SINTANA ENERGY

FS|Q2 2013

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SINTANA ENERGY INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2013

(EXPRESSED IN CANADIAN DOLLARS, UNLESS OTHERWISE STATED)

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.

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A South America Focus

Sintana Energy Inc.
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars, Unless Otherwise Stated)
(Unaudited)

	As at June 30, 2013	As at December 31, 2012
ASSETS		
Current assets		
Cash and cash equivalents	**$ 7,330,948**	$ 5,955,166
Accounts receivable and other assets (notes 5 and 14)	**781,888**	1,133,238
Restricted cash (note 4)	**4,530,918**	4,301,060
Total assets	**$ 12,643,754**	$ 11,389,464
EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and other liabilities (notes 6 and 14)	**$ 1,218,199**	$ 1,709,534
Debentures (note 7)	**5,645,916**	5,042,416
Total liabilities	**6,864,115**	6,751,950
Equity	**5,779,639**	4,637,514
Total equity and liabilities	**$ 12,643,754**	$ 11,389,464

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

Nature of operations and going concern (note 1)
Commitments and contingencies (note 16)
Subsequent events (note 18)

Approved on behalf of the Board:
(signed) "Douglas G. Manner", Director
(signed) "Ronald A. MacMicken", Director

Sintana Energy Inc.

Condensed Interim Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income
(Expressed in Canadian Dollars, Unless Otherwise Stated)
(Unaudited)

	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Operating expenses				
Exploration and evaluation (recoveries) expenditures (notes 12 and 14)	**$ (2,878,361)**	$ 35,038,525	**$ (1,819,141)**	$ 35,194,247
General and administrative (notes 13 and 14)	**627,193**	2,624,095	**1,059,455**	2,882,391
Foreign exchange (gain) loss	**(1,325,105)**	57,061	**(1,567,492)**	77,276
Finance interest expense	**342,521**	570,572	**684,931**	570,499
Loss on debt extinguishment (note 7)	**-**	113,353	**-**	113,353
Income tax expense	**718,737**	-	**718,737**	-
Net (loss) income and comprehensive (loss) income for the period	**$ (2,515,015)**	$ (38,403,606)	**$ 923,510**	$ (38,837,766)
(Loss) income per share - basic and diluted (note 11)	**$ (0.01)**	$ (0.18)	**$ 0.00**	$ (0.24)
Weighted average number of common shares outstanding - basic and diluted (note 11)	**310,632,503**	208,640,784	**310,632,503**	161,152,577

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

Sintana Energy Inc.
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars, Unless Otherwise Stated)
(Unaudited)

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Operating activities		
Net income (loss) for the period	**$ 923,510**	$ (38,837,766)
Adjustment for:		
Depreciation	**-**	5,154
Accretion on debentures	**468,500**	152,277
Loss on debt extinguishment (note 7)	**-**	113,353
Unrealized foreign exchange	**(229,858)**	(4,730)
Shares issued in consideration of interest (note 3(i))	**-**	42,295
Shares issued for severance payments (note 3(iv))	**-**	978,000
Acquisition of property interests in Colombia (note 3(i))	**-**	31,185,394
Share-based payments	**218,615**	271,103
Non-cash working capital items:		
Accounts receivable and other assets	**351,350**	199,729
Accounts payable and other liabilities	**(356,335)**	344,636
Net cash provided by (used in) operating activities	**1,375,782**	(5,550,555)
Investing activities		
Acquisition of property and equipment	**-**	(1,103)
Cash acquired from business acquisition, net (note 3(i))	**-**	5,749,719
Net cash provided by investing activities	**-**	5,748,616
Financing activities		
Common shares issues, net of issuance costs	**-**	10,137,952
Exercise of stock options	**-**	100,000
Note payable, net of repayments	**-**	(229,088)
Net cash provided by financing activities	**-**	10,008,864
Net change in cash and cash equivalents	**1,375,782**	10,206,925
Cash and cash equivalents, beginning of period	**5,955,166**	1,273,722
Cash and cash equivalents, end of period	**$ 7,330,948**	$ 11,480,647
Non-cash items		
Non-cash consideration paid for the acquisition of Sintana		
Issuance of shares (note 3(i))	**$ -**	$ 34,099,311
Issuance of options (note 3(i))	**$ -**	$ 1,567,050
Issuance of warrants (note 3(i))	**$ -**	$ 30,547

