFRS (continued)

(iii) Changes to accounting policies (continued)

(c) Exploration and evaluation (continued)

Impact on Consolidated Statements of Financial Position

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

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

	Year ended December 31, 2010
Adjustment to exploration and evaluation expenditures, net of recoveries	$ (359,583)
Impairment of prospects	(125,000)
Adjustment to comprehensive (loss) income	$ 484,583

Impact on Consolidated Statements of Cash Flows

	Year ended December 31, 2010
Adjustment to comprehensive (loss) income	$ 484,583
Impairment of prospects	(125,000)
Petroleum and natural gas prospects, net of recoveries	$ (359,583)

20. Conversion to IFRS (continued)

(iv) Reconciliation between IFRS and Canadian GAAP

The January 1, 2010 Canadian GAAP 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 20(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 20(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**

20. Conversion to IFRS (continued)

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

The December 31, 2010 Canadian GAAP 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 20(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 20(iii)(c))	2,111,114	(2,455,542)	**(344,428)**
Total liabilities and partners' capital (deficit)	$ 2,566,264	$ (2,455,542)	**$ 110,722**

20. Conversion to IFRS (continued)

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

The Canadian GAAP consolidated 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 20(iii)(c))	$ -	$ (359,583)	**$ (359,583)**
Impairment of prospects (note 20(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**

20. Conversion to IFRS (continued)

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

The Canadian GAAP consolidated 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 year	$ (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 other 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 20(iii)(c))	595,666	(595,666)	**-**
Purchase of petroleum and natural gas prospects (note 20(iii)(c))	(236,083)	236,083	**-**
Net cash (used in) provided by investing activities	359,583	(359,583)	**-**
Financing activities			
Capital withdrawals	(45,526)	-	**(45,526)**
Repayments of deposits	(1,000,000)	-	**(1,000,000)**
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 20(iv) above.

21. Subsequent event

On March 12, 2012, the Company entered into a definitive agreement (the "Master 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 (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 ("Subscription Receipts") convertible for no additional consideration into ColCan Shares, to raise aggregate gross proceeds of not less than C$11,000,000 (collectively, the "Financing"). In connection with the Colcan Business Combination, it is proposed that Sintana would acquire the ColCan Shares issued in the 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$4,100,000, 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 are expected to 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.

CORPORATE INFORMATION

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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

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