



**SINTANA**  
ENERGY

SEI | TSX-V



## 2019 ANNUAL REPORT

*CONSOLIDATED FINANCIAL STATEMENTS  
&  
MANAGEMENT DISCUSSION AND ANALYSIS*

Exploring a better way™

*A Colombia Focused Exploration Company*





**SINTANA**  
ENERGY

**FS|YE 2019**

**SEI|TSX-V**

**SINTANA ENERGY INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2019 AND 2018**

*(EXPRESSED IN CANADIAN DOLLARS, UNLESS OTHERWISE STATED)*

**AUDITED**

**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*

# Independent Auditor's Report

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To the Shareholders of Sintana Energy Inc.:

## Opinion

We have audited the consolidated financial statements of Sintana Energy Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and December 31, 2018, and the consolidated statements of loss and comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in shareholders' deficiency for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019 and December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

## Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates for the year ended December 31, 2019, the Company incurred a loss of \$1,323,698 and had an accumulated deficit of \$88,828,046. The Company had a working capital deficit of \$5,124,320 at December 31, 2019. As stated in Note 1, this indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Isabella Lee.

Mississauga, Ontario

March 10, 2020

*MNP LLP*

Chartered Professional Accountants

Licensed Public Accountants

**MNP**

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

<b>As at December 31,</b>	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 173,975	\$ 517,379
Accounts receivable and other assets (note 6)	30,152	43,153
<b>Total assets</b>	<b>\$ 204,127</b>	<b>\$ 560,532</b>
<b>DEFICIT AND LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (notes 7 and 18)	\$ 553,423	\$ 700,487
Deferred compensation (note 18)	4,672,712	3,777,189
Asset retirement obligation (note 9)	102,312	102,312
<b>Total current liabilities</b>	<b>5,328,447</b>	<b>4,579,988</b>
<b>Non-current liabilities</b>		
Convertible debentures (note 8)	74,385	396,203
<b>Total liabilities</b>	<b>5,402,832</b>	<b>4,976,191</b>
<b>Shareholders' deficiency</b>	<b>(5,198,705)</b>	<b>(4,415,659)</b>
<b>Total shareholders' deficiency and liabilities</b>	<b>\$ 204,127</b>	<b>\$ 560,532</b>

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

Nature of operations and going concern (note 1)

Contingency (note 20)

Subsequent events (note 21)

**Approved on behalf of the Board:**

(signed) "Douglas G. Manner", Director

(signed) "Bruno C. Maruzzo", Director

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**Sintana Energy Inc.****Consolidated Statements of Loss and Comprehensive Loss  
(Expressed in Canadian Dollars, Unless Otherwise Stated)**

<b>Year Ended December 31,</b>	<b>2019</b>	<b>2018</b>
<b>Operating expenses</b>		
Exploration and evaluation expenditures (note 15)	\$ 61,863	\$ 109,948
General and administrative (notes 16 and 18)	1,555,349	1,548,481
Finance interest expense (note 8)	53,099	33,122
Foreign exchange (gain) loss	(256,782)	277,453
<b>Net loss before gain of accounts payable</b>	<b>(1,413,529)</b>	<b>(1,969,004)</b>
Gain of accounts payable (note 7)	89,831	63,650
<b>Net loss and comprehensive loss for the year</b>	<b>\$ (1,323,698)</b>	<b>\$ (1,905,354)</b>
<b>Loss per share - basic and diluted (note 14)</b>	<b>\$ (0.01)</b>	<b>\$ (0.02)</b>
<b>Weighted average number of common shares outstanding</b>		
- basic and diluted (note 14)	121,901,116	117,410,472

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

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## Sintana Energy Inc.

### Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars, Unless Otherwise Stated)

<b>Year Ended December 31,</b>	<b>2019</b>	<b>2018</b>
<b>Operating activities</b>		
Net loss for the year	\$ (1,323,698)	\$ (1,905,354)
Adjustment for:		
Accretion on convertible debentures (note 8)	18,706	10,132
Accrued interest on convertible debentures (note 8)	34,393	22,990
Share-based compensation (notes 12 and 13)	165,735	90,990
Gain of accounts payable (note 7)	(89,831)	(63,650)
Non-cash working capital items:		
Accounts receivable and other assets	13,001	3,155
Accounts payable and accrued liabilities	(57,233)	68,101
Deferred compensation	895,523	1,331,311
<b>Net cash used in operating activities</b>	<b>(343,404)</b>	<b>(442,325)</b>
<b>Financing activities</b>		
Proceeds from convertible debentures (note 8)	-	650,000
Share issue costs (note 8)	-	(25,896)
<b>Net cash provided by financing activities</b>	<b>-</b>	<b>624,104</b>
<b>Net change in cash</b>	<b>(343,404)</b>	<b>181,779</b>
<b>Cash, beginning of year</b>	<b>517,379</b>	<b>335,600</b>
<b>Cash, end of year</b>	<b>\$ 173,975</b>	<b>\$ 517,379</b>
<b>Non-cash transactions</b>		
Issuance of shares as settlement of debt (note 10(b(i)))	\$ -	\$ 25,000
Issuance of shares for conversion of convertible debentures (note 8)	\$ 374,917	\$ -

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



## Sintana Energy Inc.

### Consolidated Statements of Changes in Shareholders' Deficiency (Expressed in Canadian Dollars, Unless Otherwise Stated)

	Number of common shares #	Share capital	Warrants	Contributed surplus	Conversion feature and convertible debt	Deficit	Total
<b>Balance, December 31, 2017</b>	<b>117,227,824</b>	<b>\$ 77,644,457</b>	<b>\$ -</b>	<b>\$ 5,092,219</b>	<b>\$ -</b>	<b>\$(85,598,994)</b>	<b>\$ (2,862,318)</b>
Shares issued (note 10(b)(i))	416,666	25,000	-	-	-	-	25,000
Convertible debentures (note 8)	-	-	74,233	-	161,790	-	236,023
Share-based compensation (note 12)	-	-	-	90,990	-	-	90,990
Net loss and comprehensive loss for the year	-	-	-	-	-	(1,905,354)	(1,905,354)
<b>Balance, December 31, 2018</b>	<b>117,644,490</b>	<b>77,669,457</b>	<b>74,233</b>	<b>5,183,209</b>	<b>161,790</b>	<b>(87,504,348)</b>	<b>(4,415,659)</b>
Restricted shares vested and converted to common shares (note 10(b)(ii))	400,000	36,000	-	(36,000)	-	-	-
Conversion of convertible debentures (note 8)	8,428,807	511,816	-	-	(136,899)	-	374,917
Share-based compensation (notes 12 and 13)	-	-	-	165,735	-	-	165,735
Net loss and comprehensive loss for the year	-	-	-	-	-	(1,323,698)	(1,323,698)
<b>Balance, December 31, 2019</b>	<b>126,473,297</b>	<b>\$ 78,217,273</b>	<b>\$ 74,233</b>	<b>\$ 5,312,944</b>	<b>\$ 24,891</b>	<b>\$(88,828,046)</b>	<b>\$ (5,198,705)</b>

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

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# Sintana Energy Inc.

## Notes to Consolidated Financial Statements

Years Ended December 31, 2019 and 2018

(Expressed in Canadian Dollars, Unless Otherwise Stated)

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### 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 year ended December 31, 2019, the Company incurred a loss of \$1,323,698 (year ended December 31, 2018 - \$1,905,354) and had an accumulated deficit of \$88,828,046. Sintana had a working capital deficit of \$5,124,320 at December 31, 2019 (December 31, 2018 - working capital deficit of \$4,019,456).

These 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 material uncertainties cast significant doubt on 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

#### (a) *Statement of compliance*

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC"), effective for the Company's reporting for the year ended December 31, 2019. The policies set out below are based on IFRS issued and outstanding as of March 10, 2020, the date the Board of Directors approved these consolidated financial statements.

#### (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 materially differ from these estimates.

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# Sintana Energy Inc.

## Notes to Consolidated Financial Statements

Years Ended December 31, 2019 and 2018

(Expressed in Canadian Dollars, Unless Otherwise Stated)

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### 2. Significant accounting policies (continued)

#### (c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of Sintana and its wholly-owned subsidiaries. The Company has (A) two direct subsidiaries, being (i) Sintana Resources Corp., which exists under the laws of Ontario; and (ii) Mobius Resources Corp., which exists under the laws of Alberta; (B) nine indirect subsidiaries which are direct subsidiaries of Sintana Resources Corp. and Mobius Resources Corp., being: (i) 1873520 Ontario Inc., which exists under the laws of Ontario; (ii) Sintana Energy Finance Inc., which exists under the laws of Ontario; (iii) Sintana Energy Exploration and Production Inc., which exists under the laws of Texas; (iv) Northbrook Oil and Gas LLC which exists under the laws of Texas; (v) Patriot Energy Oil and Gas Inc. ("Patriot Energy"), which exists under the laws of Panama; (vi) Patriot Energy Services LLC Corp. ("Patriot"), which exists under the laws of Panama; (vii) Zodiac USA Corp., which exists under the laws of Nevada; (viii) Zodiac Montana LLC, which exists under the laws of Nevada; and (ix) Zodiac Energy LLC, which exist under the laws of Nevada; and (C) one branch, being (i) Patriot Energy (Colombia), which has been established under the laws of Colombia.

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

#### (d) Financial assets and liabilities

IFRS 9 - Financial Instruments ("IFRS 9") includes finalized guidance on the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured either at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL") based on the business model in which they are held and the characteristics of their contractual cash flows.

All financial assets not classified at amortized cost or FVOCI are measured at FVTPL. On initial recognition, the Company can irrevocably designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss;
- Its contractual terms give rise to cash flows that are solely payments of principal and interest.

All financial instruments are initially recognized at fair value on the consolidated statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in the consolidated statement of loss and comprehensive loss for the period. Financial assets classified at amortized cost and financial liabilities are measured at amortized cost using the effective interest method.

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# Sintana Energy Inc.

## Notes to Consolidated Financial Statements

Years Ended December 31, 2019 and 2018

(Expressed in Canadian Dollars, Unless Otherwise Stated)

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### 2. Significant accounting policies (continued)

#### (d) Financial assets and liabilities (continued)

##### Financial assets

Financial assets are classified as either financial assets at FVTPL, amortized cost, or FVTOCI. The Company determines the classification of its financial assets at initial recognition.

##### i. Financial assets recorded at FVTPL

Financial assets are classified as FVTPL if they do not meet the criteria of amortized cost or FVTOCI. Gains or losses on these items are recognized in profit or loss.

##### ii. Amortized cost

Financial assets classified as amortized cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

The Company's cash and accounts receivable, excluding HST, are classified as financial assets measured at amortized cost.

##### iii. Financial assets recorded at FVTOCI

Financial assets are recorded at FVTOCI when the change in fair value is attributable to changes in the Company's credit risk.

##### Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

##### i. Amortized cost

Financial liabilities are measured at amortized cost, include borrowings, are initially measured at fair value, net of transaction cost. They are subsequently measured at amortized cost using the effective interest method, with interest recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest 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 to the next carrying amount or initial recognition.

The Company's accounts payable and accrued liabilities, deferred compensation and convertible debentures do not fall into any of the exemptions and are therefore classified as measured at amortized cost.

##### ii. Financial liabilities recorded FVTPL

Financial liabilities are classified as FVTPL if they fall into amortized cost detailed above.

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# Sintana Energy Inc.

## Notes to Consolidated Financial Statements

Years Ended December 31, 2019 and 2018

(Expressed in Canadian Dollars, Unless Otherwise Stated)

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### 2. Significant accounting policies (continued)

#### (d) Financial assets and liabilities (continued)

##### Transaction costs

Transaction costs associated with financial instruments, carried at FVTPL, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

##### Subsequent measurement

Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss. Instruments classified as amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVOCI are measured at fair value with unrealized gains and losses recognized in other comprehensive income.

##### Derecognition

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

##### Expected credit loss impairment model

Financial assets not measured at FVTPL 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 initial recognition of the financial assets, the estimated future cash flows of the financial asset has been negatively impacted.

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

##### 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, 2019 and 2018, none of Sintana's financial instruments are recorded at fair value in the consolidated statements of financial position.

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# Sintana Energy Inc.

