



SINTANA
ENERGY

FS|Q3 2019

SEI|TSX-V

SINTANA ENERGY INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019

(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.

Exploring a better way™

A Colombia Focused Exploration Company

Sintana Energy Inc.

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

	As at September 30, 2019	As at December 31, 2018
ASSETS		
Current assets		
Cash and cash equivalents (note 3)	\$ 230,522	\$ 517,379
Accounts receivable and other assets (note 4)	15,978	43,153
Total assets	\$ 246,500	\$ 560,532
DEFICIT AND LIABILITIES		
Current liabilities		
Accounts payable and other liabilities (notes 5 and 14)	\$ 587,576	\$ 700,487
Deferred compensation (note 14)	4,488,588	3,777,189
Asset retirement obligation	102,312	102,312
Total current liabilities	5,178,476	4,579,988
Non-current liabilities		
Convertible debentures (note 6)	73,317	396,203
Total liabilities	5,251,793	4,976,191
Shareholders' deficiency	(5,005,293)	(4,415,659)
Total shareholders' deficiency and liabilities	\$ 246,500	\$ 560,532

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

Nature of operations and going concern (note 1)
Contingencies (note 16)

Sintana Energy Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars, Unless Otherwise Stated)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Operating expenses				
Exploration and evaluation expenditures (note 12)	\$ 14,713	\$ 53,053	\$ 47,879	\$ 95,277
General and administrative (notes 13 and 14)	372,943	331,743	1,167,532	1,093,488
Finance interest expense (note 6)	8,291	18,822	49,524	18,822
Foreign exchange loss (gain)	51,397	(72,552)	(126,118)	86,492
Net loss before write-down of accounts payable and loss on conversion	(447,344)	(331,066)	(1,138,817)	(1,294,079)
Loss on conversion (note 6)	(83,566)	-	(83,566)	-
Write-down of accounts payable (note 5)	14,029	-	42,086	-
Net loss and comprehensive loss for the period	\$ (516,881)	\$ (331,066)	\$ (1,180,297)	\$ (1,294,079)
Loss per share - basic and diluted (note 11)	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding - basic and diluted (note 11)	118,044,490	117,538,326	117,982,024	117,331,325

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)

	Nine Months Ended September 30,	
	2019	2018
Operating activities		
Net loss for the period	\$ (1,180,297)	\$ (1,294,079)
Adjustment for:		
Accretion on convertible debentures (note 6)	17,229	9,134
Accrued interest on convertible debentures (note 6)	32,295	9,688
Loss on conversion (note 6)	83,566	-
Share-based compensation (notes 9 and 10)	134,687	22,650
Write-down of accounts payable (note 5)	(42,086)	-
Non-cash working capital items:		
Accounts receivable and other assets	27,175	30,102
Accounts payable and other liabilities	(70,825)	(1,578)
Deferred compensation	711,399	879,670
Net cash used in operating activities	(286,857)	(344,413)
Financing activities		
Proceeds from convertible debentures (note 6)	-	650,000
Share issue costs	-	(25,897)
Net cash provided by financing activities	-	624,103
Net change in cash and cash equivalents	(286,857)	279,690
Cash and cash equivalents, beginning of period	517,379	335,600
Cash and cash equivalents, end of period	\$ 230,522	\$ 615,290

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 Shareholders' Deficiency
(Expressed in Canadian Dollars, Unless Otherwise Stated)
(Unaudited)

	Number of common shares #	Share capital	Shares to be issued	Warrants	Contributed surplus	Conversion feature and convertible debt	Deficit	Total
Balance, December 31, 2017	117,227,824	\$ 77,644,457	\$ -	\$ -	\$ 5,092,219	\$ -	\$(85,598,994)	\$ (2,862,318)
Shares issued (note 7(b)(i))	416,666	25,000	-	-	-	-	-	25,000
Convertible debentures (note 6)	-	-	-	191,928	-	196,957	-	388,885
Share-based compensation (note 9)	-	-	-	-	22,650	-	-	22,650
Net loss and comprehensive loss for the period	-	-	-	-	-	-	(1,294,079)	(1,294,079)
Balance, September 30, 2018	117,644,490	\$ 77,669,457	\$ -	\$ 191,928	\$ 5,114,869	\$ 196,957	\$(86,893,073)	\$ (3,719,862)
Balance, December 31, 2018	117,644,490	\$ 77,669,457	\$ -	\$ 74,233	\$ 5,183,209	\$ 161,790	\$(87,504,348)	\$ (4,415,659)
Restricted shares vested and converted to common shares (note 10)	400,000	36,000	-	-	(36,000)	-	-	-
Conversion of convertible debentures (note 6)	-	-	592,875	-	-	(136,899)	-	455,976
Share-based compensation (notes 9 and 10)	-	-	-	-	134,687	-	-	134,687
Net loss and comprehensive loss for the period	-	-	-	-	-	-	(1,180,297)	(1,180,297)
Balance, September 30, 2019	118,044,490	\$ 77,705,457	\$ 592,875	\$ 74,233	\$ 5,281,896	\$ 24,891	\$(88,684,645)	\$ (5,005,293)

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

Sintana Energy Inc.

