SINTANA ENERGY

FS|Q1 2019

SEI|TSX-V

SINTANA ENERGY INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2019

(EXPRESSED IN CANADIAN DOLLARS, UNLESS OTHERWISE STATED)

UNAUDITED

NOTICE TO READER

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

Exploring a better way™

A Colombia Focused Exploration Company

Sintana Energy Inc.

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

	As at March 31, 2019	As at December 31, 2018
ASSETS		
Current assets		
Cash and cash equivalents (note 3)	**$ 421,858**	$ 517,379
Accounts receivable and other assets (note 4)	**24,291**	43,153
Total assets	**$ 446,149**	$ 560,532
DEFICIT AND LIABILITIES		
Current liabilities		
Accounts payable and other liabilities (notes 5 and 14)	**$ 671,578**	$ 700,487
Deferred compensation (note 14)	**3,977,028**	3,777,189
Asset retirement obligation	**102,312**	102,312
Total current liabilities	**4,750,918**	4,579,988
Non-current liabilities		
Convertible debentures (note 6)	**416,295**	396,203
Total liabilities	**5,167,213**	4,976,191
Shareholders' deficiency	**(4,721,064)**	(4,415,659)
Total shareholders' deficiency and liabilities	**$ 446,149**	$ 560,532

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

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

Sintana Energy Inc.

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

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Operating expenses		
Exploration and evaluation expenditures (note 12)	**$ 17,664**	$ 25,900
General and administrative (notes 13 and 14)	**431,282**	319,235
Finance interest expense (note 6)	**20,092**	-
Foreign exchange (gain) loss	**(82,788)**	81,180
Net loss before write-down of accounts payable	**(386,250)**	(426,315)
Write-down of accounts payable (note 5)	**14,029**	-
Net loss and comprehensive loss for the period	**$ (372,221)**	$ (426,315)
Loss per share - basic and diluted (note 11)	**$ (0.00)**	$ (0.00)
Weighted average number of common shares outstanding - basic and diluted (note 11)	**117,854,901**	117,227,824

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

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

	Three Months Ended March 31, 2019	2018
Operating activities		
Net loss for the period	**$ (372,221)**	$ (426,315)
Adjustment for:		
Accretion on convertible debentures (note 6)	**6,765**	-
Accrued interest on convertible debentures (note 6)	**13,327**	-
Share-based compensation (notes 9 and 10)	**66,816**	5,006
Write-down of accounts payable (note 5)	**(14,029)**	-
Non-cash working capital items:		
Accounts receivable and other assets	**18,862**	18,354
Accounts payable and other liabilities	**(14,880)**	2,298
Deferred compensation	**199,839**	338,945
Net cash used in operating activities	**(95,521)**	(61,712)
Net change in cash and cash equivalents	**(95,521)**	(61,712)
Cash and cash equivalents, beginning of period	**517,379**	335,600
Cash and cash equivalents, end of period	**$ 421,858**	$ 273,888

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

Sintana Energy Inc.

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

	Number of common shares #	Share capital	Warrants	Contributed surplus	Conversion feature and convertible debt	Deficit	Total
Balance, December 31, 2017	**117,227,824**	**$ 77,644,457**	**$ -**	**$ 5,092,219**	**$ -**	**$ (85,598,994)**	**$ (2,862,318)**
Share-based compensation (note 9)	-	-	-	5,006	-	-	5,006
Net loss and comprehensive loss for the period	-	-	-	-	-	(426,315)	(426,315)
Balance, March 31, 2018	**117,227,824**	**$ 77,644,457**	**$ -**	**$ 5,097,225**	**$ -**	**$ (86,025,309)**	**$ (3,283,627)**
Balance, December 31, 2018	**117,644,490**	**$ 77,669,457**	**$ 74,233**	**$ 5,183,209**	**$ 161,790**	**$ (87,504,348)**	**$ (4,415,659)**
Restricted shares vested and converted to common shares (note 10)	400,000	36,000	-	(36,000)	-	-	-
Share-based compensation (notes 9 and 10)	-	-	-	66,816	-	-	66,816
Net loss and comprehensive loss for the period	-	-	-	-	-	(372,221)	(372,221)
Balance, March 31, 2019	**118,044,490**	**$ 77,705,457**	**$ 74,233**	**$ 5,214,025**	**$ 161,790**	**$ (87,876,569)**	**$ (4,721,064)**

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

1. Nature of operations and going concern

Sintana Energy Inc. ("Sintana" or the "Company") is a public Canadian oil and gas exploration company listed on the TSX Venture Exchange, 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 three months ended March 31, 2019, the Company incurred a loss of $372,221 and had an accumulated deficit of $87,876,569. Sintana had a working capital deficit of $4,304,769 at March 31, 2019 (December 31, 2018 - working capital deficit of $4,019,456).