## Notes to Consolidated Financial Statements

Years Ended December 31, 2019 and 2018

(Expressed in Canadian Dollars, Unless Otherwise Stated)

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### 2. Significant accounting policies (continued)

#### (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 are any indications 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, which is determined using discounted estimated future net cash flows. In addition, long-lived assets that are not amortized are subject to an annual impairment assessment.

#### (f) Cash equivalents

Cash equivalents comprise 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. As at December 31, 2019 and 2018, the Company did not have any cash equivalents.

#### (g) Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars, which is the parent Company's presentation and functional currency.

Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Transactions in foreign currencies are translated to Canadian dollars at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Canadian 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 profit or loss.

Assets and liabilities of entities with functional currencies other than Canadian dollar are translated at the year-end closing rate of exchange, and the results of their operations are translated at average rates of exchange for the period unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case the results of their operations are translated at the rate prevailing on the dates of the transactions. The resulting translation adjustments are recognized as a separate component of equity.

#### (h) Provisions

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

Sintana had no material provisions at December 31, 2019 and 2018 other than the asset retirement obligation and provision (included in accounts payable and accrued liabilities).

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# Sintana Energy Inc.

## Notes to Consolidated Financial Statements

Years Ended December 31, 2019 and 2018

(Expressed in Canadian Dollars, Unless Otherwise Stated)

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### 2. Significant accounting policies (continued)

#### (i) Asset retirement obligations ("ARO")

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.

#### (j) 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.

#### (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 the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

#### (l) Restricted share units ("RSUs")

Under the RSUs Plan, employees are granted RSUs where each RSU has a value equal to one Sintana common share. RSUs are measured at fair value on the grant date. The fair value of RSUs are recognized as a charge to share-based compensation as a general and administrative expense over the vesting period with a corresponding increase in equity. RSUs expected to settle in cash are reclassified as a liability and valued at market.

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# Sintana Energy Inc.

## Notes to Consolidated Financial Statements

Years Ended December 31, 2019 and 2018

(Expressed in Canadian Dollars, Unless Otherwise Stated)

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### 2. Significant accounting policies (continued)

#### (m) *Income taxes*

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

#### (n) *Loss per share*

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined using the treasury stock method by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares.

#### (o) *Joint arrangements*

The Company classifies its interests in joint arrangements as either a joint venture or a joint operation. A joint arrangement is a contractual arrangement whereby the Company and other parties undertake an economic activity that is subject to joint control. A joint arrangement is classified as a joint venture when the parties to the joint arrangement have rights over the net assets of the joint arrangement whereas a joint arrangement is classified as a joint operation when the arrangement provides rights to assets and obligations for liabilities for the parties sharing joint control. Joint ventures are accounted for using the equity method of accounting and joint operations are accounted for by using the proportionate consolidation method whereby the Company's share of assets, liabilities, income, expenses and cash flows of jointly controlled operations are combined with the equivalent items in the results on a line-by-line basis.

#### (p) *Segment reporting*

The Company determines and presents operating segments based on the information that internally is provided to the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), who are the Company's chief operating decision makers. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. An operating segment's operating results, for which discrete financial information is available, are reviewed regularly by the CEO and CFO to make decisions about resources to be allocated to the segment and assess its performance. The Company has a single class of business which is the exploration and development of oil and gas properties.



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# Sintana Energy Inc.

## Notes to Consolidated Financial Statements

Years Ended December 31, 2019 and 2018

(Expressed in Canadian Dollars, Unless Otherwise Stated)

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### 2. Significant accounting policies (continued)

#### (q) Leases

IFRS 16 – Leases (“IFRS 16”) was issued in January 2016 and replaced IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Management early adopted this Standard on January 1, 2018 which resulted in no material impact on the consolidated financial statements.

#### (r) Compound instruments

The component parts of compound instruments (e.g., debt issued with a conversion feature along with convertible securities) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option and warrants that will be settled by the exchange of a fixed number of the Company’s own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar debt without conversion features and warrants. This amount is recorded as a liability on the amortized cost basis using the effective interest method until extinguished or at the instrument’s maturity date.

The conversion features and convertible securities classified as equity are determined by deducting the amount of the liability component from the fair value of the instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, conversion features and convertible securities classified as equity will remain in equity until the conversion option or warrants are exercised, in which case the balance recognized in equity will be transferred to common shares within equity. When the conversion feature and warrants remain unexercised at their maturity date, the balance recognized in equity will be transferred to retained earnings or deficit. No gain or loss is recognized in profit or loss upon conversion or expiration of the convertible securities.

Transaction costs that relate to the issue of the instruments are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the life of the debt using the effective interest method.

#### (s) 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 consolidated financial statements.

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# Sintana Energy Inc.

## Notes to Consolidated Financial Statements

Years Ended December 31, 2019 and 2018

(Expressed in Canadian Dollars, Unless Otherwise Stated)

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### 2. Significant accounting policies (continued)

#### (t) Significant accounting judgments and estimates

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### Critical accounting estimates

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- The recoverability of trade accounts receivable are included in the consolidated statements of financial position.
- ARO has been created based on the estimated settlement amounts. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed quarterly and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to liability on a quarterly basis. Actual rehabilitation costs will ultimately depend on actual future settlement amount for the rehabilitation costs which will reflect the market condition at the time of the rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for.
- Management determines the fair value of warrants and stock options using the Black-Scholes option pricing model.
- Provision (included in accounts payable and accrued liabilities): Management estimates the probability each year for the likelihood of the provision.
- Convertible instruments: Convertible debentures are compound financial instruments which are accounted for separately by their components: liabilities, equity and warrants. The identification of convertible debenture components is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management. The separation of components affect the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest or liability component. The determination of the fair value of the liability is also based on a number of assumptions including contractual future cash flows, discount rates, and presence of liabilities. The fair value of the equity component (conversion option or warrant feature) was determined at the time of issue as the difference between the face value of the convertible debentures and the fair value of the liability component. Changes in the input assumptions can materially affect the fair value estimates and the Company's classification between debt and equity components.

#### Critical accounting judgments

- 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 interpretations and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements.

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# Sintana Energy Inc.

## Notes to Consolidated Financial Statements

Years Ended December 31, 2019 and 2018

(Expressed in Canadian Dollars, Unless Otherwise Stated)

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### 3. Capital risk management

Sintana manages its capital with the following objectives:

- ensure sufficient financial flexibility to achieve its ongoing business objectives;
- maintain its private participation interests in the potential conventional and unconventional opportunities in Block VMM-37 in Colombia's Magdalena Basin; and,
- maximize shareholder value.

Sintana monitors its capital structure and makes adjustments, as deemed necessary, in an effort to meet its commitments and objectives. Sintana can manage its capital structure by issuing new shares and debt, repurchasing outstanding shares, reducing participation interests, adjusting capital spending and operating costs, and / or disposing of assets. The cash forecast and capital structure are reviewed by management and the Board of Directors on an ongoing basis.

Sintana considers its financial capital to be a deficit, which comprises share capital, warrants, contributed surplus (which includes stock options and RSU), conversion feature of convertible debentures and a deficit, which at December 31, 2019, totaled a shareholders' deficiency of \$5,198,705 (December 31, 2018 - shareholders' deficiency of \$4,415,659).

Sintana monitors its sources and uses of capital through its financial and operational forecasting processes. Sintana reviews its working capital and forecasts the timing and amounts of its future cash flows based on anticipated operating and overhead expenditures, and other investing and financing activities. The forecast is updated periodically based on current and planned activities related to its oil and natural gas participation interests. Forecast summaries are provided to the Board of Directors.

Sintana's capital management objectives, policies and processes remained unchanged during the year ended December 31, 2019. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than Policy 2.5 of the TSXV which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of December 31, 2019, the Company was compliant with Policy 2.5.

### 4. Financial risk management

Financial risk

Sintana's activities expose it to a variety of financial risks, including credit risk, liquidity risk and market risk (including interest rates and foreign exchange risks).

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. The Company's credit risk is primarily attributable to cash and accounts receivable excluding HST. All of the Company'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.

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# Sintana Energy Inc.

## Notes to Consolidated Financial Statements

Years Ended December 31, 2019 and 2018

(Expressed in Canadian Dollars, Unless Otherwise Stated)

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### 4. Financial risk management (continued)

Financial risk (continued)

#### (ii) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company'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 economic conditions generally or matters specific to Sintana. The Company generates cash flow primarily from its financing and business development activities.

Most of the Company's financial liabilities have contractual maturities of less than 90 days and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity.

#### (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

The Company's current policy is to invest excess cash in short-term guaranteed investment certificates or money market funds of major Canadian chartered banks. The Company's convertible debentures are at fixed interest rates. Accordingly, the Company has no material interest rate risk.

##### (b) Foreign currency risk

As of December 31, 2019, the Company funds certain operations, exploration and administrative expenses in Colombia on a cash call basis using US Dollar currency and Colombian Peso. The Company maintains US bank accounts in Canada, Colombia, Panama and the United States. The Company maintains one Colombian Peso bank accounts in Colombia. The Company is subject to gains and losses from fluctuations in the Canadian Dollar, Colombian Peso and US Dollar. The Company does not use currency derivative instruments to manage its exposure to foreign currency fluctuations.

The following are the Canadian Dollar equivalent balances for items denominated in foreign currencies:

<b>December 31,</b>	<b>2019</b>	<b>2018</b>
Cash	\$ 87,814	\$ 479,780
Provision (included in accounts payable and accrued liabilities)	\$ (424,197)	\$ (673,002)
Deferred compensation	\$ (4,555,779)	\$ (3,703,371)

#### Sensitivity analysis

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

(i) Sintana holds balances in foreign currencies which could give rise to exposure to foreign exchange risk. As at December 31, 2019, a plus or minus 10% change in the Colombian Peso and US Dollar foreign exchange rates against the Canadian Dollar, with all other variables held constant, would have affected the reported loss and comprehensive loss by approximately \$491,000 (December 31, 2018 - \$390,000).

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# Sintana Energy Inc.

## Notes to Consolidated Financial Statements

Years Ended December 31, 2019 and 2018

(Expressed in Canadian Dollars, Unless Otherwise Stated)

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### 5. Fair value measurements of financial instruments

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.

The Company has not offset financial assets with financial liabilities.

The carrying value of the Company's cash, accounts receivable excluding HST, accounts payable and accrued liabilities and deferred compensation is close to fair value due to their short-term maturity except convertible debentures.

### 6. Accounts receivable and other assets

	As at December 31, 2019	As at December 31, 2018
Accounts receivable	\$ 4,275	\$ 15,193
Prepays and other advances	25,877	27,960
	<b>\$ 30,152</b>	<b>\$ 43,153</b>

### 7. Accounts payable and accrued liabilities

Accounts payable and accrued 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 December 31, 2019	As at December 31, 2018
Accounts payable	\$ 31,922	\$ 12,114
Accrued liabilities	521,501	688,373
	<b>\$ 553,423</b>	<b>\$ 700,487</b>

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

	As at December 31, 2019	As at December 31, 2018
Less than 1 month	\$ 105,601	\$ 82,698
1 to 3 months	-	-
Greater than 3 months	447,822	617,789
	<b>\$ 553,423</b>	<b>\$ 700,487</b>

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# Sintana Energy Inc.

## Notes to Consolidated Financial Statements

Years Ended December 31, 2019 and 2018

(Expressed in Canadian Dollars, Unless Otherwise Stated)

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### 7. Accounts payable and accrued liabilities (continued)

A provision (refer to note 15(i)) is included in accounts payable and accrued liabilities. The Company assesses the probability each year for the likelihood of the provision being paid. Management estimates that the probability of paying the alleged liability will decrease by 15% of the original accrued amount each year.

During the year ended December 31, 2019, the Company recorded a gain of accounts payable of \$89,831 (year ended December 31, 2018 - \$63,650) in the consolidated statements of loss and comprehensive loss related to the decrease in probability of the provision being paid.

### 8. 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 plus 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 and \$0.10 thereafter (the "Conversion Prices"). 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 Prices in the event the closing price of the common shares exceeds 500% of the then applicable Conversion Prices 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 Debentures net proceeds of \$599,103 received were separated into the liability component of \$363,080, equity component of \$161,790 and warrants of \$74,233 using the effective interest rate method with an effective interest rate of 20% per annum. Transaction costs of \$50,896 were paid in relation with the Debentures.