Notes to Condensed Interim Consolidated Financial Statements Three and Nine Months Ended September 30, 2019 (Expressed in Canadian Dollars, Unless Otherwise Stated) (Unaudited)

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 ("TSXV"), with offices in Toronto, Canada; and Dallas, Texas. The trading symbol of the Company is SEI. The Company is targeting assets in Colombia's Magdalena Basin. 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 The Canadian Venture Building, 82 Richmond Street East, Toronto, Ontario, Canada, M5C 1P1.

Sintana is at an early stage of development and as is common with similar exploration companies, it raises financing for its property acquisition and exploration activities. Sintana has not incurred any operating income in the current and prior periods. For the nine months ended September 30, 2019, the Company incurred a loss of \$1,180,297 and had an accumulated deficit of \$88,684,645. Sintana had a working capital deficit of \$4,931,976 at September 30, 2019 (December 31, 2018 - working capital deficit of \$4,019,456).

These unaudited condensed interim consolidated financial statements have been prepared on a basis which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern. The certainty of funding future exploration expenditures and availability of additional financing sources cannot be assured at this time. These uncertainties 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 obtaining additional financing and eventually achieving profitable production.

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 November 26, 2019, the date the Board of Directors approved these financial 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, 2018, 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, 2019 could result in restatement of these unaudited condensed interim consolidated financial statements.

New standard adopted during the period

IFRIC 23 – Uncertainty Over Income Tax Treatments ("IFRIC 23") was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistent with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. At January 1, 2019, the Company adopted this standard and there was no material impact on the Company's unaudited condensed interim consolidated financial statements.

Sintana Energy Inc.

Notes to Condensed Interim Consolidated Financial Statements
Three and Nine Months Ended September 30, 2019
(Expressed in Canadian Dollars, Unless Otherwise Stated)
(Unaudited)

3. Cash and cash equivalents

	As at September 30, 2019	As at December 31, 2018
Cash	\$ 230,522	\$ 517,379

4. Accounts receivable and other assets

	As at September 30, 2019	As at December 31, 2018
Accounts receivable	\$ 7,578	\$ 15,193
Prepays and other advances	8,400	27,960
	\$ 15,978	\$ 43,153

5. Accounts payable and other liabilities

Accounts payable and other liabilities of the Company are principally comprised of amounts outstanding relating to exploration and evaluation expenditures, general operating and administrative activities and a dormant arbitration of disputed joint venture cash calls:

	As at September 30, 2019	As at December 31, 2018
Accounts payable	\$ 17,855	\$ 12,114
Accrued liabilities	569,721	688,373
	\$ 587,576	\$ 700,487

The following is an aged analysis of accounts payable and other liabilities:

	As at September 30, 2019	As at December 31, 2018
Less than 1 month	\$ 43,236	\$ 82,698
1 to 3 months	1,130	-
Greater than 3 months	543,210	617,789
	\$ 587,576	\$ 700,487

During the three and nine months ended September 30, 2019, the Company recorded a write-down of accounts payable of \$14,029 and \$42,086, respectively (three and nine months ended September 30, 2018 - \$nil) in the unaudited condensed interim consolidated statements of loss and comprehensive loss.

Sintana Energy Inc.

Notes to Condensed Interim Consolidated Financial Statements Three and Nine Months Ended September 30, 2019 (Expressed in Canadian Dollars, Unless Otherwise Stated) (Unaudited)

6. Convertible debentures

On July 24, 2018, the Company closed a financing pursuant to which it issued senior convertible debentures (the "Debentures") in the principal amount of \$650,000 and 5,720,000 warrants to a private investor. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of \$0.10 for a period of three years.