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

2. Significant accounting policies

Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRSs issued and outstanding as of May 29, 2019, the date the Board of Directors approved these financial statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual audited consolidated financial statements as at and for the year ended December 31, 2018, except as noted below. Any subsequent changes to IFRS that are given effect in the Company's annual audited consolidated financial statements for the year ending December 31, 2019 could result in restatement of these unaudited condensed interim consolidated financial statements.

(Expressed in Canadian Dollars, Unless Otherwise Stated)

2. Significant accounting policies (continued)

New standard adopted during the period

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

3. Cash and cash equivalents

	As at March 31, 2019	As at December 31, 2018
Cash	**$ 421,858**	$ 517,379

4. Accounts receivable and other assets

	As at March 31, 2019	As at December 31, 2018
Accounts receivable	**$ 3,556**	$ 15,193
Prepaids and other advances	**20,735**	27,960
	$ 24,291	$ 43,153

5. Accounts payable and other liabilities

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

	As at March 31, 2019	As at December 31, 2018
Accounts payable	**$ 24,104**	$ 12,114
Accrued liabilities	**647,474**	688,373
	$ 671,578	$ 700,487

(Expressed in Canadian Dollars, Unless Otherwise Stated)

5. Accounts payable and other liabilities (continued)

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

	As at March 31, 2019	As at December 31, 2018
Less than 1 month	**$ 76,952**	$ 82,698
1 to 3 months	**1,643**	-
Greater than 3 months	**592,983**	617,789
	$ 671,578	$ 700,487

During the three months ended March 31, 2019, the Company recorded a write-down of accounts payable of $14,029 (three months ended March 31, 2018 - $nil) in the unaudited condensed interim consolidated statements of loss and comprehensive loss.

6. Convertible debentures

Movement in the convertible debentures was as follows:

	Amount
Balance, December 31, 2018	**$ 396,203**
Accrued interest	13,327
Accretion expense	6,765
Balance, March 31, 2019	**$ 416,295**

7. Share capital

a) Authorized share capital:

At March 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 March 31, 2019, the issued share capital amounted to $77,705,457. The change in issued share capital for the periods presented was as follows:

	Number of common shares	Amount
Balance, December 31, 2017 and March 31, 2018	**117,227,824**	**$ 77,644,457**
Balance, December 31, 2018	**117,644,490**	**$ 77,669,457**
Restricted shares vested and converted to common shares (note 10)	400,000	36,000
Balance, March 31, 2019	**118,044,490**	**$ 77,705,457**

(Expressed in Canadian Dollars, Unless Otherwise Stated)

8. Warrants

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

	Number of warrants	Weighted average exercise price ($)
Balance, December 31, 2017 and March 31, 2018	**-**	**$ -**
Balance, December 31, 2018 and March 31, 2019	**5,720,000**	**$ 0.10**

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

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

9. Stock options

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

	Number of stock options outstanding	Weighted average exercise price ($)
Balance, December 31, 2017	**6,844,744**	**0.23**
Expired	(50,000)	0.10
Balance, March 31, 2018	**6,794,744**	**0.23**
Balance, December 31, 2018 and March 31, 2019	**10,200,000**	**0.13**

(i) Share-based compensation included in salaries and benefits expense includes $26,082 (three months ended March 31, 2018 - $5,006) relating to stock options granted in previous years in accordance with their respective vesting terms, during the three months ended March 31, 2019.

The following table reflects the actual stock options issued and outstanding as of March 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
December 21, 2019	0.15	0.73	200,000	200,000	-
November 5, 2020	0.18	1.60	3,550,000	3,550,000	-
July 19, 2021	0.10	2.30	2,150,000	2,150,000	-
June 4, 2023	0.10	4.19	450,000	150,000	300,000
December 18, 2023	0.10	4.72	3,850,000	1,283,333	2,566,667
		3.02	**10,200,000**	**7,333,333**	**2,866,667**

(Expressed in Canadian Dollars, Unless Otherwise Stated)

10. Restricted Share Unit ("RSUs")

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

During the three months ended March 31, 2019, the Company granted 800,000 RSUs to four officers of the Company. These RSUs vest as follows: one-half of the RSUs vest immediately and one-half vest on the first anniversary. In relation to this grant, compensation for the three months ended March 31, 2019 was $40,734.

During the three months ended March 31, 2019, 400,000 RSUs vested and converted to common shares with a value of $36,000.

As of March 31, 2019, there were 400,000 RSUs outstanding. weighted average fair value of RSUs granted during the three months ended March 31, 2019 was $0.09.