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

Sintana Energy Inc.
Condensed Interim Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars, Unless Otherwise Stated)
(Unaudited)

	Number of common shares #	Share capital	Warrants	Contributed surplus	Deficit	Total
Balance, December 31, 2011	**78,077,743**	**$ 24,841,726**	**$ 3,066,525**	**$ 735,484**	**$ (31,078,527)**	**$ (2,434,792)**
Exercise of stock options	2,000,000	167,642	-	(67,642)	-	100,000
Subscription receipts, net of issue costs	36,666,700	9,787,952	-	-	-	9,787,952
Shares issued for severance payments	3,260,000	978,000	-	-	-	978,000
Conversion of debenture	10,140,983	3,042,295	-	-	-	3,042,295
Shares issued in connection with subscription receipts	1,166,667	350,000	-	-	-	350,000
Cancellation of ColCan Energy Corp. securities	(131,312,093)	-	-	-	-	-
Common shares of Sintana issued in exchange for ColCan Energy Corp. securities	196,968,134	-	(3,066,525)	(667,842)	-	(3,734,367)
Common shares of Sintana issued and outstanding at date of reverse acquisition	113,664,369	34,099,311	3,097,072	2,234,892	-	39,431,275
Share-based payments	-	-	-	271,103	-	271,103
Net loss and comprehensive loss for the period	-	-	-	-	(38,837,766)	(38,837,766)
Balance, June 30, 2012	**310,632,503**	**$ 73,266,926**	**$ 3,097,072**	**$ 2,505,995**	**$ (69,916,293)**	**$ 8,953,700**

Balance, December 31, 2012	**310,632,503**	**$ 73,266,926**	**$ 3,066,525**	**$ 3,338,644**	**$ (75,034,581)**	**$ 4,637,514**
Share-based payments	-	-	-	218,615	-	218,615
Net income and comprehensive income for the period	-	-	-	-	923,510	923,510
Balance, June 30, 2013	**310,632,503**	**$ 73,266,926**	**$ 3,066,525**	**$ 3,557,259**	**$ (74,111,071)**	**$ 5,779,639**

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

1. Nature of operations and going concern

Sintana Energy Inc. ("Sintana" or the "Company") is a public Canadian oil and gas exploration company listed on the TSX Venture Exchange under the trading symbol SNN, with offices in Toronto, Canada; Plano, Texas; and Bogota, Colombia. The Company is targeting assets in South America, with a focus on Colombia. The Company's exploration strategy is to acquire, explore, develop and produce superior quality assets with significant reserve potential. The primary office of the Company is located at 36 Toronto Street, Suite 1000, Toronto, Ontario, Canada, M5C 2C5.

On May 17, 2012, Sintana completed a business combination (the "Business Combination") with ColCan Energy Corp. ("ColCan"), including receipt of approximately $11 million in additional financing (note 3(i)). The Business Combination was treated as a reverse acquisition where ColCan acquired Sintana (note 3).

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) income for the three and six months ended June 30, 2013 of $(2,515,015) and $923,510, respectively and has an accumulated deficit of $74,111,071. Results for the three and six months ended June 30, 2013 are not necessarily indicative of future results. Sintana had a working capital balance of $5,779,639 at June 30, 2013 (December 31, 2012 - $4,637,514). Sintana will fund its exploration and operating expenses from its available cash for the following twelve months. Further financing beyond this level of cash will be required to develop its assets, which is typical for junior exploration companies. These circumstances cast significant doubt as to the Company's ability to continue as a going concern and, accordingly, the ultimate use of accounting principles applicable to a going concern. The Company's ability to continue as a going concern is dependent upon its obtaining additional financing and eventually achieving profitable production. The Company is currently evaluating various options in order to address its financing needs. There can be no assurance that the Company's financing activities will continue to be successful or sufficient.

2. Significant accounting policies

Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). 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 IASB.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRSs issued and outstanding as of August 29, 2013, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual audited consolidated financial statements as at and for the year ended December 31, 2012, except as noted below. Any subsequent changes to IFRS that are given effect in the Company's annual audited consolidated financial statements for the year ending December 31, 2013 could result in restatement of these unaudited condensed interim consolidated financial statements.