The Debentures have a term of five years and an annual interest rate of 8%. The principal amount thereof may be converted into common shares of the Company at the option of the holder at a conversion price of \$0.07 per share during the first year following closing (the "Initial Conversion Price") and \$0.10 thereafter (the "Conversion Price"). Commencing two years after the date of closing, the Company may elect to redeem part or all of the remaining Debentures balance. The Debentures are also automatically convertible into common shares of the Company at the applicable Conversion Price in the event the closing price of the common shares exceeds 500% of the then applicable Conversion Price for 40 of 60 consecutive trading days.

While the Debentures remain outstanding, the holder is entitled to appoint one nominee to the Board of Directors of the Company.

The fair value of the 5,720,000 warrants issued with the Debentures was estimated at \$191,928 using the Black-Scholes option pricing model based on the following assumptions: volatility - 115% using the historical price history of the Company, risk-free interest rate - 2.04%, expected life - 3 years, share price - \$0.10 and dividend yield - nil%.

On July 16, 2019, the Company announced that it had received a notice of partial conversion (the "Notice") in respect of the Debenture in the principal amount of \$650,000 issued on July 24, 2018. Interest is also convertible under the Debenture at the election of the holder, subject to the approval of the TSXV. The Notice provided for conversion of (i) \$550,000 of the principal amount of the Debenture at the Initial Conversion Price in exchange for the issuance of 7,857,143 common shares of the Company; and (ii) \$42,874 of interest owing under the Debenture at a conversion price of \$0.075 per share in exchange for the issuance of 571,664 common shares of the Company. The partial conversion of the Debenture resulted in a loss on conversion \$83,566 which was recorded in the unaudited condensed interim consolidated statements of loss and comprehensive loss.

Movement in the Debenture was as follows:

	Amount
Balance, December 31, 2018	\$ 396,203
Conversion to shares to be issued	(372,410)
Accrued interest	32,295
Accretion expense	17,229
Balance, September 30, 2019	\$ 73,317

7. Share capital

a) Authorized share capital:

At September 30, 2019, 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.

Sintana Energy Inc.

Notes to Condensed Interim Consolidated Financial Statements
Three and Nine Months Ended September 30, 2019
(Expressed in Canadian Dollars, Unless Otherwise Stated)
(Unaudited)

7. Share capital (continued)

b) Common shares issued:

At September 30, 2019, the issued share capital amounted to \$77,705,457. The change in issued share capital for the periods presented was as follows:

	Number of common shares	Amount
Balance, December 31, 2017	117,227,824	\$ 77,644,457
Shares issued (i)	416,666	25,000
Balance, September 30, 2018	117,644,490	\$ 77,669,457
Balance, December 31, 2018	117,644,490	\$ 77,669,457
Restricted shares vested and converted to common shares (note 10)	400,000	36,000
Balance, September 30, 2019	118,044,490	\$ 77,705,457

(i) On July 24, 2018, the Company issued 416,666 common shares at a share price of \$0.06 (valued at \$25,000) for services received for the Debentures.

8. Warrants

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

	Number of warrants	Weighted average exercise price
Balance, December 31, 2017	-	\$ -
Warrants issued with Debentures (note 6)	5,720,000	0.10
Balance, September 30, 2018	5,720,000	\$ 0.10
Balance, December 31, 2018 and September 30, 2019	5,720,000	\$ 0.10

The following table reflects the actual warrants issued and outstanding as of September 30, 2019:

Expiry date	Exercise price	Warrants outstanding	Fair value
July 24, 2021	\$ 0.10	5,720,000	\$ 74,233

Sintana Energy Inc.

Notes to Condensed Interim Consolidated Financial Statements
 Three and Nine Months Ended September 30, 2019
 (Expressed in Canadian Dollars, Unless Otherwise Stated)
 (Unaudited)

9. Stock options

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

	Number of stock options outstanding	Weighted average exercise price
Balance, December 31, 2017	6,844,744	\$ 0.23
Expired	(944,744)	0.73
Granted (i)	450,000	0.10
Balance, September 30, 2018	6,350,000	\$ 0.14

Balance, December 31, 2018 and September 30, 2019	10,200,000	\$ 0.13
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(i) On June 8, 2018, the Company granted a total of 450,000 stock options to certain directors of the Company. The options have an exercise price of \$0.10, vest in three equal tranches over the next 24 months and expire on June 8, 2023. The fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 125.78%; risk-free interest rate of 2.15%; and an expected average life of 5 years. The options were valued at \$21,780, \$908 and \$5,876, respectively (three and nine months ended September 30, 2018 - \$2,723 and \$10,699, respectively) was expensed to salaries and benefits (share-based compensation) and as an addition to contributed surplus during the three and nine months ended September 30, 2019.