The fair value of the 5,720,000 warrants issued with the Debentures was estimated at \$74,233 using the Black-Scholes option pricing model based on the following assumptions: volatility - 143% 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 15, 2019, the Company received a notice of partial conversion (the "Notice") in respect of the Debentures in the principal amount of \$650,000 issued on July 24, 2018. Interest is also convertible under the Debentures 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 Debentures at the Conversion Price in exchange for the issuance of 7,857,143 common shares of the Company; and (ii) \$42,875 of interest owing under the Debentures 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 Debentures resulted in a decrease of the convertible debentures of \$374,917, a decrease of conversion feature and convertible debt of \$136,899 and an increase of share capital of \$511,816.

During the year ended December 31, 2019, the Company recorded accrued interest of \$34,393 (year ended December 31, 2018 - \$22,990) and accretion expense of \$18,706 (year ended December 31, 2018 - \$10,132) which were recorded as finance interest expense in the consolidated statements of loss and comprehensive loss.

# Sintana Energy Inc.

## Notes to Consolidated Financial Statements

Years Ended December 31, 2019 and 2018

(Expressed in Canadian Dollars, Unless Otherwise Stated)

### 8. Convertible debentures (continued)

Movement in the Debenture was as follows:

	<b>Amount</b>
<b>Balance, December 31, 2017</b>	<b>\$ -</b>
Principal amount	650,000
Fair value of equity component	(161,790)
Fair value of warrants	(74,233)
Transaction costs (note 10(b)(i))	(50,896)
Accrued interest	22,990
Accretion expense	10,132
<b>Balance, December 31, 2018</b>	<b>396,203</b>
Conversion to common shares	(374,917)
Accrued interest	34,393
Accretion expense	18,706
<b>Balance, December 31, 2019</b>	<b>\$ 74,385</b>

### 9. Asset retirement obligation

As at December 31, 2019, the Company had estimated the net present value of its total asset retirement obligation ("ARO") to be \$102,312 (December 31, 2018 - \$102,312). The settlement period is estimated to occur within the next twelve months. The ARO was acquired upon completion of the Mobius Business Combination in August 2015 for a well in the Duvernay formation in Alberta.

### 10. Share capital

a) Authorized share capital:

At December 31, 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.

b) Common shares issued:

At December 31, 2019, the issued share capital amounted to \$78,217,273. The change in issued share capital for the years presented was as follows:

	<b>Number of common shares</b>	<b>Amount</b>
<b>Balance, December 31, 2017</b>	<b>117,227,824</b>	<b>\$ 77,644,457</b>
Shares issued (i)	416,666	25,000
<b>Balance, December 31, 2018</b>	<b>117,644,490</b>	<b>77,669,457</b>
Restricted shares vested and converted to common shares (ii)	400,000	36,000
Conversion of convertible debenture (note 8)	8,428,807	511,816
<b>Balance, December 31, 2019</b>	<b>126,473,297</b>	<b>\$ 78,217,273</b>

(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.

(ii) During the year ended December 31, 2019, 400,000 RSU vested and converted to common shares with a value of \$36,000. Refer to note 13.

# Sintana Energy Inc.

## Notes to Consolidated Financial Statements

Years Ended December 31, 2019 and 2018

(Expressed in Canadian Dollars, Unless Otherwise Stated)

### 11. Warrants

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

	Number of warrants	Weighted average exercise price
<b>Balance, December 31, 2017</b>	-	\$ -
Warrants issued with Debentures (note 8)	5,720,000	0.10
<b>Balance, December 31, 2018 and December 31, 2019</b>	<b>5,720,000</b>	<b>\$ 0.10</b>

The following table reflects the actual warrants issued and outstanding as of December 31, 2019:

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

### 12. Stock options

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

	Number of stock options outstanding	Weighted average exercise price
<b>Balance, December 31, 2017</b>	<b>6,844,744</b>	<b>\$ 0.23</b>
Expired	(944,744)	0.73
Granted (i)(ii)	4,300,000	0.10
<b>Balance, December 31, 2018</b>	<b>10,200,000</b>	<b>0.13</b>
Expired	(200,000)	0.15
<b>Balance, December 31, 2019</b>	<b>10,000,000</b>	<b>\$ 0.13</b>

(i) On June 8, 2018, the Company granted a total of 450,000 stock options to 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. \$6,784 (year ended December 31, 2018 - \$13,422) was expensed to salaries and benefits (share-based compensation) and as an addition to contributed surplus during the year ended December 31, 2019.

(ii) On December 18, 2018, the Company granted a total of 3,850,000 stock options to officers and 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 December 18, 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 127.32%; risk-free interest rate of 1.94%; and an expected average life of 5 years. The options were valued at \$186,189. \$91,217 (year ended December 31, 2018 - \$65,617) was expensed to salaries and benefits (share-based compensation) and as an addition to contributed surplus during the year ended December 31, 2019.



# Sintana Energy Inc.

## Notes to Consolidated Financial Statements

Years Ended December 31, 2019 and 2018

(Expressed in Canadian Dollars, Unless Otherwise Stated)

### 12. Stock options (continued)

(iii) Share-based compensation included in salaries and benefits expense includes \$nil (year ended December 31, 2018 - \$11,951) relating to stock options granted in previous years in accordance with their respective vesting terms, during the year ended December 31, 2019.

The following table reflects the actual stock options issued and outstanding as of December 31, 2019:

Expiry date	Exercise price	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)	Number of options unvested
November 5, 2020	\$0.18	0.30	3,550,000	3,550,000	-
July 19, 2021	\$0.10	0.33	2,150,000	2,150,000	-
June 4, 2023	\$0.10	0.15	450,000	300,000	150,000
December 18, 2023	\$0.10	1.53	3,850,000	2,566,667	1,283,333
		<b>2.32</b>	<b>10,000,000</b>	<b>8,566,667</b>	<b>1,433,333</b>

### 13. 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 contributed surplus. 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 year ended December 31, 2019, the Company granted 800,000 RSUs to four officers of the Company (December 31, 2018 - nil). 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 year ended December 31, 2019 was \$67,734 (year ended December 31, 2018 - \$nil).

During the year ended December 31, 2019, 400,000 RSUs vested and converted to common shares (year ended December 31, 2018 - nil) with a value of \$36,000 (year ended December 31, 2018 - \$nil).

As of December 31, 2019, there were 400,000 RSUs outstanding (December 31, 2018 - nil). The weighted average fair value of RSUs granted during the year ended December 31, 2019 was \$0.09 per unit (year ended December 31, 2018 - \$nil).

### 14. Net loss per share

The calculation of basic and diluted loss per share for the year ended December 31, 2019 was based on the loss attributable to common shareholders of \$1,323,698 (year ended December 31, 2018 - loss of \$1,905,354) and the weighted average number of common shares outstanding of 121,901,116 (year ended December 31, 2018 - 117,410,472). Diluted loss per share did not include the effect of options, warrants, RSU and Debentures for the year ended December 31, 2019 and 2018 as they were anti-dilutive or not in the money.

# Sintana Energy Inc.

## Notes to Consolidated Financial Statements

Years Ended December 31, 2019 and 2018

(Expressed in Canadian Dollars, Unless Otherwise Stated)

### 15. Exploration and evaluation expenditures

Year Ended December 31,	2019	2018
<b>Magdalena Basin, Colombia (i)</b>		
Administrative and general	\$ 46,811	\$ 46,052
Professional fees	15,052	63,896
	<b>\$ 61,863</b>	<b>\$ 109,948</b>

(i) On March 20, 2015, the operator advised the Company that it was taking the position that it has the right to terminate Farmout Agreements for each of the COR-11 and COR-39 Blocks.

### 16. General and administrative

Year Ended Year Ended	2019	2018
Salaries and benefits (notes 12, 13 and 18)	\$ 1,277,520	\$ 1,165,013
Professional fees (note 18)	210,749	276,819
Administrative and general	49,996	58,451
Reporting issuer costs	14,614	31,489
Travel expenses	2,470	16,786
Interest and other income	-	(77)
	<b>\$ 1,555,349</b>	<b>\$ 1,548,481</b>

### 17. Income taxes

#### Income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 27% (2018 - 27%) to the effective tax rates is as follows:

Year Ended December 31,	2019	2018
Net loss before income taxes	\$ (1,323,698)	\$ (1,905,354)
Expected income tax recovery	(357,400)	(514,440)
Effect on income taxes of:		
Difference in foreign tax rates	65,740	69,240
Prior period true-up	-	(145,820)
Share-based compensation and other non-deductible items	45,530	29,350
Foreign exchange translation	(151,850)	226,230
Change in tax benefits not recognized	6,500	335,440
Imputed income for tax purposes	391,480	-
Income tax recovery	\$ -	\$ -

# Sintana Energy Inc.

## Notes to Consolidated Financial Statements

Years Ended December 31, 2019 and 2018

(Expressed in Canadian Dollars, Unless Otherwise Stated)

### 17. Income taxes (continued)

#### Deferred tax

The following table summarizes the components of deferred income tax:

Year Ended December 31,	2019	2018
<b>Deferred tax assets</b>		
Non-capital losses carried forward	\$ 186,830	\$ 344,640
<b>Deferred tax liabilities</b>		
Long-term loan	(176,000)	(269,910)
Convertible debentures	(10,830)	(74,730)
<b>Net deferred tax assets</b>	\$ -	\$ -

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

#### Unrecognized deferred tax assets

Deferred 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 tax assets have not been recognized in respect of the following deductible temporary differences:

	2019	2018
Property, plant and equipment	\$ 170,360	\$ 149,750
Share issuance costs	30,540	40,720
Schedule 13 Reserves	5,096,910	4,350,050
Non-capital losses carried forward	27,172,680	29,980,160
Net operating loss - USA	6,996,220	6,779,110
Net operating loss carried forward - Panama	65,700	65,700
Resource pools - Mineral properties	19,155,940	19,094,080

The Canadian non-capital and U.S. net operating loss carry forwards expire as noted in the table below. Share issue and financing costs will be fully amortized in 2022. The remaining deductible temporary differences may be carried forward indefinitely. 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 Company's Canadian non-capital and U.S. net operating income tax losses expire as follows:

	Canada	USA
2031	\$ 6,250,830	\$ -
2032	9,400,380	726,260
2033	2,103,930	1,545,200
2034	5,226,250	1,518,320
2035	4,380,700	1,618,130
2036	400,320	-
2037	88,790	1,094,530
2038	22,990	276,670
2039	-	217,110
	<u>\$ 27,874,190</u>	<u>\$ 6,996,220</u>

**Sintana Energy Inc.**  
**Notes to Consolidated Financial Statements**  
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**(Expressed in Canadian Dollars, Unless Otherwise Stated)**

**18. 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:

Year Ended December 31,	2019	2018
Salaries and benefits <sup>(1)(3)</sup>	\$ 1,094,982	\$ 1,050,646
Share-based compensation <sup>(2)</sup>	\$ 165,736	\$ 89,270

(1) Salaries and benefits include director fees. Balances for deferred compensation due to directors and key management personnel of \$4,672,712 are included in deferred compensation as at December 31, 2019 (December 31, 2018 - \$3,777,189) and include the retiring allowance payable to Lee A. Pettigrew (refer to note 18(a)<sup>(3)</sup>).

(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 (\$396,893 (US\$305,584)) 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 year ended December 31, 2019, the Company paid professional fees and disbursements of \$70,109 (year ended December 31, 2018 - \$72,755) 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 \$14,629 is included in accounts payable and accrued liabilities as at December 31, 2019 (December 31, 2018 - \$9,458).

For the year ended December 31, 2019, the Company paid professional fees and disbursements of \$514 (year ended December 31, 2018 - \$9,476) 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 December 31, 2019, DSA was owed \$nil (December 31, 2018 - \$2,246) and this amount is included in accounts payable and accrued liabilities.

For the year ended December 31, 2019, the Company paid professional fees and disbursements of \$2,813 (year ended December 31, 2018 - \$nil) to DSA Filing Services Inc. ("DSA Filing"), an organization which Carmelo Marrelli controls. Carmelo Marrelli is also the corporate secretary and sole director of DSA Filing. 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 December 31, 2019, DSA Filing was owed \$170 (December 31, 2018 - \$nil) and this amount is included in accounts payable and accrued liabilities.