2. Significant accounting policies (continued)

Change in accounting polices

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

(i) IFRS 10 – Consolidated financial statements ("IFRS 10") was issued by the IASB in May 2011. IFRS 10 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. At January 1, 2013, the Company adopted this pronouncement and there was no material impact on the Company's unaudited condensed interim consolidated financial statements.

(ii) 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. At January 1, 2013, the Company adopted this pronouncement and there was no material impact on the Company's unaudited condensed interim consolidated financial statements.

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

(iv) IFRS 13 – Fair value measurement ("IFRS 13") was effective for the Company beginning on January 1, 2013, provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy. The Company's adoption of IFRS 13, on January 1, 2013, did not have a material financial impact upon the unaudited condensed interim consolidated financial statements, however, certain new or enhanced disclosures are required and can be found in note 17.

(v) IAS 1 – Presentation of financial statements ("IAS 1") was amended by the IASB in June 2011 in order to align the presentation of items in other comprehensive income with US GAAP standards. Items in other comprehensive income 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. At January 1, 2013, the Company adopted this pronouncement and there was no material impact on the Company's unaudited condensed interim consolidated financial statements.

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

(Expressed in Canadian Dollars, Unless Otherwise Stated)

2. Significant accounting policies (continued)

Recent accounting pronouncements

(i) IFRS 9 – Financial instruments (“IFRS 9”) was issued by the IASB in October 2010 and will replace IAS 39 - Financial instruments: recognition and measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. Earlier application is permitted. The Company is currently assessing the impact of this pronouncement.

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

3. Reverse acquisition

The share capital of each company prior to the reverse acquisition was as follows:

Sintana Energy Inc.

	Number of common shares	Amount
Balance, December 31, 2011 and as at May 17, 2012 prior to reverse acquisition	**113,664,369**	**$ 38,183,884**

ColCan Energy Corp.

	Number of common shares	Amount
Balance, December 31, 2011	**78,077,743**	**$ 24,841,726**
Exercise of stock options (iii)	2,000,000	100,000
Fair value of exercise of stock options	-	67,642
Conversion of debenture (i)	10,140,983	3,042,295
Shares issued for severance payments (iv)	3,260,000	978,000
Shares issued in connection with subscription receipts (ii)	1,166,667	350,000
Subscription receipts, net of issue costs (i)	36,666,700	9,787,952
Balance as at May 17, 2012 prior to reverse acquisition	**131,312,093**	**$ 39,167,615**

(Expressed in Canadian Dollars, Unless Otherwise Stated)

3. Reverse acquisition (continued)

(i) On April 24, 2012, the Company closed a private placement of 36,666,700 subscription receipts at a price of $0.30 per subscription receipt for aggregate proceeds of $11,000,010. The subscription receipts were released from escrow on May 17, 2012.

The Business Combination was structured in the form of a three-cornered amalgamation, pursuant to which a wholly-owned subsidiary of Sintana amalgamated with ColCan, and all of the issued and outstanding common shares of ColCan (the "ColCan Shares") were 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 ColCan Share issued and outstanding immediately prior to the closing of the Business Combination (including all ColCan Shares issued in connection with the subscription receipts).

Prior to the completion of the Business Combination, existing ColCan debentures in the aggregate principal amount of $3,000,000 including accrued interest of $42,295 were redeemed and the proceeds were reinvested by their holders in ColCan Shares. Also in connection with the Business Combination, all of the existing stock options and the stock option plan of ColCan were cancelled, and Sintana issued an aggregate of 6,945,000 stock options to certain directors, officers and consultants, each exercisable to acquire one Sintana Share at an exercise price of $0.27. Immediately following the closing of the Business Combination, an aggregate of 310,632,503 Sintana Shares were issued and outstanding, of which 196,968,134 Sintana Shares were held by former ColCan shareholders and 113,664,369 Sintana Shares were held by Sintana shareholders existing immediately prior to closing. Furthermore, an additional 24,375,000 Sintana Shares were reserved for issuance upon the closing of the Business Combination pursuant to pre-existing share purchase warrants of ColCan.