(ii) Share-based compensation included in salaries and benefits expense includes \$23,359 and \$70,077, respectively (three and nine months ended September 30, 2018 - \$1,158 and \$11,951, respectively) relating to stock options granted in previous years in accordance with their respective vesting terms, during the three and nine months ended September 30, 2019.

The following table reflects the actual stock options issued and outstanding as of September 30, 2019:

Expiry date	Exercise price	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)	Number of options unvested
December 21, 2019	\$0.15	0.22	200,000	200,000	-
November 5, 2020	\$0.18	1.10	3,550,000	3,550,000	-
July 19, 2021	\$0.10	1.80	2,150,000	2,150,000	-
June 4, 2023	\$0.10	3.69	450,000	300,000	150,000
December 18, 2023	\$0.10	4.22	3,850,000	1,283,333	2,566,667
		2.52	10,200,000	7,483,333	2,716,667

Sintana Energy Inc.

Notes to Condensed Interim Consolidated Financial Statements Three and Nine Months Ended September 30, 2019 (Expressed in Canadian Dollars, Unless Otherwise Stated) (Unaudited)

10. Restricted share units ("RSUs")

The grant date fair value of RSUs equals the fair market value of the corresponding shares at the grant date. The fair value of these equity-settled awards is recognized as compensation expense with a corresponding increase in equity. The total amount expensed is recognized over the vesting period, which is the period over which all the specified vesting conditions should be satisfied. RSUs are converted into common shares when vested.

During the nine months ended September 30, 2019, the Company granted 800,000 RSUs to four officers of the Company. These RSUs vest as follows: one-half of the RSUs vest immediately and one-half vest on the first anniversary. In relation to this grant, compensation for the three and nine months ended September 30, 2019 was \$9,000 and \$58,734, respectively.

During the three and nine months ended September 30, 2019, nil and 400,000 RSUs, respectively vested and converted to common shares with a value of \$nil and \$36,000, respectively.

As of September 30, 2019, there were 400,000 RSUs outstanding. The weighted average fair value of RSUs granted during the nine months ended September 30, 2019 was \$0.09.

11. Net loss per share

The calculation of basic and diluted loss per share for the three and nine months ended September 30, 2019 was based on the loss attributable to common shareholders of \$516,881 and \$1,180,297, respectively (three and nine months ended September 30, 2018 - loss of \$331,066 and \$1,294,079, respectively) and the weighted average number of common shares outstanding of 118,044,490 and 117,982,024, respectively (three and nine months ended September 30, 2018 - 117,538,326 and 117,331,325, respectively). Diluted loss per share did not include the effect of options, warrants, RSUs, Debenture and shares to be issued for the three and nine months ended September 30, 2019 and 2018 as they were anti-dilutive or not in the money.

12. Exploration and evaluation expenditures

	Three Months Ended September 30, 2019		2018		Nine Months Ended September 30, 2019		2018	
Magdalena Basin, Colombia								
Professional fees	\$	3,608	\$	35,819	\$	11,728	\$	59,937
Administrative and general		11,105		17,234		36,151		35,340
	\$	14,713	\$	53,053	\$	47,879	\$	95,277

13. General and administrative

	Three Months Ended September 30, 2019		2018		Nine Months Ended September 30, 2019		2018	
Salaries and benefits (notes 9, 10 and 14)	\$	311,493	\$	274,548	\$	974,957	\$	823,333
Professional fees (note 14)		48,578		33,638		139,909		195,895
Administrative and general		10,901		11,867		38,202		38,948
Reporting issuer costs		1,971		8,108		14,464		25,037
Travel expenses	-	-	-	3,582	-	-	-	10,352
Interest and other income		-		-		-		(77)
	\$	372,943	\$	331,743	\$	1,167,532	\$	1,093,488

Sintana Energy Inc.

Notes to Condensed Interim Consolidated Financial Statements Three and Nine Months Ended September 30, 2019 (Expressed in Canadian Dollars, Unless Otherwise Stated) (Unaudited)

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.

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

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Salaries and benefits ⁽¹⁾⁽³⁾	\$ 272,478	\$ 264,787	\$ 822,582	\$ 783,246
Share-based compensation ⁽²⁾	\$ 32,265	\$ 3,676	\$ 134,687	\$ 21,170

⁽¹⁾ Salaries and benefits include director fees. Balances for deferred compensation due to directors and key management personnel of \$4,488,588 are included in deferred compensation as at September 30, 2019 (December 31, 2018 - \$3,777,189) and include the retiring allowance payable to Lee A. Pettigrew (refer to note 14(a)⁽³⁾).