# Sintana Energy Inc.

## Notes to Consolidated Financial Statements

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### 19. 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:

December 31, 2019	Canada	United States	Colombia	Total
Cash	\$ 127,779	\$ 33,788	\$ 12,408	\$ 173,975
Accounts receivable and other assets	30,152	-	-	30,152
<b>Total assets</b>	<b>\$ 157,931</b>	<b>\$ 33,788</b>	<b>\$ 12,408</b>	<b>\$ 204,127</b>
Accounts payable and accrued liabilities	\$ 532,123	\$ 17,672	\$ 3,628	\$ 553,423
Deferred compensation	530,711	4,142,001	-	4,672,712
ARO	102,312	-	-	102,312
Convertible debentures	74,385	-	-	74,385
<b>Total liabilities</b>	<b>\$ 1,239,531</b>	<b>\$ 4,159,673</b>	<b>\$ 3,628</b>	<b>\$ 5,402,832</b>
Exploration and evaluation expenditures	\$ -	\$ -	\$ 61,863	\$ 61,863
General and administrative	479,062	1,076,287	-	1,555,349
Finance interest expense	53,099	-	-	53,099
Foreign exchange loss (gain)	659,384	(914,707)	(1,459)	(256,782)
Gain of accounts payable	(89,831)	-	-	(89,831)
<b>Net loss and comprehensive loss</b>	<b>\$ 1,101,714</b>	<b>\$ 161,580</b>	<b>\$ 60,404</b>	<b>\$ 1,323,698</b>

December 31, 2018	Canada	United States	Colombia	Total
Cash	\$ 380,572	\$ 135,873	\$ 934	\$ 517,379
Accounts receivable and other assets	43,153	-	-	43,153
<b>Total assets</b>	<b>\$ 423,725</b>	<b>\$ 135,873</b>	<b>\$ 934</b>	<b>\$ 560,532</b>
Accounts payable and accrued liabilities	\$ 664,376	\$ 28,731	\$ 7,380	\$ 700,487
Deferred compensation	490,696	3,286,493	-	3,777,189
ARO	102,312	-	-	102,312
Convertible debentures	396,203	-	-	396,203
<b>Total liabilities</b>	<b>\$ 1,653,587</b>	<b>\$ 3,315,224</b>	<b>\$ 7,380</b>	<b>\$ 4,976,191</b>
Exploration and evaluation expenditures	\$ -	\$ -	\$ 109,948	\$ 109,948
General and administrative	420,274	1,128,207	-	1,548,481
Finance interest expense	33,122	-	-	33,122
Foreign exchange loss (gain)	(1,167,954)	1,450,686	(5,279)	277,453
Gain of accounts payable	(63,650)	-	-	(63,650)
<b>Net loss and comprehensive loss</b>	<b>\$ (778,208)</b>	<b>\$ 2,578,893</b>	<b>\$ 104,669</b>	<b>\$ 1,905,354</b>

### 20. Contingency

Farmout agreement arbitration

On March 20, 2015, the operator 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. The operator 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.

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# Sintana Energy Inc.

## Notes to Consolidated Financial Statements

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### 21. Subsequent events

(i) On February 3, 2020, the Company announced that its Board of Directors approved grants of a total of 2,025,000 stock options to several directors and officers of the Company and one consultant. The stock options have an exercise price of \$0.145, vest in three equal tranches over the next 24 months and will expire on January 30, 2025.

The Company also approved grants to four officers of an aggregate of 200,000 RSUs that vested on February 11, 2020.

(ii) On February 13, 2020, 3,325,000 warrants with an exercise price of \$0.10 and an expiration date of July 24, 2021 were exercised for cash proceeds of \$332,500. As a result, 2,395,000 warrants remain outstanding and will expire on July 24, 2021.



**SINTANA**  
ENERGY

**MD&A|Q4 2019**

**SEI|TSX-V**

**SINTANA ENERGY INC.**

**INTERIM MANAGEMENT'S DISCUSSION AND  
ANALYSIS – QUARTERLY HIGHLIGHTS**

**YEARS ENDED DECEMBER 31, 2019**

*(EXPRESSED IN CANADIAN DOLLARS, UNLESS OTHERWISE STATED)*

**Exploring a better way™**

*A Colombia Focused Exploration Company*

## **Introduction**

The following Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Sintana Energy Inc. ("Sintana" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended December 31, 2019. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited annual consolidated financial statements of the Company for the years ended December 31, 2019 and 2018, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Company's consolidated financial statements and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee. Information contained herein is presented as of March 10, 2020, unless otherwise indicated.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors (the "Board"), considered the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of Sintana common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; and / or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluated materiality with reference to all relevant circumstances, including potential market sensitivity.

Information about the Company and its operations can be obtained from the offices of the Company or on the System for Electronic Documents Analysis and Retrieval ("SEDAR") and is available for review under the Company's profile on the SEDAR website ([www.sedar.com](http://www.sedar.com)).

## **Description of Business**

Sintana is a Canadian crude oil and natural gas ("hydrocarbons") exploration and development company listed on the TSX Venture Exchange ("TSXV"). Its trading symbol changed from SNN to SEI effective as of the market open on August 10, 2015, subsequent to the business combination with Sintana Holdings Corp. Sintana is primarily engaged in hydrocarbons exploration and development activities in Colombia. The Company's exploration strategy is to acquire, explore, develop and produce superior quality assets with significant reserves potential. Its primary assets are private participation interests of 30% unconventional (carried) and 100% conventional in the potential hydrocarbon resources of the 43,158 acres Valle Medio Magdalena 37 ("VMM-37") Block.

On November 12, 2012, Sintana announced that a wholly-owned Panama subsidiary of the Company, Patriot Energy Oil and Gas Inc. and its Colombian branch Patriot Energy Sucursal Colombia (both entities hereinafter referred to as "Patriot"), had entered into a Farmout Agreement (the "Exxon Agreement") with ExxonMobil Exploration Colombia Limited and ExxonMobil Exploration Colombia Limited Sucursal Colombia (both entities hereinafter referred to as "Exxon") for the exploration and development of unconventional hydrocarbons resources underlying the VMM-37 Block. In April 2013, the Agencia Nacional de Hidrocarburos ("ANH") approved the acquisition by Exxon of an undivided 70% private participation interest and operatorship in the formations defined as unconventional by completing the contractually required work program specified in the License Contract for the VMM-37 Block. Patriot retains the remaining 30% interest in the unconventional play as well as a 100% interest in the conventional resources overlying the top of the unconventional interval.

## **Cautionary Note Regarding Forward-Looking Information**

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These



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statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward-looking statements.

Forward-looking statements	Assumptions	Risk factors
The Company will be able to remain a going concern and continue its business activities	The Company has anticipated all material costs; the operating and exploration activities of the Company for the twelve-months period ending December 31, 2020, and the costs associated therewith, will be consistent with the Company's current expectations regarding costs and timing	Unforeseen costs to the Company will arise; any particular operating cost increase or decrease from the date of estimate; changes in operating and exploration activities; changes in economic conditions; timing of expenditures
The Company's need to raise additional capital in order to meet its working capital needs. See "Liquidity and Financial Position" under the subheading "Financial Highlights" below	The exploration and operating activities of the Company on a going forward basis, and the costs associated therewith, will be consistent with Sintana's current expectations; debt and equity markets; exchange and interest rates and other applicable economic conditions will be favourable to Sintana; availability of financing	Changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; changes in operating and exploration activities; interest and exchange rates fluctuations; changes in economic conditions, planned operations and associated costs
The potential of Sintana's participation interests to contain petroleum and natural gas reserves. See "Petroleum and Natural Gas Update" under the subheading "Operational Highlights" below	Financing will be available for future exploration and development of Sintana's private participation interests; the actual results of exploration and development activities will be favourable; operating, exploration, development and production costs will not exceed expectations; the Company will be able to retain and attract skilled staff; all requisite regulatory and governmental approvals for exploration projects and other operations will be received on a timely basis upon terms acceptable to Sintana; applicable political and economic conditions will be favourable; the market prices for petroleum and natural gas and applicable interest and exchange rates will be favourable; no legal disputes exist or arise with respect to the Company's private participation interests; Sintana's expectations regarding the potential of conventional and unconventional plays	Petroleum and natural gas market prices volatility; uncertainties involved in interpreting geological and geophysical data and Sintana's expectations regarding the conventional and unconventional plays and uncertainties in confirming valid private participation interests; the possibility that future exploration results will not be consistent with Sintana's expectations; availability of financing for and actual results of Sintana's exploration and development activities; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest and exchange rates fluctuations; changes in economic and political conditions; the Company's ability to retain and

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		attract skilled staff and obtain all required permits in a timely manner on acceptable terms
Management's outlook regarding future trends. See "Trends"	Financing will be available for exploration and operating activities; the market prices for petroleum and natural gas will be favourable; economic and political conditions will be favourable	Petroleum and natural gas market prices volatility; changes in debt and equity markets; interest and exchange rates fluctuations; changes in economic and political conditions; availability of financing
Work programs and related timing and budgets relating to the exploration and development of the VMM-37 Block. See "Petroleum and Natural Gas Update" under the subheading "Operational Highlights" below	Exxon will continue to proceed with the project and will not exercise its rights of withdrawal pursuant to the Exxon Agreement; the market prices of petroleum and natural gas will be favourable; all requisite permits, equipment, materials, supplies, services, access and personnel will be obtained in a timely manner upon acceptable terms; proposed exploration and development activities and the costs associated therewith will occur as currently anticipated; actual results of exploration are positive; financing will be available upon acceptable terms; political, contractual, regulatory and economic considerations will remain favourable	Exxon exercises its withdrawal rights pursuant to the Exxon Agreement; petroleum and natural gas market prices volatility; changes in debt and equity markets; increases in costs; interest rates and exchange rates fluctuations; changes in economic, contractual, regulatory and political conditions; availability of permits, equipment, materials, supplies, services, access, personnel and financing; proposed exploration and development activities will not occur as currently anticipated; actual results of exploration are inconsistent with Sintana's expectations
The currently dormant (4 years) arbitration proceeding, if ever reopened, will not result in an adverse ruling and significant additional costs	The currently dormant arbitration proceeding will not be reopened and if it is the outcome will not result in a significant award of damages	The now dormant arbitration proceeding is reopened and results in significant additional costs

Inherent in forward-looking statements are risks, uncertainties and other factors beyond Sintana's ability to predict or control. Additional risk factors are described in the "Risk Factors" section below. Readers are cautioned that the above chart does not contain an exhaustive list of any and all relevant factors and / or assumptions that could affect forward-looking statements, and that assumptions underlying such statements might prove to be incorrect. Actual results and developments are likely to materially differ from those expressed or implied by forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause Sintana's actual results, performance and / or achievements to be materially different from any of its projected results, performance and / or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law and / or regulation. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

Certain information contained herein is considered "analogous information" as defined in National Instrument 51-101 ("NI 51-101"). Such analogous information has not been prepared in accordance with NI 51-101 and the Canadian Oil and Gas Evaluation Handbook. In particular, this document may note

specific analogous oil discoveries and corresponding details of said discoveries in the area of the Company's private participation interests and makes certain assumptions about such interests as a result of such analogous information and potential recovery rates as a result thereof. Such information is based on public data and information obtained from the public disclosure of other parties who are active in the area, and the Company has no way of verifying the accuracy of such information and cannot determine whether the source of the information is independent. Such information, when presented, is intended to help demonstrate that hydrocarbons could be present in commercially recoverable quantities in the VMM-37 Block. There is no certainty that such results will be achieved by the Company and such information should not be construed as estimates of future reserves or resources or future production levels of Sintana.

### **Trends**

The Company is focused on acquisition, exploration, development, production and / or sales of hydrocarbon resources.