11. Net loss per share

The calculation of basic and diluted loss per share for the three months ended March 31, 2019 was based on the loss attributable to common shareholders of $372,221 (three months ended March 31, 2018 - loss of $426,315) and the weighted average number of common shares outstanding of 117,854,901 (three months ended March 31, 2018 - 117,227,824). Diluted loss per share did not include the effect of options and warrants for the three months ended March 31, 2019 and 2018 as they were anti-dilutive or not in the money.

12. Exploration and evaluation expenditures

	Three Months Ended March 31, 2019	2018
Magdalena Basin, Colombia		
Professional fees	**$ 4,194**	$ 16,900
Administrative and general	**13,470**	9,000
	$ 17,664	$ 25,900

13. General and administrative

	Three Months Ended March 31, 2019	2018
Salaries and benefits (notes 9, 10 and 14)	**$ 350,946**	$ 262,367
Professional fees (note 14)	**57,455**	35,766
Administrative and general	**15,574**	13,973
Reporting issuer costs	**7,307**	7,054
Travel expenses	**-**	152
Interest and other income	**-**	(77)
	$ 431,282	$ 319,235

(Expressed in Canadian Dollars, Unless Otherwise Stated)

14. Related party transactions and balances

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

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

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

	Three Months Ended March 31, 2019	2018
Salaries and benefits (1)(3)	**$ 274,253**	$ 251,617
Share-based compensation (2)	**$ 66,816**	$ 4,758

(1) Salaries and benefits include director fees. Balances for deferred compensation due to directors and key management personnel of $3,977,028 are included in deferred compensation as at March 31, 2019 (December 31, 2018 - $3,777,189) and include the retiring allowance payable to Lee A. Pettigrew (refer to note 14(a)(3)).

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

(3) Effective as of July 31, 2016, the employment by the Company of Lee A. Pettigrew, Vice President - Canadian Operations, ceased. Pursuant to his employment agreement, Mr. Pettigrew is entitled to 12 months base salary ($267,260 (US$200,000)) as a retiring allowance. This amount is included as deferred compensation.

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

For the three months ended March 31, 2019, the Company paid professional fees and disbursements of $16,163 (three months ended March 31, 2018 - $15,743) 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 $15,444 is included in accounts payable and other liabilities as at March 31, 2019 (December 31, 2018 - $9,458).

For the three months ended March 31, 2019, the Company paid professional fees and disbursements of $798 (three months ended March 31, 2018 - $2,381) 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 March 31, 2019, DSA was owed $1,705 (December 31, 2018 - $2,246) and this amount is included in accounts payable and other liabilities.

(Expressed in Canadian Dollars, Unless Otherwise Stated)

15. Segmented information

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

March 31, 2019	Canada	United States	Colombia	Total
Cash and cash equivalents	$ 307,404	$ 110,104	$ 4,350	$ 421,858
Accounts receivable and other assets	24,291	-	-	24,291
Total assets	$ 331,695	$ 110,104	$ 4,350	$ 446,149

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

16. Contingencies

(a) Office lease agreement

An operating lease agreement for office space in Calgary, Alberta commencing on March 2012 and ending on February 28, 2017 was held by a subsidiary of the Company prior to the business combination in 2015. The annual average basic rent obligation was approximately $84,000, payable in monthly installments of approximately $7,000. Since September 2015 (post the business combination), only one payment has been made. The lessor has filed a suit against the Company seeking full payment of the alleged liability plus reimbursement of the costs incurred to pursue the matter. Management believes that the Company is not liable for this rent and therefore no provision for any potential payments has been recorded.

(b) Well abandonment and site cleanup

In June 2016, the Company received a letter from a third party seeking payment of $1,291,972 for well abandonment and site cleanup of a former Nova Scotia property. The third party filed a suit against a subsidiary of the Company seeking full payment of the alleged liability plus reimbursement of the costs incurred to pursue the matter. The judgment was issued against a subsidiary with no tangible assets. The corporate legal structure protects the parent from liability for this judgment as the result of an effective corporate veil having been established. Management believes that the Company is not liable for the invoiced costs and therefore no provision for any potential payments has been recorded.

(c) Farmout Agreement Arbitration

In March 2015, the former operator of a now terminated joint venture partnership in Colombia initiated an arbitration action claiming that the Company had violated the terms of the partnership agreement. The Company made a similar counterclaim. The former partner ceased to pursue the matter more than three years ago but has not formally withdrawn its complaint. Management, together with legal counsel and other experts, periodically evaluates this matter and assesses potential actions, alternatives and costs.

CORPORATE INFORMATION

DIRECTORS

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

OFFICERS

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

AUDIT COMMITTEE

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

AUDITORS

MNP LLP Chartered Accountants
Toronto, Ontario

REGISTRAR AND TRANSFER AGENT

Computershare Trust Company of Canada
Toronto, Ontario

LEGAL COUNSEL

Cassels Brock, LLC
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LISTING

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

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