This transaction was accounted for as a business acquisition. For accounting purposes, ColCan was deemed to be the acquirer. Transaction costs for the Business Combination amounted to $592,392. ColCan acquired the assets and liabilities of Sintana as follows:

Consideration	
113,664,369 common shares of Sintana	$ 34,099,311
23,446,700 warrants of Sintana [a]	30,547
9,450,000 stock options of Sintana [b]	1,567,050
	$ 35,696,908
Cash and cash equivalents	$ 5,749,719
Accounts receivable and other assets	372,884
Accounts payable and other liabilities	(1,611,089)
Total net assets	4,511,514
Acquisition of property interests in Colombia	31,185,394
Total	**$ 35,696,908**

[a] The fair value of the Sintana warrants was estimated using the Black-Scholes option pricing model based on the following assumptions: volatility - 82%, risk-free interest rate - 1.21%, expected life - 0.45 years, share price - $0.21 and dividend yield - nil%.

[b] The fair value of the Sintana stock options was estimated using the Black-Scholes option pricing model based on the following assumptions: volatility - 125%, risk-free interest rate - 1.21% to 1.34%, expected life - 1.37 to 4.6 years, share price - $0.21 and dividend yield - nil%.

(Expressed in Canadian Dollars, Unless Otherwise Stated)

3. Reverse acquisition (continued)

(ii) Shares issued to Cormark Securities Inc. in satisfaction of fee payable in connection with subscription receipts.

(iii) 2,000,000 stock options were exercised for proceeds of $100,000. The stock options were exercised at a weighted average exercise price of $0.30.

(iv) On May 16, 2012, 3,260,000 shares were issued as severance payments valued at $978,000 to former directors and officers of ColCan.

4. Restricted cash

At June 30, 2013, restricted cash consists of US$4,300,000 (December 31, 2012 - US$4,300,000) of guaranteed investment certificates being held as security for the Company's Letters of Credit issued by Royal Bank of Canada ("RBC"). These have a 14 day maturity with the principal continually reinvested and bearing interest at 0.02% per annum. Subsequently, the guaranteed investment certificates held as security for the Company's Letters of Credit were released by RBC (see note 18(i)).

5. Accounts receivable and other assets

	As at June 30, 2013	As at December 31, 2012
Accounts receivable	**$ 551,874**	$ 856,337
Prepaids and advances	**230,014**	276,901
	$ 781,888	$ 1,133,238

6. Accounts payable and other liabilities

	As at June 30, 2013	As at December 31, 2012
Falling due within one year		
Trade payables	**$ 1,218,199**	$ 1,709,534

7. Debentures

In February 2011, ColCan issued $20,000,000 in unsecured subordinated redeemable debentures. The debentures were redeemable by ColCan, now Sintana, at any time upon not less than 30, nor more than 60 days notice. The redeemable debentures carry an interest rate of 6% per annum, payable semi-annually with the principal maturing on August 1, 2013. Total transaction costs of $496,243 were incurred. The debentures are carried at amortized cost, with an effective interest rate of 11.79%.

For every $1,000 debenture subscribed for, ColCan also issued 250 (375 warrants after completion of business combination with ColCan) warrants to the subscriber, exchangeable for one common share for $0.40 ($0.27 after completion of Business Combination with ColCan) per share.

On issuance, the debentures were split between the financial liability and the warrant. The financial liability portion was determined by calculating the difference between the principal value of the debentures and the discounted cash flows assuming an 11.41% discount rate. $17,998,494 was allocated to the debentures less transaction costs of $446,581, while $2,001,506 was allocated to the warrants less transaction costs of $49,662.

(Expressed in Canadian Dollars, Unless Otherwise Stated)

7. Debentures (continued)

Between July 26, 2011 and August 12, 2011, ColCan redeemed debentures with a principal of $11,600,000 resulting in a loss on debt extinguishment of $1,174,087. Of this, $9,000,000 was redeemed through the issuance of 22,500,000 common shares and 11,250,000 warrants.

On April 27, 2012, ColCan redeemed a debenture with a principal value of $3,000,000 resulting in a loss on debt extinguishment of $113,353. The $3,000,000 was redeemed through the issuance of 10,140,983 common shares.

Total finance interest expense, which includes interest paid, accretion and accrued interest was $315,250 and $632,347, respectively (three and six months ended June 30, 2012 - $570,499) for the three and six month period ended June 30, 2013.

Subsequently, the debentures were repaid in full (see note 18(iii)).