There are significant uncertainties regarding the market prices for hydrocarbons and the availability of equity and / or other financing for the purposes of acquisition, exploration, development, production and / or sales activities. The future performance of the Company is largely tied to the successful, exploration, development and production of the VMM-37 Block; associated regulatory actions, including approval of permits and work programs to drill, stimulate and produce wells; associated sales of hydrocarbons and overall financial markets. Financial and commodities markets are likely to be volatile, reflecting ongoing concerns about the stability of the global economy and global growth prospects. Uncertainties in financial and commodities markets and delays in regulatory actions have also led to increased difficulties in borrowing and raising funds. Energy companies worldwide have been materially and adversely affected by these trends. As a result, the Company might have difficulties raising equity and / or other capital without excessively diluting the interests of existing shareholders. These trends may limit the ability of the Company to further explore and / or develop hydrocarbon resources discovered on the VMM-37 Block.

The volatility of financial and commodities markets is a significant risk for the Company and the industry. As a result, investors might divest assets perceived as higher risk in comparison to other investments. Companies similar to Sintana are considered substantially above average risk investments and are highly speculative. The volatility of markets, and investor sentiment, could make it difficult for Sintana to access capital markets in order to raise the capital it will need to fund future expenditures. See also "Risk Factors".

### **Financial and Operational Highlights**

On February 11, 2019, the Company approved grants of a total of 800,000 restricted share units ("RSUs") to four officers of the Company. 400,000 RSUs vested immediately. An additional 400,000 RSUs vested on February 11, 2020. The remaining 200,000 RSUs in the 2019 RSUs Plan were awarded on January 30, 2020 and vested on February 11, 2020.

On July 15, 2019, the Company received a notice of partial conversion (the "Notice") in respect of its convertible debentures in the principal amount of \$650,000 issued on July 24, 2018 (the "Debenture"). The Debenture has a term of five years, an annual interest rate of 8%, and 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. 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

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the Debentures resulted in a decrease of the convertible debentures of \$374,917, a decrease of the conversion feature and convertible debt of \$136,899 and an increase in share capital of \$511,816.

On December 21, 2019, 200,000 stock options with an exercise price of \$0.15 expired unexercised.

On February 3, 2020, the Company announced that its Board of Directors approved grants of a total of 2,025,000 stock options to several directors and officers of the Company and one consultant. The stock options have an exercise price of \$0.145, vest in three equal tranches over the next 24 months and will expire on January 30, 2025.

The Company also approved grants to four officers of an aggregate of 200,000 RSUs that will vest on February 11, 2020.

On February 13, 2020, 3,325,000 warrants with an exercise price of \$0.10 and expiration date of July 24, 2021 were exercised for cash proceeds of \$332,500. As a result, 2,395,000 warrants with an expiration date of July 24, 2021 remain outstanding and will expire on July 24, 2021.

**Petroleum and Natural Gas Update**

**Exploration Expenditures**

Exploration Expenditures	Year Ended December 31, 2019 \$	Year Ended December 31, 2018 \$
<b>Magdalena Basin, Colombia</b>		
Administrative and general	46,811	46,052
Professional fees	15,052	63,896
<b>Total</b>	<b>61,863</b>	<b>109,948</b>

**Operations Update**

*Statistical Summary for Sintana's assets in Colombia's Magdalena Basin:*

<b>Asset Summary</b>			
Basin / Block	Operator	Gross Acres ('000)	Private Participation Interest
<b>Middle Magdalena</b>			
VMM-37 Unconventional	Exxon	43	30%
VMM-37 Conventional	Sintana	n/a	100%
<b>Total</b>		<b>43</b>	

**VMM-37 Block (Sintana: Conventional – 100% private participation interest; Unconventional – 30% private participation interest - carried)**

In March 2011, 100% of the License Contract covering the 43,158 acres VMM-37 Block in Colombia was awarded to Patriot, a wholly-owned branch of Sintana.

In November 2012, Patriot executed the Exxon Agreement whereby Exxon acquired contractual rights to an undivided 70% private participation interest and operatorship in the unconventional formations of the VMM-37 Block, subject to completion of a defined Work Program. For purposes of the Exxon Agreement, unconventional formations are defined as the La Luna and deeper. Patriot retained the remaining 30% private participation interest in the unconventional play as well as a 100% private participation interest in the conventional resources overlying the top of the unconventional interval.

In April 2013, the ANH approved the acquisition by Exxon of the undivided 70% private participation interest and operatorship in the formations defined as unconventional effective as of when Exxon completes the Work Program as specified in the License Contract for the VMM-37 Block. Four months later, the ANH approved an amendment to the License Contract which revised the Work Program for the VMM-37 Block to include the hydraulic stimulation (“frack” or “fracking”) and production testing of the Manati Blanco #1 exploration well (“well”), drilled to a minimum depth of 14,000 feet. Also now required is the drilling of a second vertical well to a depth of at least 14,000 feet plus the drilling of a lateral side track of the second well to a length of at least 4,000 feet with fracking and production testing of the horizontal segment. The horizontal segment replaced a previously required third vertical well.

Drilling operations for the vertical well were successfully completed and the rig was released on September 19, 2015 after having reached a measured depth of 14,345 feet. Primary targets for the well were the Cretaceous age La Luna and Tablazo/Paja tight oil formations. The well drilled through a gross total of approximately 2,600 feet in the La Luna and approximately 500 feet in the Tablazo/Paja. The next major activity in the Work Program is to frack selected prospective zones encountered during drilling operations.

In 2017, the ANH published a regulatory document, AGREEMENT No. 02 OF 2017, which describes in significant detail the legal requirements governing License Contracts and Contractors (joint venture partners holding interests in a License Contract) to conduct exploration, including fracking, development and production operations in unconventional formations. To date, no environmental permits to do so have been approved.

Also in 2017, executives of Ecopetrol, Colombia's national oil company (~85% government ownership), began speaking publically about the significant decline in conventional oil production from a peak of more than one million barrels of oil per day (“BOPD”) in January, 2015 to a current average of approximately 860 thousand BOPD. At this rate of production, Colombia's 2018 reserve life index based on reported year end 2018 reserve estimates was less than six years. Industry and government officials have, with increasing frequency and detail, raised the point that the only way to reverse this decline, and its associated negative impacts on employment, government revenues, energy security and other strategic and political goals, is to initiate exploration activities in unconventional formations. Ultimately recoverable unconventional oil resources in the Middle Magdalena Valley Basin are estimated to be in the range of 4 to 7 billion barrels. Remaining conventional oil reserves in all of Colombia are estimated to be approximately 1.7 billion barrels.

In October 2018, a Commission of Experts (academics from a number of disciplines) was appointed to review various potential aspects and outcomes of proceeding with fracking operations in unconventional

formations. In its published report, the Commission recommended that three tightly controlled pilot projects, with Ecopetrol being designated operator and holding participation interests, be approved.

In June 2019, the Council of State, Colombia's senior court tasked with ruling on administrative matters, commenced hearings on the use of fracking in the exploration for and production of hydrocarbons in unconventional formations.

In September 2019, the Council of State announced that three yet to be designated pilot projects will be authorized to test the use of fracking in unconventional formations under the close supervision of the ANH, ANLA and other regulatory bodies. Close monitoring and in-depth documentation of environmental social, economic and other impacts will be required.

To date, the specific blocks to be included in the pilots, the designation of Ecopetrol as operator, the amount of the participation interests that must be held by Ecopetrol and the consideration to be exchanged to obtain the participation interests have not been announced.

As summarized in its recent Investor Presentations (available on its website), Ecopetrol expects to invest up to US\$500 million and participate in more than 20 wells in the pilots over the next three years. An estimated timeline for this activity is also included in the Investor Presentation.

Major Pilot Project Deliverables for 2020-2022:

- Select pilot blocks.
- Designate Ecopetrol as Operator of each selected block and renegotiate the terms of Joint Operating Agreements to incorporate adjustments to participation interests as well as other requirements set forth by the Council of State and various regulatory bodies.
- Complete initial community socialization activities and establish local project update communications programs.
- Design pilots; develop monitoring routines; implement reporting requirements.
- Obtain environmental permits.
- Execute approved exploration, fracking and production test programs.

### **Technical Information**

Douglas Manner, Chief Executive Officer of Sintana, has reviewed and verified the technical content of the information contained in this MD&A.

### **Environmental Contingency**

The Company's Colombia exploration activities are subject to various government laws and regulations relating to the protection of the environment. These environmental regulations are continually changing and are generally becoming more restrictive. As of the date of this MD&A, the Company believes that there are no significant environmental obligations requiring material capital outlays in the immediate future for Colombia exploration activities. However, an asset retirement obligation has been recorded for a Canadian oil and gas lease interest acquired as a result of the 2015 business combination with Sintana Resources Corp.



**Selected Annual Financial Information**

The following is selected financial data derived from the audited annual consolidated financial statements of the Company at December 31, 2019, December 31, 2018 and December 31, 2017 and for the years then ended:

	<b>Year Ended December 31, 2019 \$</b>	<b>Year Ended December 31, 2018 \$</b>	<b>Year Ended December 31, 2017 \$</b>
<b>Income (Loss)</b>			
Total revenues	nil	nil	nil
Total loss <sup>(1)(2)</sup>	(1,323,698)	(1,905,354)	(864,373)
Net loss per share – basic <sup>(3)(4)</sup>	(0.01)	(0.02)	(0.01)
Net loss per share – diluted <sup>(3)(4)</sup>	(0.01)	(0.02)	(0.01)
	<b>As at December 31, 2019 \$</b>	<b>As at December 31, 2018 \$</b>	<b>As at December 31, 2017 \$</b>
<b>Assets / Liabilities</b>			
Total assets	204,127	560,532	381,908
Total non-current financial liabilities	74,385	396,203	nil
Distribution or cash dividends <sup>(5)</sup>	nil	nil	nil

(1) Loss from continuing operations attributable to owners of the parent, in total;

(2) Loss attributable to owners of the parent, in total;

(3) Loss from continuing operations attributable to owners of the parent, on a per-share and diluted per share basis;

(4) Loss attributable to owners of the parent, on a per-share and diluted per-share basis;

(5) Declared per-share for each class of shares.

- The net loss for the year ended December 31, 2019, consisted primarily of (i) exploration and evaluation expenditures of \$61,863; (ii) general and administrative expenses of \$1,555,349; (iii) foreign exchange gain of \$256,782; (iv) finance interest expense of \$53,099; (v) gain of accounts payable of \$89,831.
- The net loss for the year ended December 31, 2018, consisted primarily of (i) exploration and evaluation expenditures of \$109,948; (ii) general and administrative expenses of \$1,548,481; (iii) foreign exchange loss of \$277,453; (iv) finance interest expense of \$33,122; (v) gain of accounts payable of \$63,650.
- The net loss for the year ended December 31, 2017, consisted primarily of (i) exploration and evaluation expenditures recovery of \$158,025; (ii) general and administrative expenses of \$1,475,219; (iii) foreign exchange gain of \$151,207; (iv) gain on sale of subsidiary of \$254,005; (v) write-down of accounts payable of \$60,154; and (vi) write-off of accounts receivable of \$12,545.
- The Company's ability to fund its operations is dependent on securing financing by issuing equity and / or debt instruments, selling assets, proceeds from sales of produced hydrocarbons, and / or royalty income. The value of any hydrocarbons prospect is dependent upon the existence of economically recoverable reserves, the ability to obtain the necessary financing to complete exploration, development and production activities, and the future profitable production or

proceeds from the disposition of successful hydrocarbon projects. See "Trends" and "Risk Factors".

