



SINTANA
ENERGY

MD&A|Q3 2016

SEI|TSX-V

SINTANA ENERGY INC.

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

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016

(EXPRESSED IN CANADIAN DOLLARS, UNLESS OTHERWISE STATED)

Exploring a better way™

A Colombia Focused Exploration Company

Introduction

The following interim Management Discussion & Analysis ("Interim MD&A") of Sintana Energy Inc. ("Sintana" or the "Company") for the three and nine months ended September 30, 2016 has been prepared to provide material updates to the business operations, liquidity and capital resources of the Company since its last annual management discussion & analysis, being the Management Discussion & Analysis ("Annual MD&A") for the fiscal year ended December 31, 2015. This Interim MD&A does not provide a general update to the Annual MD&A, or reflect any non-material events since the date of the Annual MD&A.

This Interim MD&A has been prepared in compliance with section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the Company's Annual MD&A, audited annual consolidated financial statements for the years ended December 31, 2015, and December 31, 2014, together with the notes thereto, and unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2016, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Company's unaudited condensed interim consolidated financial statements and the financial information contained in this Interim MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee. The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Standard 34, Interim Financial Reporting. Accordingly, information contained herein is presented as of November 29, 2016, unless otherwise indicated.

For the purposes of preparing this Interim MD&A, management, in conjunction with the Board of Directors (the "Board"), considers 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; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates 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).

Description of Business

Sintana is a Canadian crude oil and natural gas exploration and development company listed on the TSX Venture Exchange. Its trading symbol changed from SNN to SEI effective as of the market open on August 10, 2015, subsequent to the business combination (the "Business Combination") with Sintana Holdings Corp. Sintana is primarily engaged in petroleum and natural gas exploration and development activities in Colombia. The Company's exploration strategy is to acquire, explore, develop and produce superior quality assets with significant reserve potential. Its primary assets are private participation interests of 30% unconventional (carried) and 100% conventional in the potential hydro carbon 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, a wholly-owned subsidiary of ExxonMobil Corporation (both entities hereinafter referred to as "Exxon") for the exploration and development of unconventional oil and natural gas resources underlying the VMM-37 Block. In April 2013, the Agencia Nacional de

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Hydrocarburos (“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 agreement. Patriot retains the remaining 30% interest in the unconventional play as well as a 100% participation interest in the conventional resources overlying the top of the unconventional interval.

Cautionary Note Regarding Forward-Looking Information

This Interim 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 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 Interim MD&A speak only as of the date of this Interim MD&A or as of the date specified in such statement. The following table outlines certain significant forward-looking statements contained in this Interim 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
For the three months ending December 31, 2016, the Company’s budget is anticipated to result in a positive cash balance of \$0.1 million – see “Liquidity and Financial Position” under the subheading “Financial Highlights” below	The Company has anticipated all material costs; the operating and exploration activities of the Company for the three-month period ending December 31, 2016, 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 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 Sintana’s exploration and development activities will be favourable; operating, exploration, development and production costs will not exceed Sintana’s expectations; the Company will be able to retain and attract skilled staff; all requisite regulatory and governmental approvals for exploration projects and other operations	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

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	will be received on a timely basis upon terms acceptable to Sintana; applicable political and economic conditions will be favourable to Sintana; the market prices for petroleum and natural gas and applicable interest and exchange rates will be favourable to Sintana; no legal disputes exist with respect to the Company’s private participation interests; Sintana’s expectations regarding the potential of conventional and unconventional plays	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 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 Sintana’s exploration and operating activities; the market prices for petroleum and natural gas will be favourable to Sintana; economic and political conditions will be favorable	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 to Sintana upon acceptable terms; political 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 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
Summaries of proposed work programs and related timing and budgets relating to other property interests of Sintana and the availability of extensions of applicable licenses and permits	The market prices of petroleum and natural gas will be favourable; all requisite permits (including renewals thereof), 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 to Sintana upon acceptable terms; interest and exchange rates and political and economic considerations will remain favourable; future extensions to existing property rights and permits will be available	Petroleum and natural gas market prices volatility; changes in debt and equity markets; increases in costs; interest and exchange rates fluctuations; changes in economic and political conditions; availability of permits (including extensions and renewals thereof), 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; future extensions to property rights and permits will not be available on terms

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		acceptable to Sintana or at all
The termination of farmout agreements covering COR-11 and COR-39 Blocks will not lead to significant additional costs	Sintana and Canacol Energy Inc. (“Canacol”) will settle disagreements on farmout agreements and costs	Sintana and Canacol will not resolve their farmout agreement issues which will lead to 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 Interim MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause Sintana’s actual results, performance 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 notes 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 issuers 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 has been presented to help demonstrate that hydrocarbons could be present in commercially recoverable quantities in the Company’s areas of interest. 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.