8. Share capital

a) Authorized share capital:

At June 30, 2013, 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 June 30, 2013, the issued share capital amounted to $73,266,926. The change in issued share capital for the periods presented was as follows:

	Number of common shares	Amount
Balance, December 31, 2011	**78,077,743**	**$ 24,841,726**
Exercise of stock options	2,000,000	100,000
Fair value of exercise of stock options	-	67,642
Subscription receipts, net of issue costs (note 3(i))	36,666,700	9,787,952
Shares issued for severance payments (note 3(iv))	3,260,000	978,000
Conversion of debenture (note 3(i))	10,140,983	3,042,295
Shares issued in connection with subscription receipts (note 3(ii))	1,166,667	350,000
Cancellation of ColCan Energy Corp. securities (note 3(i))	(131,312,093)	-
Common shares of Sintana issued in exchange for ColCan Energy Corp. securities (note 3(i))	196,968,134	-
Common shares of Sintana issued and outstanding at date of reverse acquisition (May 17, 2012)	113,664,369	34,099,311
Balance, June 30, 2012	**310,632,503**	**$ 73,266,926**
Balance, December 31, 2012 and June 30, 2013	**310,632,503**	**$ 73,266,926**

(Expressed in Canadian Dollars, Unless Otherwise Stated)

9. Warrants

The following table reflects the continuity of warrants for the periods presented:

	Number of warrants	Weighted average exercise price ($)	Fair value	
Balance, December 31, 2011	**16,250,000**	**0.48**	**$ 3,066,525**	
Cancelled on business acquisition (note 3(i))	(16,250,000)	0.48	(3,066,525)	
Warrants of Sintana issued and outstanding at May 17, 2012 (note 3(i)(a))	21,080,000	0.75	21,080	October 2012
Warrants of Sintana issued and outstanding at May 17, 2012 (note 3(i)(a))	2,366,700	0.50	9,467	October 2012
Issued (i)	7,500,000	0.27	1,951,844	August 1, 2013
Issued (i)	15,000,000	0.34	990,828	August 9, 2013
Issued (i)	1,875,000	0.34	123,853	August 9, 2013
Balance, June 30, 2012	**47,821,700**	**0.52**	**$ 3,097,072**	
Balance, December 31, 2012 and June 30, 2013	**24,375,000**	**0.32**	**$ 3,066,525**	

(i) The fair value of the warrants issued to former ColCan warrant holders was estimated using the Black-Scholes option pricing model based on the following assumptions: volatility - 138%, risk-free interest rate - 0.93%, expected life - 2 years, share price - $0.30 and dividend yield - nil%.

The following table reflects the actual warrants issued and outstanding as of June 30, 2013:

Expiry date	Exercise price ($)	Warrants outstanding	Fair value
August 1, 2013	0.27	7,500,000	$ 1,951,844
August 9, 2013	0.34	16,875,000	1,114,681
		24,375,000	**$ 3,066,525**

(Expressed in Canadian Dollars, Unless Otherwise Stated)

10. Stock options

The following table reflects the continuity of stock options for the periods presented:

	Number of stock options	Weighted average exercise price ($)
Balance, December 31, 2011	**6,410,000**	**0.13**
Exercised (i)	(2,000,000)	0.05
Granted (ii)	20,000	0.40
Granted (iii)	200,000	0.40
Cancelled on business acquisition (note 3(i))	(4,630,000)	0.40
Stock options of Sintana issued and outstanding at May 17, 2012 (note 3(i)(b))	50,000	0.10
Stock options of Sintana issued and outstanding at May 17, 2012 (note 3(i)(b))	50,000	0.135
Stock options of Sintana issued and outstanding at May 17, 2012 (note 3(i)(b))	2,700,000	0.49
Stock options of Sintana issued and outstanding at May 17, 2012 (note 3(i)(b))	6,650,000	0.20
Granted (iv)	6,945,000	0.27
Balance, June 30, 2012	**16,395,000**	**0.28**
Balance, December 31, 2012	**18,245,000**	**0.27**
Granted (v)	3,400,000	0.20
Balance, June 30, 2013	**21,645,000**	**0.26**

(i) 2,000,000 stock options were exercised at a price of $0.05. The Company received gross proceeds of $100,000.

(ii) On March 2, 2012, the Company issued 20,000 options (30,000 options post-conversion) to eligible persons vesting equally over a three year period, with an exercise price of $0.40 per share and expiry date of March 2, 2017. For the purposes of the 20,000 options, the fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 133%; risk-free interest rate of 1.30%; and an expected average life of five years.