### Selected Quarterly Information

Quarter Ending	Total Sales (\$)	Profit or (Loss)		Total Assets (\$)
		Total (\$)	Basic and Diluted Income (Loss) Per Share <sup>(9)</sup> (\$)	
2019-December 31	Nil	(143,401) <sup>(1)</sup>	(0.00)	204,127
2019-September 30	Nil	(516,881) <sup>(2)</sup>	(0.00)	246,500
2019-June 30	Nil	(291,195) <sup>(3)</sup>	(0.00)	340,960
2019-March 31	Nil	(372,221) <sup>(4)</sup>	(0.00)	446,149
2018-December 31	Nil	(611,275) <sup>(5)</sup>	(0.01)	560,532
2018-September 30	Nil	(331,066) <sup>(6)</sup>	(0.00)	631,496
2018-June 30	Nil	(536,698) <sup>(7)</sup>	(0.00)	171,372
2018-March 31	Nil	(426,315) <sup>(8)</sup>	(0.00)	301,842

Notes:

- (1) Net loss of \$143,401 consisted primarily of: exploration and evaluation expenditures of \$13,984, general and administrative expenses of \$387,817, finance interest expense of \$3,575, which was offset by foreign exchange gain of \$130,664 and gain of accounts payable of \$47,745.
- (2) Net loss of \$516,881 consisted primarily of: exploration and evaluation expenditures of \$14,713, general and administrative expenses of \$372,943, finance interest expense of \$8,291, foreign exchange loss of \$51,397 and loss on conversion of \$83,566, which was offset by gain of accounts payable of \$14,029.
- (3) Net loss of \$291,195 consisted primarily of: exploration and evaluation expenditures of \$15,502, general and administrative expenses of \$363,307, finance interest expense of \$21,141, which was offset by foreign exchange gain of \$94,727 and gain of accounts payable of \$14,028.
- (4) Net loss of \$372,221 consisted primarily of: exploration and evaluation expenditures of \$17,664, general and administrative expenses of \$431,282, finance interest expense of \$20,092, which was offset by foreign exchange gain of \$82,788 and gain of accounts payable of \$14,029.
- (5) Net loss of \$611,275 consisted primarily of: exploration and evaluation expenditures of \$14,671, general and administrative expenses of \$454,993, finance interest expense of \$14,300, foreign exchange loss of \$190,961 which was offset by gain of accounts payable of \$63,650.
- (6) Net loss of \$331,066 consisted primarily of: exploration and evaluation expenditures of \$53,053, general and administrative expenses of \$331,743, finance interest expense of \$18,822 which was offset by foreign exchange gain of \$72,552.
- (7) Net loss of \$536,698 consisted primarily of: exploration and evaluation expenditures of \$16,324, general and administrative expenses of \$442,510 and foreign exchange loss of \$77,864.



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- (8) Net loss of \$426,315 consisted primarily of: exploration and evaluation expenditures of \$25,900, general and administrative expenses of \$319,235 and foreign exchange loss of \$81,180.
- (9) Per share amounts are rounded to the nearest cent, therefore aggregating quarterly amounts may not reconcile to year-to-date per share amounts.

Variances in the Company's quarterly net income or loss are largely attributable to variances in the magnitude and timing of the Company's exploration and evaluation expenditures and recoveries, transactions costs, share-based payments and other general and administration costs, foreign exchange gain / loss, gain or loss on asset sales, and loss on debt extinguishment.

**Related Party Transactions**

Related parties include 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 standard commercial terms.

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 in strict adherence to conflict of interest laws and regulations.

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

<b>Salaries and Benefits <sup>(1)</sup> (Includes deferred)</b>	<b>Year Ended December 31, 2019 \$</b>	<b>Year Ended December 31, 2018 \$</b>
<b>Deferred salaries and benefits</b>		
Keith D. Spickelmier - Director / Executive Chairman	265,380	259,140
Douglas G. Manner - Director / Chief Executive Officer	265,380	259,140
David L. Cherry - President & Chief Operating Officer	265,380	259,140
Sean J. Austin - Vice President, Controller, Corporate Secretary & Treasurer	238,842	233,226
Bruno C. Maruzzo – Director	20,000	20,000
Dean Gendron - Director	20,000	20,000
Robert Bose – Director	20,000	nil
<b>Total deferred salaries and benefits</b>	<b>1,094,982</b>	<b>1,050,646</b>
<b>Total</b>	<b>1,094,982</b>	<b>1,050,646</b>

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(1) Salaries and benefits include director fees. Balances for deferred compensation due to directors and key management personnel of \$4,672,712 are included in deferred compensation as at December 31, 2019 (December 31, 2018 - \$3,777,189) and include the retiring allowance payable to Lee A. Pettigrew.

(2) 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 (US\$305,584 (\$396,893)) as a retiring allowance. This amount is included as deferred compensation.

Share-based expense (Stock options and RSUs)	Year Ended December 31, 2019 \$	Year Ended December 31, 2018 \$
Keith D. Spickelmier - Director / Executive Chairman	35,889	15,849
Douglas G. Manner - Director / Chief Executive Officer	35,889	15,849
David L. Cherry - President & Chief Operating Officer	35,889	15,849
Sean J. Austin - Vice President, Controller, Corporate Secretary & Treasurer	35,889	15,849
Bruno C. Maruzzo – Director	7,751	10,492
Dean Gendron - Director	4,952	8,306
Robert Bose – Director	7,107	5,094
Carmelo Marrelli, Chief Financial Officer	2,370	1,982
<b>Total</b>	<b>165,736</b>	<b>89,270</b>

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

For the year ended December 31, 2019, the Company paid professional fees and disbursements of \$70,109 (year ended December 31, 2018 - \$72,755) 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 \$14,629 is included in accounts payable and other liabilities as at December 31, 2019 (December 31, 2018 - \$9,458).

For the year ended December 31, 2019, the Company paid professional fees and disbursements of \$514 (year ended December 31, 2018 - \$9,476) 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 December 31, 2019, DSA was owed \$nil (December 31, 2018 - \$2,246) and this amount is included in accounts payable and other liabilities.

For the year ended December 31, 2019, the Company paid professional fees and disbursements of \$2,813 (year ended December 31, 2018 - \$nil) to DSA Filing Services Inc. ("DSA Filing"), an organization which Carmelo Marrelli controls. Carmelo Marrelli is also the corporate secretary and sole director of DSA Filing. 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 December 31, 2019, DSA Filing was owed \$170 (December 31, 2018 - \$nil) and this amount is included in accounts payable and accrued liabilities.

### **Discussion of Operations**

#### Year ended December 31, 2019, compared with the year ended December 31, 2018

Sintana's net loss totalled \$1,323,698 for the year ended December 31, 2019, with basic and diluted loss per share of \$0.01. This compares with a net loss of \$1,905,354 for the year ended December 31, 2018, with basic and diluted loss per share of \$0.02. The decrease of \$581,656 in net loss was principally due to:

- Exploration and evaluation expenditures decreased to \$61,863 for the year ended December 31, 2019 compared to \$109,948 for the comparative period. See "Petroleum and Natural Gas Update", above for a description of current exploration activities.
- General and administrative expenses increased by \$6,868. General and administrative expenses totalled \$1,555,349 for the year ended December 31, 2019 (year ended December 31, 2018 - \$1,548,481) and consisted of administrative and general expenses of \$49,996 (year ended December 31, 2018 - \$58,451), professional fees of \$210,749 (year ended December 31, 2018 - \$276,819), reporting issuer costs of \$14,614 (year ended December 31, 2018 - \$31,489), travel expenses of \$2,470 (year ended December 31, 2018 - \$16,786), salaries and benefits of \$1,277,520 (year ended December 31, 2018 - \$1,165,013) and interest and other income of \$nil (year ended December 31, 2018 - \$77).
  - The Company incurred an increase in salaries and benefits of \$112,507 for the year ended December 31, 2019, compared to the year ended December 31, 2018. The increase can also be attributed to the vesting over time of options and RSUs granted.
    - During the year ended December 31, 2019, the Company granted 800,000 RSUs to four officers of the Company. These RSUs vest as follows: one-half vest immediately and one-half vest on the first anniversary. In relation to this grant, compensation for the year ended December 31, 2019 was \$67,734 (year ended December 31, 2018 - \$nil).
    - Share-based compensation included in salaries and benefits expense includes \$nil (year ended December 31, 2018 - \$11,951) relating to stock options granted before 2018 in accordance with their respective vesting terms, during the year ended December 31, 2019.
    - On June 8, 2018, the Company granted a total of 450,000 stock options to 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. \$6,784 (year ended December 31, 2018 - \$13,422) was expensed to salaries and benefits (share-based compensation) and as an addition to contributed surplus during the year ended December 31, 2019.

- On December 18, 2018, the Company granted a total of 3,850,000 stock options to officers and 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 December 18, 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 127.32%; risk-free interest rate of 1.94%; and an expected average life of 5 years. The options were valued at \$186,189. \$91,217 (year ended December 31, 2018 - \$65,617) was expensed to salaries and benefits (share-based compensation) and as an addition to contributed surplus during the year ended December 31, 2019.

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

- The expected term: the Company used the maximum term ascribed to stock options issued for the purposes of calculating their value. The Company chose the maximum term because it is difficult to determine with any reasonable degree of accuracy when these stock options will be exercised.
  - Volatility: the Company used historical information on the market price of common shares of a similar company to determine the degree of volatility at the date the stock options were granted. Therefore, depending on when the stock options were granted and the period of historical information examined, the degree of volatility can be different when calculating the value of different stock options.
  - Risk-free interest rate: the Company used the interest rate available for government securities of an equivalent expected term as at the date of the grant of the stock options. The risk-free interest rate varies depending on the date of the grant of the stock options and their expected term.
  - Dividend yield: the Company has not paid dividends in the past because it is in the exploration phase of discovering crude oil and natural gas resources and has not yet earned any significant income. Also, the Company does not expect to pay dividends in the foreseeable future. Therefore, a dividend rate of 0% was used for the purposes of the valuation of the stock options.
- The Company incurred a decrease in professional fees of \$66,070 for the year ended December 31, 2019, compared to the year ended December 31, 2018. The decrease can be attributed to lower corporate activity requiring legal assistance during year ended December 31, 2019 compared to the year ended December 31, 2018.

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- Administrative and general expenses include corporate office expenses. The decrease in administrative and general expenses of \$8,455 can be attributed to marginally lower level of activity.
- The Company incurred a decrease in travel expenses of \$14,316 for the year ended December 31, 2019, compared to the year ended December 31, 2018. The decrease can be attributed to lower business development, operations monitoring and investor relations activities.
- The Company incurred a foreign exchange gain of \$256,782 up from a loss of \$277,453 in the previous period, which was primarily attributable to US dollar and Colombian peso exchange rate fluctuations.
- Finance interest expense was \$53,099 for the year ended December 31, 2019 compared to \$33,122 for the year ended December 31, 2018. The increase is due to interest expense and accretion expense on the Debentures issued on July 24, 2018.
- Gain of accounts payable increased to \$89,831 (payables accrued decreased) for the year ended December 31, 2019 compared to \$63,650 for the year ended December 31, 2018. The gain is due to management's reassessment of certain previously recorded liabilities.

Three months ended December 31, 2019 compared with three months ended December 31, 2018

Sintana's net loss totalled \$143,401 for the three months ended December 31, 2019, with basic and diluted loss per share of \$0.00. This compares with a net loss of \$611,275 for the three months ended December 31, 2018, with basic and diluted loss per share of \$0.01. The decrease of \$467,874 in net loss was principally due to:

- Exploration and evaluation expenditures decreased to \$13,984 for the three months ended December 31, 2019 compared to \$14,671 for the comparative period. See "Petroleum and Natural Gas Update", under the subheading "Operational Highlights", above for a description of current exploration activities.
- General and administrative expenses decreased by \$67,176. General and administrative expenses totalled \$387,817 for the three months ended December 31, 2019 (three months ended December 31, 2018 - \$454,993) and consisted of administrative and general expenses of \$11,794 (three months ended December 31, 2018 - \$19,503), professional fees of \$70,840 (three months ended December 31, 2018 - \$80,924), reporting issuer costs of \$150 (three months ended December 31, 2018 - \$6,452), travel expenses of \$2,470 (three months ended December 31, 2018 - \$6,434) and salaries and benefits of \$302,563 (three months ended December 31, 2018 - \$341,680).
  - The Company incurred a decrease in salaries and benefits of \$39,117 for the three months ended December 31, 2019, compared to the three months ended December 31, 2018. The decrease can also be attributed to the vesting over time of options and RSUs granted.
    - During the year ended December 31, 2019, the Company granted 800,000 RSUs to four officers of the Company. These RSUs vest as follows: one-half of the RSU vest immediately and one-half vest on the first anniversary. In relation to this grant, compensation for the three months ended December 31, 2019 was \$9,000 (three months ended December 31, 2018 - \$nil).