⁽²⁾ Share-based compensation is recorded in salaries and benefits under general and administrative.

⁽³⁾ Effective as of July 31, 2016, the employment by the Company of Lee A. Pettigrew, Vice President - Canadian Operations, ceased. Pursuant to his employment agreement, Mr. Pettigrew is entitled to 12 months base salary (\$264,860 (US\$200,000)) as a retiring allowance. This amount is included as deferred compensation.

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

For the three and nine months ended September 30, 2019, the Company paid professional fees and disbursements of \$15,488 and \$44,898, respectively (three and nine months ended September 30, 2018 - \$15,583 and \$46,649, respectively) to Marrelli Support Services Inc. ("Marrelli Support"), an organization of which Carmelo Marrelli is president. Carmelo Marrelli is the Chief Financial Officer of the Company. These services were incurred in the normal course of operations for general accounting and financial reporting matters. Marrelli Support also provides bookkeeping services to the Company. All services were made on terms equivalent to those that prevail with arm's length transactions. An amount of \$5,795 is included in accounts payable and other liabilities as at September 30, 2019 (December 31, 2018 - \$9,458).

For the three and nine months ended September 30, 2019, the Company paid professional fees and disbursements of \$960 and \$2,663, respectively (three and nine months ended September 30, 2018 - \$1,552 and \$6,155, respectively) to DSA Corporate Services Inc. ("DSA"), an organization which Carmelo Marrelli controls. Carmelo Marrelli is also the corporate secretary and sole director of DSA. These services were incurred in the normal course of operations of corporate secretarial matters. All services were made on terms equivalent to those that prevail with arm's length transactions. As at September 30, 2019, DSA was owed \$186 (December 31, 2018 - \$2,246) and this amount is included in accounts payable and other liabilities.

Sintana Energy Inc.

Notes to Condensed Interim Consolidated Financial Statements
Three and Nine Months Ended September 30, 2019
(Expressed in Canadian Dollars, Unless Otherwise Stated)
(Unaudited)

15. Segmented information

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

September 30, 2019	Canada	United States	Colombia	Total
Cash and cash equivalents	\$ 135,261	\$ 90,838	\$ 4,423	\$ 230,522
Accounts receivable and other assets	15,978	-	-	15,978
Total assets	\$ 151,239	\$ 90,838	\$ 4,423	\$ 246,500

December 31, 2018	Canada	United States	Colombia	Total
Cash and cash equivalents	\$ 380,572	\$ 135,873	\$ 934	\$ 517,379
Accounts receivable and other assets	43,153	-	-	43,153
Total assets	\$ 423,725	\$ 135,873	\$ 934	\$ 560,532

16. Contingencies

(a) Farmout agreement arbitration

On March 20, 2015, Canacol Energy Inc. ("Canacol") advised the Company that it had exercised its right to terminate the Farmout Agreement for each of the COR-11 and COR-39 Blocks. The Company concurred in writing that the Farmout Agreements had terminated. Canacol also contends that it has the right to recover certain historical costs with which the Company disagrees. Management is currently evaluating this matter and, together with legal counsel and other experts, assessing its potential options and alternatives with respect to these costs.

CORPORATE INFORMATION

DIRECTORS

Keith Spickelmier, Executive Chairman
Douglas Manner, CEO & Director
Bruno Maruzzo, Independent Director
Dean Gendron, Independent Director
Robert Bose, Independent Director

OFFICERS

Douglas Manner, Chief Executive Officer
David Cherry, President & COO
Carmelo Marrelli, Chief Financial Officer
Sean Austin, VP, Controller, Secretary & Treasurer

AUDIT COMMITTEE

Bruno Maruzzo, Independent Director (Chair)
Dean Gendron, Independent Director
Robert Bose, Independent Director

UNITED STATES

Sintana Energy Inc.
5949 Sherry Lane, Suite 835
Dallas, Texas USA 75225

☎ 713.825.9591

✉ info@sintanaenergy.com

AUDITORS

MNP LLP Chartered Accountants
Toronto, Ontario

REGISTRAR AND TRANSFER AGENT

Computershare Trust Company of Canada
Toronto, Ontario

LEGAL COUNSEL

Cassels Brock, LLC
Toronto, Ontario

LISTING

Exchange: TSX Venture
Trading Symbol: SEI
Cusip Number: 82938H
Fiscal Year End: Dec 31

CANADA

Sintana Energy Inc.
82 Richmond Street East, Suite 201
Toronto, Ontario M5C 1P1

☎ 416.361.0737

☎ 416.361.0923