(iii) On April 25, 2012, the Company issued 200,000 options (300,000 options post-conversion) to eligible persons vesting equally over a three year period, with an exercise price of $0.40 per share and expiry date of April 25, 2017. 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: expected dividend yield of 0%; expected volatility of 133%; risk-free interest rate of 1.62%; and an expected average life of five years.

(iv) On May 17, 2012, the Company granted a total of 6,945,000 stock options to former ColCan stock option holders. The awarded options are exercisable at $0.27 per share. For the purposes of the 6,945,000 options, the fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 133% to 138%; risk-free interest rate of 1.30% to 2.67%; and an expected average life of five years. The options were valued at $1,643,919. For the three and six months ended June 30, 2013, the impact on expenses was $nil (three and six months ended June 30, 2012 - $418,565) and was included in salaries and benefits (share-based payments).

(Expressed in Canadian Dollars, Unless Otherwise Stated)

10. Stock options (continued)

(v) On April 29, 2013, the Company granted a total of 3,400,000 stock options to four officers of the Company. The options have an exercise price of $0.20, vest in three equal tranches over the next 24 months and expire on April 29, 2018. For the purposes of the 3,400,000 options, the fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 130%; risk-free interest rate of 1.18%; and an expected average life of five years. The options were valued at $319,600. $134,115 was expensed to salaries and benefits (share-based payments) and as an addition to contributed surplus for the three and six months ended June 30, 2013.

The following table reflects the actual stock options issued and outstanding as of June 30, 2013:

Expiry date	Exercise price ($)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)	Number of options unvested
September 30, 2013	0.10	0.25	50,000	50,000	-
August 18, 2015	0.135	2.13	50,000	50,000	-
April 19, 2016	0.27	2.81	6,615,000	6,615,000	-
May 11, 2016	0.49	2.87	2,700,000	2,700,000	-
December 20, 2016	0.20	3.48	6,500,000	4,333,333	2,166,667
March 2, 2017	0.27	3.67	30,000	30,000	-
April 25, 2017	0.27	3.82	300,000	300,000	-
November 28, 2017	0.20	4.42	2,000,000	666,667	1,333,333
April 29, 2018	0.20	4.83	3,400,000	1,133,333	2,266,667
		3.49	**21,645,000**	**15,878,333**	**5,766,667**

11. Net (loss) income per share

The calculation of basic and diluted loss per share for the three and six months ended June 30, 2013 was based on the (loss) income attributable to common shareholders of $(2,515,015) and $923,510, respectively (three and six months ended June 30, 2012 - loss of $38,403,606 and $38,837,766, respectively) and the weighted average number of common shares outstanding of 310,632,503 (three and six months ended June 30, 2012 - 208,640,784 and 161,152,577) for basic and diluted loss per share. Diluted loss did not include the effect of warrants and options for the three and six months ended June 30, 2013 and for the three and six months ended June 30, 2012, as they are anti-dilutive.

(Expressed in Canadian Dollars, Unless Otherwise Stated)

12. Exploration and evaluation expenditures

	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Colombia				
Acquisition costs	**$ -**	$ 31,185,394	**$ -**	$ 31,185,394
Salaries and benefits	**478,022**	129,009	**830,944**	129,009
Drilling / Seismic	**308,505**	3,571,733	**814,845**	3,571,733
Administrative and general	**28,034**	29,359	**105,255**	29,359
Other	**(248,621)**	97,158	**202,582**	252,880
Professional fees	**141,900**	21,590	**171,037**	21,590
Recovery of costs	**(3,672,466)**	-	**(4,052,450)**	-
	$ (2,964,626)	$ 35,034,243	**$ (1,927,787)**	$ 35,189,965
Peru				
Professional fees	**$ 49,198**	$ 4,282	**$ 65,248**	$ 4,282
Other	**37,067**	-	**43,398**	-
	$ 86,265	$ 4,282	**$ 108,646**	$ 4,282
	$ (2,878,361)	$ 35,038,525	**$ (1,819,141)**	$ 35,194,247

(i) On April 19, 2013, Patriot Energy Oil & Gas Inc. ("Patriot"), wholly-owned by the Company, entered into an amendment to the Hydrocarbon Exploration and Production Contract for the VMM-37 Block (the "Contract") with the Agencia Nacional de Hidrocarburos of Colombia ("ANH") and ExxonMobil Exploration Colombia Limited ("Exxon"), a wholly-owned subsidiary of ExxonMobil Corporation ("ExxonMobil").