- Share-based compensation included in salaries and benefits expense includes \$nil (three months ended December 31, 2018 - \$11,951) relating to stock options granted before 2018 in accordance with their respective vesting terms, during the year ended December 31, 2019.
- On June 8, 2018, the Company granted a total of 450,000 stock options to 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 (three months ended December 31, 2018 - \$2,723) was expensed to salaries and benefits (share-based compensation) and as an addition to contributed surplus during three months ended December 31, 2019.
- On December 18, 2018, the Company granted a total of 3,850,000 stock options to officers and 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 December 18, 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 127.32%; risk-free interest rate of 1.94%; and an expected average life of 5 years. The options were valued at \$186,189. \$21,140 (three months ended December 31, 2018 - \$65,617) was expensed to salaries and benefits (share-based compensation) and as an addition to contributed surplus during the three months ended December 31, 2019.

Several variables are used, including the expected term, volatility, risk-free interest rate and dividend yield, when determining the value of stock options using the Black-Scholes valuation model, as described on page 14.

- The Company incurred a decrease in professional fees of \$10,084 for the three months ended December 31, 2019, compared to the three months ended December 31, 2018. The decrease can be attributed to lower corporate activity requiring legal assistance during the three months ended December 31, 2019 compared to the three months ended December 31, 2018.
- Administrative and general expenses include corporate office expenses. The decrease in administrative and general expenses of \$7,709 can be attributed to marginally lower corporate support costs.
- The Company incurred a decrease in travel expenses of \$6,302 for the three months ended December 31, 2019, compared to the three months ended December 31, 2018. The decrease can be attributed to lower business development, operations monitoring and investor relations activities.
- The Company incurred a foreign exchange gain of \$130,664 up from a loss of \$190,961 in the previous period, which was primarily attributable to US dollar and Colombian peso exchange rate fluctuations.



- Finance interest expense was \$3,575 for the three months ended December 31, 2019 compared to \$14,300 for the three months ended December 31, 2018. The decrease is due to the partial conversion of \$550,000 of the principal amount of the Debenture.
- Gain of accounts payable decreased to \$47,745 for the three months ended December 31, 2019 compared to \$63,650 for the three months ended December 31, 2018. The decrease is due to management's reassessment of certain previously recorded liabilities.

### **Cash Flow**

At December 31, 2019, the Company had cash of \$173,975. The decrease in cash of \$343,404 from the December 31, 2018 cash balance of \$517,379 was a result of net cash outflows for operating activities of \$343,404. Operating activities were mainly affected by a net loss of \$1,323,698, offset by non-cash activities in share-based compensation of \$165,735, accretion on convertible debentures of \$18,706, accrued interest on convertible debentures of \$34,393, gain of accounts payable of \$89,831 and net change in non-cash working capital balances of \$851,291. The change in working capital balances was due to a decrease in accounts receivable and other assets of \$13,001, a decrease in accounts payable and other liabilities of \$57,233 and an increase of \$895,523 in deferred compensation.

### **Liquidity and Financial Position**

The Company derives no income from operations, has continuing operating losses and limited working capital. Accordingly, the activities of the Company have been financed by cash raised through private placements of securities, convertible debentures and sales of non-core assets. As the Company does not expect to generate positive cash flows from operations in the near future, it will continue to rely primarily on additional financings to raise capital.

At the date of this MD&A, the Company estimates that it has sufficient cash on hand to remain a going concern for the next 12 months. However, it will need to secure additional financing to carry on business activities in 2021 and thereafter unless it commences producing hydrocarbons in sufficient quantities to meet the Company's ongoing need for additional working capital. The major variables are expected to be the size, timing and results of the Company's compliance requirements and its ability to continue to access capital to fund its ongoing activities. Although the Company has been successful in raising funds to date, there is no assurance that future equity capital or debt will be available to the Company in the amounts or at the times desired or on terms that are acceptable to the Company, if at all. See "Risk Factors" below. In addition, the Company will defer payment of certain liabilities, primarily compensation, until it is in a financial position to discontinue this practice.

It is difficult, at this time, to definitively project the total funds necessary to effect the planned activities of the Company. For these reasons, management considers it to be in the best interests of the Company and its shareholders to afford management a reasonable degree of flexibility as to how funds are employed, or for other purposes, as needs arise. See "Risk Factors" and "Cautionary Note Regarding Forward-Looking Information".

Changes in capital markets, including a decline in the market prices for hydrocarbons, could materially and adversely impact Sintana's ability to continue as a going concern.

### **Capital Risk Management**

Sintana manages its capital with the following objectives:

- ensure sufficient financial flexibility to achieve its ongoing business objectives;
- maintain its private participation interests in the potential conventional and unconventional opportunities in Block VMM-37 in Colombia's Magdalena Basin; and,
- maximize shareholder value.

Sintana monitors its capital structure and makes adjustments, as deemed necessary, in an effort to meet its commitments and objectives. Sintana can manage its capital structure by issuing new shares and debt, repurchasing outstanding shares, reducing participation interests, adjusting capital spending and operating costs, and / or disposing of assets. The cash forecasts and capital structure are reviewed by management and the Board on an ongoing basis.

Sintana considers its financial capital to be shareholders' deficiency, which comprises share capital, warrants, contributed surplus (which includes stock options), the conversion feature of convertible debentures and deficit, which at December 31, 2019 totaled to a shareholders' deficiency of \$5,198,705 (December 31, 2018 – shareholders' deficiency of \$4,415,659).

Sintana monitors its sources and uses of capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts the timing and amounts of its future cash flows based on anticipated operating and overhead expenditures, and other investing and financing activities. The forecast is updated periodically based on current and planned activities related to its hydrocarbon participation interests. Forecast summaries are provided to the Board.

Sintana's capital management objectives, policies and processes remained unchanged during the year ended December 31, 2019. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than Policy 2.5 of the TSXV which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of December 31, 2019, the Company was compliant with Policy 2.5.

### **Share Capital**

The Company is authorized to issue an unlimited number of common shares and special shares. As of the date of this MD&A, the Company had 130,398,297 common shares outstanding.

As of the date of this MD&A, the following warrants were outstanding:

<b>Warrants</b>	<b>Expiry Date</b>	<b>Exercise Price</b>
2,395,000	July 24, 2021	\$0.10
<b>2,395,000</b>		



As of the date of this MD&A, the following stock options were outstanding:

Options	Expiry Date	Exercise Price
3,550,000	November 5, 2020	\$0.18
2,150,000	July 19, 2021	\$0.10
450,000	June 4, 2023	\$0.10
3,850,000	December 18, 2023	\$0.10
<b>10,000,000</b>		

## **Financial Risk Management**

### *Financial risk*

Sintana's activities expose it to a variety of financial risks, including credit risk, liquidity risk and market risk (including interest rates and foreign exchange risks).

Risk management is carried out by Sintana's management team with guidance from the Board.

### Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and accounts receivable excluding HST. All of the Company'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.

### Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company'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 economic conditions generally or matters specific to Sintana. The Company generates cash flow primarily from its financing and business development activities.

Most of the Company's financial liabilities have contractual maturities of less than 90 days and are subject to normal trade terms, except for Colombian income taxes. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity.

### 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.

- Interest rate risk

The Company's current policy is to invest excess cash in short-term guaranteed investment certificates or money market funds of major Canadian chartered banks. The Company's convertible debentures are at fixed interest rates. Accordingly, the Company has no material interest rate risk.

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- Foreign currency risk

As of December 31, 2019, the Company funds certain operations, exploration and administrative expenses in Colombia on a cash call basis using US dollar currency and Colombian Peso. The Company maintains US dollar bank accounts in Canada, Colombia, Panama and the United States. The Company maintains one Colombian Peso bank account in Colombia. Sintana is subject to gains and losses from fluctuations in the Canadian dollar, Colombian Peso and US dollar. The Company does not use currency derivative instruments to manage its exposure to foreign currency fluctuations.

The following are the Canadian dollar equivalent balances for items denominated in foreign currencies:

	December 31, 2019 (\$)	December 31, 2018 (\$)
Cash	87,814	479,780
Provision (included in accounts payable and other liabilities)	(424,197)	(673,002)
Deferred compensation	(4,555,779)	(3,703,371)

*Sensitivity analysis*

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

- Sintana holds balances in foreign currencies which could give rise to exposure to foreign exchange risk. As at December 31, 2019, a plus or minus 10% change in the Colombian Peso and US dollar foreign exchange rates against the Canadian dollar, with all other variable held constant, would have affected the reported income and comprehensive income by approximately \$491,000 (December 31, 2018 - \$390,000).

**Outlook**

The Company routinely evaluates various business development opportunities.

**Proposed Transactions**

The Company routinely evaluates various business development opportunities that could entail farm-ins, farm-outs, acquisitions, trades and / or divestitures. In this regard, the Company is currently in discussions related to these and similar activities with various parties. There can be no assurance that any such transactions will be concluded in the future.

### **New Standard Adopted During the Year**

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 consolidated financial statements.

### **Disclosure of Internal Controls**

Management has established processes to provide it with sufficient knowledge to support representations that it has exercised reasonable diligence to ensure that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements, and (ii) the consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flow of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (“NI 52-109”), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (“DC&P”) and internal control over financial reporting (“ICFR”), as defined in NI 52-109. In particular, the certifying officers filing such certificate are not making any representations relating to the establishment and maintenance of:

- (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- (ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with the issuer's GAAP (IFRS).

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

### **Risk Factors**

Investment in Sintana must be considered highly speculative due to the nature of Sintana's business, its formative stage of development, its current financial position and its lack of an earnings record. An investment in any securities of Sintana should only be considered by those persons who can afford a total loss of their investment.

### **Requirement to invest to retain rights**

Most of the leases and other operating rights that Sintana has and will acquire granting Sintana the right to explore for and exploit crude oil and natural gas resources require, within defined lengths of time, Sintana to drill wells and / or conduct seismic activities to maintain those rights. There can be no assurance that Sintana will have the resources necessary to drill the required wells or conduct the requisite seismic activities within the required time periods. Sintana does not have adequate cash at present to complete all of its drilling and seismic activities required to maintain its interests in oil and natural gas properties. In addition, Sintana will prioritize its drilling and seismic programs so as to pursue its best prospects, thus running the risk that certain of its rights may expire. If Sintana does not perform the required drilling or other required activities within the defined time periods, its rights to explore may lapse, which could have a material adverse effect on Sintana.

### **Ongoing need for financing**

As Sintana has limited revenue, its ability to continue exploration, development, acquisition and divestiture efforts are largely reliant on its continued attractiveness to equity investors. Sintana will incur operating losses as it continues to expend funds to explore and develop its properties. There is no guarantee that Sintana will be able to develop any of its properties to commercial production. Additionally, Sintana will require additional capital to continue exploration and development. Failure to raise such capital could result in Sintana going out of business. From time to time, Sintana may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed wholly or partially with debt, which may temporarily increase Sintana's debt levels above industry standards.

### **Crude oil and natural gas development**

No reserves have been assigned in connection with Sintana's property interests to date, given their early stage of development. The future value of Sintana is therefore dependent on the success or otherwise of Sintana's activities, which are principally directed toward the further exploration, appraisal and development of its assets in Colombia, and potential acquisition of additional property interests in the future. Exploration, appraisal and development of crude oil and natural gas reserves are speculative and involve a significant degree of risk. There is no guarantee that exploration or appraisal of the property interests of Sintana will lead to a commercial discovery or, if there is a commercial discovery, that Sintana will be able to realize the value of such reserves as intended. Few properties that are explored are ultimately developed into new reserves. If at any stage Sintana is precluded from pursuing its exploration or development programs, or such programs are otherwise not continued, Sintana's business, financial condition and / or results of operations and, accordingly, the trading price of Sintana shares, is likely to be materially adversely affected.

Crude oil and natural gas exploration involves a high degree of risk and there is no assurance that expenditures made for future exploration or development activities by Sintana will result in discoveries of crude oil, condensate or natural gas that are commercially or economically viable. It is difficult to project the costs of implementing any exploratory drilling or development program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over-pressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof.

### **Political risks**

All of Sintana's current operations are conducted in Colombia and as such, Sintana's operations are exposed to various levels of political, economic and other risks and uncertainties. These risks and

uncertainties vary from country to country and include, but are not limited to, currency exchange rates; high rates of inflation; labour unrest; renegotiation or nullification of existing concessions, licenses, permits and contracts; terrorism; changes in taxation policies; restrictions on foreign exchange; and changing political conditions; currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Future political actions cannot be predicted and may adversely affect Sintana. Changes, if any, in oil and natural gas or investment policies or shifts in political attitude in the countries in which Sintana holds property interests may adversely affect Sintana's business, results of operations and financial condition. Future operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and oil and natural gas safety matters. The possibility that future governments may adopt substantially different policies, which may extend to the expropriation of assets, cannot be ruled out.

Failure to comply strictly with applicable laws, regulations and local practices relating to property applications and tenure, could result in loss, reduction or expropriation of entitlements. The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the Company's consolidated business, results of operations and financial condition.

#### **Volatile stock price**

The stock price of Sintana is highly volatile and will most likely be drastically affected by exploration and development results. Sintana cannot predict the results of its exploration and development activities expected to take place in the future. The results of these activities will inevitably affect Sintana's decisions related to further exploration and development of any of the properties that Sintana may hold in the future, and will likely trigger major changes in the trading price of the Sintana shares.

#### **Potential conflicts of interest**

Some of the individuals who serve as directors or officers of Sintana are also directors, officers and / or promoters of other reporting and non-reporting issuers. As of the date of this MD&A, and to the knowledge of the directors and officers of Sintana, there are no existing conflicts of interest between Sintana and any of the individuals who are directors or officers of Sintana other than as disclosed elsewhere in this MD&A. Situations may arise where the directors and / or officers of Sintana may be in competition with Sintana. Any conflicts will be subject to and governed by the laws applicable to directors' and officers' conflicts of interest. In the event that such a conflict of interest arises at a meeting of Sintana's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of Sintana are required to act honestly, in good faith and in the best interests of Sintana.

#### **No history of production**

Sintana's properties are exploration stage only. Sintana has never had any material interest in crude oil and / or natural gas producing properties. There is no assurance that commercial quantities of crude oil or natural gas will be discovered at any of the properties of Sintana or any future properties, nor is there any assurance that the exploration or development programs of Sintana thereon will yield any positive results. Even if commercial quantities of crude oil and / or natural gas are discovered, there can be no assurance that any property of Sintana will ever be brought to a stage where oil and / or natural gas can profitably be produced thereon. Factors which may limit the ability of Sintana to produce oil and / or natural gas from

its properties include, but are not limited to, commodity prices, availability of additional capital and financing and the nature of any crude oil and / or natural gas deposits.

### **Reliance on one property**

The principal property interest of Sintana is currently the VMM-37 Block. As a result, any adverse developments affecting any or all of these Blocks could have a material adverse effect upon Sintana and would materially and adversely affect the potential production, profitability, financial performance and results of operations of Sintana.

### **Future sales of Sintana shares by existing shareholders**

Sales of a large number of Sintana shares in the public markets, or the potential for such sales, could decrease the trading price of the Sintana shares and could impair Sintana's ability to raise capital through future sales of Sintana shares. Sintana may from time to time have previously issued securities at an effective price per share that is lower than the then current market price of Sintana shares. Accordingly, certain shareholders of Sintana may have an investment profit in Sintana shares that they may seek to liquidate.

### **Market price of Sintana shares**

Securities of micro-cap and small-cap companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally, and market perceptions of the attractiveness of particular industries. The price of Sintana shares is also likely to be significantly affected by short-term changes in oil and natural gas prices or in Sintana's financial condition or results of operations of the Company. Other factors unrelated to Sintana's performance that may have an effect on the price of Sintana shares include the following: the extent of analytical coverage available to investors concerning Sintana's business may be limited if investment banks with research capabilities do not follow Sintana's securities; lessening in trading volume and general market interest in Sintana's securities may affect an investor's ability to trade significant numbers of Sintana shares; the size of Sintana's public float may limit the ability of some institutions to invest in Sintana's securities; and a substantial decline in the price of Sintana shares that persists for a significant period of time could cause Sintana's securities, if listed on an exchange, to be delisted from such exchange, further reducing market liquidity.

As a result of any of these factors, the market price of Sintana shares at any given point in time may not accurately reflect Sintana's long-term value. Securities class-action litigation often has been brought against companies following periods of volatility in the market price of their securities. Sintana may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

### **Environmental regulation and risks**

All phases of Sintana's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect Sintana's operations. Environmental hazards may exist on the properties in which Sintana holds interests that are unknown to Sintana at present and which have been caused by previous or existing owners or operators of the properties.



Government approvals, approval of aboriginal people and permits are currently and may in the future be required in connection with Sintana's direct and indirect operations. To the extent such approvals are required and not obtained, Sintana may be curtailed or prohibited from continuing its oil and / or natural exploration operations or from proceeding with planned exploration or development of its properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in the exploration or development of natural resource properties may be required to compensate those suffering loss or damage by reason of the exploration and development activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of crude oil and natural gas exploration companies, or more stringent implementation thereof, could have a material adverse impact on Sintana and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new properties.

#### **Requirement for permits and licenses**

The operations of Sintana require it to obtain licenses for operating, permits, and in some cases, renewals of existing licenses and permits from various authorities in Colombia. Sintana believes that it currently holds or has applied for all necessary licenses and permits to carry on the activities it is currently conducting under applicable laws and regulations in respect of its properties, and also believes that it is complying in all material respects with the terms of such licenses and permits. However, the ability of Sintana to obtain, sustain or renew any such licenses and permits on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable authorities or other governmental agencies in foreign jurisdictions.

#### **Exploration, development and operating risks**

Exploration, development and production operations generally involve a high degree of risk. The operations of Sintana are subject to all the hazards and risks normally encountered in the exploration, development and production of oil and natural gas, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, producing facilities, damage to life or property, environmental damage and possible legal liability. Although adequate precautions to minimize risk will be taken, operations are subject to hazards that may result in environmental pollution and consequent liability.

#### **Insurance and uninsured risks**

Sintana's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, mechanical failures, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to crude oil and natural gas properties and / or production facilities, personal injury or death, environmental damage to the properties of Sintana, or the properties of others, delays in exploration, development and production activities, monetary losses and possible legal liability.

Although Sintana maintains insurance to protect against certain risks in such amounts as it considers reasonable, its insurance will not cover all the potential risks associated with crude oil and natural gas operations. Sintana may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration, development and production activities is not generally available to Sintana or to other companies in the oil and natural gas industry on acceptable terms. Sintana might also become subject to liability for pollution or other hazards that may not be insured against or which Sintana may elect not to insure against because of premium costs or other reasons. Losses from these events may cause Sintana to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

### **Infrastructure**

Crude oil and natural gas exploration, development and production activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources, water supply and disposal facilities are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the operations, financial condition and results of operations of Sintana.

### **Participation Interests**

No assurances can be given that there are no participation interests defects affecting any properties of Sintana. Insurance generally is not available, and the ability of Sintana to ensure that it has obtained secure claim to individual properties or concessions may be severely constrained. Furthermore, Sintana has not conducted surveys of the claims in which it currently holds direct or indirect interests and, therefore, the precise area and location of such claims may be in doubt. Accordingly, such natural resource properties may be subject to prior unregistered liens, agreements, transfers or claims, including native land claims, and participation interests may be affected by, among other things, undetected defects. In addition, Sintana may be unable to operate its properties as permitted or to enforce its rights with respect to its properties.

### **Competition**

The crude oil and natural gas industries are competitive in all of their phases. Sintana faces strong competition from other companies in connection with the acquisition of properties producing, or capable of producing, crude oil and natural gas. Many of these companies have greater financial resources, operational experience and technical capabilities than Sintana. As a result of this competition, Sintana may be unable to maintain or acquire attractive properties on terms it considers acceptable or at all. Consequently, the revenues, operations and financial condition of Sintana could be materially adversely affected.

### **Commodity prices**

The price of Sintana shares, its financial results and its exploration, development and production activities, if any, could be significantly adversely affected by declines in the price of crude oil and / or natural gas. The prices of crude oil and natural gas fluctuate widely and are affected by numerous factors beyond Sintana's control, such as the sale or purchase of commodities by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the Canadian dollar and foreign currencies, global and regional supply and demand, the political and economic conditions of major oil-producing countries throughout the world, and the cost of substitutes, inventory levels and carrying charges. Future price declines in the market value of crude oil and / or



natural gas could cause continued development of and commercial production from its properties to be impracticable. Depending on the price of crude oil and natural gas, cash flow from any potential future operations may not be sufficient and Sintana could be forced to discontinue production and may lose its interests in, or be forced to sell, some of its properties. Potential future production from Sintana's properties, if any, is dependent upon the price of crude oil and / or natural gas being adequate to make these properties economic.

In addition to adversely affecting Sintana's financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

### **Government regulation**

Sintana's exploration, development and production activities are subject to various laws, regulations and rules governing prospecting, development, production, taxes, labour standards and occupational health and safety, toxic substances, land use, water use, land claims of local people and other matters. Although to the best knowledge of Sintana the exploration, development and production activities are currently carried out in all material respects in accordance with all applicable laws, rules and regulations, no assurance can be given that new laws, rules and regulations will not be enacted or that existing laws, rules and regulations will not be applied in a manner that could limit or curtail exploration, development, production and / or sales activities. Amendments to current laws, rules and regulations governing oil and natural gas operations, or more stringent implementation thereof, could have a substantial adverse impact on Sintana.

### **Global financial conditions**

Over the cover of the last several years global financial conditions have been subject to increased volatility and numerous financial institutions have either gone into bankruptcy or had to be rescued by governmental authorities. Access to public financing has been negatively impacted by government debt burdens, sub-prime mortgages, the liquidity crisis affecting the asset-backed commercial paper market and other factors. These factors may adversely impact the ability of Sintana to obtain equity or debt financing in the future and, if obtained, on terms favourable to it. If these increased levels of volatility and market turmoil continue, the operations of Sintana could be impacted and the value and the price of Sintana shares and other securities could be adversely affected.

### **Dividend policy**

No dividends on any of the Sintana shares have been paid to date. Payment of future dividends, if any, will be at the discretion of the Board of Directors after taking into account multiple factors, including Sintana's operating results, financial condition, and current and anticipated cash needs.

### **Management**

The success of the Company is heavily dependent on the performance of management. Shareholders will be relying on the good faith, experience and judgment of the Company's management, directors and advisers in supervising and providing for the effective management of the Company's business. The loss of the services of one or more of these persons could have a materially adverse effect on the Company's business. There is no assurance the Company can maintain the services of its management or other qualified personnel required to operate its business. Failure to do so could have a materially adverse effect on the Company.

**Sintana Energy Inc.**  
**Management's Discussion & Analysis**  
**Year Ended December 31, 2019**  
**Discussion dated: March 10, 2020**

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Additionally, directors and officers of the Company may also serve as directors and / or officers of other reporting issuers from time to time.

The Company has not purchased "key-man" insurance.

**Additional Information**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com) and the Company's website at [www.sintanaenergy.com](http://www.sintanaenergy.com).

**Subsequent Events**

(i) On February 3, 2020, the Company announced that its Board of Directors approved grants of a total of 2,025,000 stock options to several directors and officers of the Company and one consultant. The stock options have an exercise price of \$0.145, vest in three equal tranches over the next 24 months and will expire on January 30, 2025.

The Company also approved grants to four officers of an aggregate of 200,000 RSUs that vested on February 11, 2020.

(ii) On February 13, 2020, 3,325,000 warrants with an exercise price of \$0.10 and an expiration date of July 24, 2021 were exercised for cash proceeds of \$332,500. As a result, 2,395,000 warrants remain outstanding and will expire on July 24, 2021.

**Additional Disclosure for Venture Issuers Without Significant Revenue**

	<b>Year Ended December 31, 2019</b>	<b>Year Ended December 31, 2018</b>
<b>General and administrative</b>	<b>\$</b>	<b>\$</b>
Salaries and benefits	1,277,520	1,165,013
Professional fees	210,749	276,819
Administrative and general	49,996	58,451
Travel expenses	2,470	16,786
Reporting issuer costs	14,614	31,489
Interest and other income	nil	(77)
<b>Total</b>	<b>1,555,349</b>	<b>1,548,481</b>

# 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

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☎ 713.825.9591

✉ [info@sintanaenergy.com](mailto: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

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