The amendment, which was approved on April 3, 2013, allows Patriot to assign seventy percent (70%) of the participating interest, rights and obligations and the operation of the Contract to ExxonMobil for the exploration and development of unconventional oil and gas resources underlying the 43,000 acre VMM-37 Block in Colombia's Middle Magdalena Basin.

Patriot will retain the remaining 30% participating interest in the unconventional resources as well as its current 100% participation interest in the conventional resources overlying the top of the unconventional interval.

In accordance with the Farmout Agreement between Patriot and ExxonMobil, the following cash related transactions were set in motion:

- On April 29, 2013, the Company received US$3,750,000 as the second of two equal payments (total payments - US$7,500,000) for reimbursement of costs incurred prior to the closing date of the Farmout Agreement;
- Initiation of an application to the ANH for transfer of Work Program performance guarantees on VMM-37 to Exxon which will result in a release of the Company's financial responsibility for the guarantees. As a result, the restriction placed on US$4,300,000 of Company cash will be cancelled (see note 18(i)).

(Expressed in Canadian Dollars, Unless Otherwise Stated)

13. General and administrative

	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Transaction costs (note 3(i))	**$ -**	$ 592,392	**$ -**	$ 592,392
Salaries and benefits	**458,677**	416,459	**670,840**	416,459
Consulting fees	**-**	1,168,224	**-**	1,338,087
Professional fees	**108,577**	170,356	**173,330**	154,091
Administrative and general	**23,311**	150,249	**96,106**	214,344
Travel and accommodation	**30,166**	74,852	**86,434**	104,852
Reporting issuer costs	**7,617**	643	**34,135**	643
Depreciation	**-**	5,154	**-**	5,154
Interest (income) expense	**(1,155)**	45,766	**(1,390)**	56,369
	$ 627,193	$ 2,624,095	**$ 1,059,455**	$ 2,882,391

14. Related party transactions and balances

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

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

	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Salaries and benefits (1)	**$ 512,326**	$ 180,224	**$ 843,733**	$ 335,087
Share-based payments	**$ 157,352**	$ 2,285,450	**$ 180,590**	$ 2,285,450

(1) Salaries and benefits include director fees. During the three and six months ended June 30, 2013, $258,875 and $432,424, respectively (three and six months ended June 30, 2012 - $nil) of salaries and benefits expense was included in exploration and evaluation expenditures. $237,795 is included in accounts receivable and other assets at June 30, 2013 (December 31, 2012 - $252,327).

(b) The Company entered into the following transactions with related parties:

For the three and six months ended June 30, 2013, the Company expensed $18,494 and $34,034, respectively (three and six months ended June 30, 2012 - $nil) to Marrelli Support Services Inc. ("Marrelli Support") for the services of Carmelo Marrelli to act as Chief Financial Officer of the Company and for outsourced bookkeeping services. Mr. Marrelli is the president of Marrelli Support. $5,954 is included in accounts payable and other liabilities at June 30, 2013 (December 31, 2012 - $12,813).

For the three and six months ended June 30, 2013, the Company expensed $2,730 and $6,397, respectively (three and six months ended June 30, 2012 - $nil) to DSA Corporate Services Inc. ("DSA") for corporate secretarial services. DSA is a private company controlled by Carmelo Marrelli. Mr. Marrelli is also the corporate secretary and sole director of DSA. $1,441 is included in accounts payable and other liabilities at June 30, 2013 (December 31, 2012 - $1,387).

(Expressed in Canadian Dollars, Unless Otherwise Stated)

15. Segmented information

The Company's operations comprise a single reporting operating segment engaged in oil and natural gas exploration in South America. The Company has administrative and / or operating offices in Toronto, Canada; Plano, Texas; and Bogota, Colombia. Segmented information on a geographic basis is as follows:

June 30, 2013	Canada	United States	Colombia	Peru	Total
Cash and cash equivalents	$ 6,876,231	$ 196,848	$ 257,854	$ 15	$ 7,330,948
Accounts receivable and other assets	230,895	35,927	507,895	7,171	781,888
Restricted cash	4,522,740	-	8,178	-	4,530,918
Total assets	$ 11,629,866	$ 232,775	$ 773,927	$ 7,186	$ 12,643,754

December 31, 2012	Canada	United States	Colombia	Peru	Total
Cash and cash equivalents	$ 5,098,850	$ 131,809	$ 724,486	$ 21	$ 5,955,166
Accounts receivable and other assets	931,575	24,982	170,603	6,078	1,133,238
Restricted cash	4,278,070	-	22,990	-	4,301,060
Total assets	$ 10,308,495	$ 156,791	$ 918,079	$ 6,099	$ 11,389,464

16. Commitments and contingencies

(i) In conjunction with the Farmout Agreement with Exxon, RBC required that the Company co-sign with Exxon on a letter of guarantee, in the amount of US$4,000,000, related to the ANH secured performance warranties (see note 18(i)).

(ii) During the year ended December 31, 2012, the Company entered into a financial advisory services agreement under which 3.3 million warrants would be earned if contractual services were provided. The Company believes no such services were provided, no warrants have been earned, and therefore no provision has been made as at and for the six months ended June 30, 2013.

The fair value of the 3.3 million warrants was estimated at $365,679 using the Black-Scholes option pricing model based on the following assumptions: volatility - 122%, risk-free interest rate - 1.14%, expected life - 2 years, share price - $0.19 and dividend yield - nil%.

17. Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data or other means. Level 3 inputs are unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

(Expressed in Canadian Dollars, Unless Otherwise Stated)

17. Fair value measurements (continued)

(a) Assets and liabilities measure at fair value on a recurring basis:

As at June 30, 2013	Quoted prices in active markets for identical assets (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)	Aggregate fair value
Cash and cash equivalents	$ 7,330,948	$ -	$ -	**$ 7,330,948**
Debentures	$ -	$ -	$ 5,645,916	**$ 5,645,916**

(b) Fair values of financial assets and liabilities:

As at	June 30, 2013		December 31, 2012	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Financial assets				
Cash and cash equivalents	**$ 7,330,948**	**$ 7,330,948**	$ 5,955,166	$ 5,955,166
Accounts receivable	**551,874**	**551,874**	856,337	856,337
Restricted cash	**4,530,918**	**4,530,918**	4,301,060	4,301,060
	$ 12,413,740	**$ 12,413,740**	$ 11,112,563	$ 11,112,563
Financial liabilities				
Accounts payable and other liabilities	**$ 1,218,199**	**$ 1,218,199**	$ 1,709,534	$ 1,709,534
Debentures	**5,645,916**	**5,645,916**	5,042,416	5,042,416
	$ 6,864,115	**$ 6,864,115**	$ 6,751,950	$ 6,751,950

The Company does not offset financial assets with financial liabilities.

Valuation technique

Debentures - Level 3
The fair value of debentures is determined based on amortized cost using the effective interest rate method.

18. Subsequent events

(i) On July 30, 2013, the ANH formally approved the release of the Company's responsibility for the remaining $4,300,000 warranty related to VMM-37 (see note 16(i)). On August 7, 2013, the guaranteed investment certificates were released (see note 4).

(ii) On August 1, 2013, 7,500,000 warrants with an exercise price of $0.27 expired unexercised.

(iii) On August 1, 2013, all debentures were repaid in full.

(iv) On August 9, 2013, 16,875,000 warrants with an exercise price of $0.34 expired unexercised.

18. Subsequent events (continued)

(v) On August 28, 2013, the Company completed an Exploration and Production Termination Agreement (the "Termination Agreement") with three Faulkner entities; Faulkner Exploration Inc., Faulkner Exploration Inc., S.A. and Faulkner Exploration and Production, Inc.

Under the Termination Agreement, Sintana's undivided 25% rights and obligations with respect to the Bayovar Block (Exploration Permit XXVII) located in the Sechura Basin, onshore Peru were terminated in exchange for a cash payment to Sintana of US$2,000,000.

CORPORATE INFORMATION

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Doug Manner, CEO & Director
Grant Fagerheim, Director
Ron MacMicken, Director
Bruno C. Maruzzo, Director

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

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Grant Fagerheim, Director
Bruno Maruzzo, Director

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