Operational Highlights

Corporate

- (i) On January 27, 2016, the Company settled debt of \$65,000 through the issuance of an aggregate of 361,110 common shares, in partial consideration of the past services provided to Sintana by five officers of the Company (the "Recipients"), in lieu of cash compensation previously earned by such Recipients but not paid.
- (ii) On February 5, 2016, 6,667 warrants with an exercise price of \$4.50 expired unexercised.
- (iii) On April 1, 2016, 667 stock options with an exercise price of \$15.75 expired unexercised.

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- (iv) On April 19, 2016, 1,740,801 stock options with an exercise price of \$1.03 expired unexercised.
- (v) On May 5, 2016, 1,667 stock options with an exercise price of \$15.60 expired unexercised.
- (vi) On May 11, 2016, 710,532 stock options with an exercise price of \$1.86 expired unexercised.
- (vii) On July 19, 2016, the Company granted a total of 2,400,000 stock options to directors, officers and consultants 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 July 19, 2021.
- (viii) 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\$200,000 (\$262,340)) as a retiring allowance.
- (ix) On October 16, 2016, 2,667 stock options with an exercise price of \$3.00 expired unexercised.
- (x) On October 29, 2016, 575,000 stock options with an exercise price of \$0.18 expired unexercised.
- (xi) On November 13, 2016, 1,667 stock options with an exercise price of \$4.35 expired unexercised.

Petroleum and Natural Gas Update

Statistical Summary for Sintana’s assets in Colombia’s Magdalena Basin:

Asset Summary			
Basin / Block	Operator	Gross Acres ('000)	Private Participation Interest
<u>Middle Magdalena</u>			
VMM-37 Unconventional	Exxon	43	30%
VMM-37 Conventional	Sintana	n/a	100%
		43	
VMM-4	LOH	155	15%
Total Magdalena Basin, Colombia		(A) 198	

(A) Square Miles: Gross – 309.

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 VMM-37, subject to completion of a defined Work Program. For purposes of the 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 Exxon Agreement which revised the Work Program for the VMM-37 Block to include the hydraulic stimulation (“fracking” or “frack”) and production testing of the initial vertical exploration well, drilled to a minimum depth of 14,000 feet (the “Manati Blanco-1” or “Blanco -1”). 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 of the Manati Blanco-1 vertical well commenced on April 27, 2015.

The first exploration target in this well was the Lower Tertiary Wedge conventional sandstone formation (Patriot - 100%) at approximately 8,000 feet. In June 2015, the well drilled through several hundred feet (gross) of porous, conventional channel sands in the Basal Tertiary formation. One sand section was discovered to have net sand of up to 90 feet with gas shows. Logs over these sands indicated high water saturation and a relatively high content of fine-grained material, implying low permeability.

Immediately thereafter, drilling commenced in the first of several prospective Cretaceous age unconventional formations (Patriot – 30%) targeted in this well. Drilling operations were successfully completed and the rig was released on September 19, 2015 after having reached a measured depth of approximately 14,500 feet. Primary targets for the Blanco-1 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.

Over the course of the last 14 months, both Exxon staff and third party technical services providers have executed an extensive program of examining, processing, extracting and correlating a large amount of data obtained from logs, cores, cuttings, samples and other physical sources of information. They’ve built a comprehensive database of facts on the 3,100 vertical feet of hydrocarbon resource potential section discovered by the Manati Blanco-1 well. This data, along with an extensive library of data obtained from similar geological formations throughout the world, was then used as the input source for a comprehensive simulation and evaluation program. The output from this processing will be used to select a target zone for the initial vertical frack in this wellbore. It will also be used to design an optimized frack program.

Receipt of an environmental permit is a mandatory prerequisite to finalizing the frack design and developing a detailed action plan and timeline for training, procurement, logistics and other pre-frack activities. Without knowing the requirements and restrictions of the permit, meaningful progress on a yet to be determined timeline is not a reasonable expectation.

Exxon submitted a permit application (>2,000 pages) in the first quarter of 2015. In recent communications with the relevant regulatory agencies, the operator has been advised that work on environmental issues is ongoing. However, no timeline for completion of an initial review and feedback on the application for an environmental permit has been received as of the date of this Interim MD&A. Further complicating the matter are statements by Colombian regulatory authorities that no permit applications will be addressed until such time as the recently agreed peace treaty with the Revolutionary Armed Forces of Colombia (“FARC”) has been ratified and not yet defined implementation milestones have been achieved.

Technical Information

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

Trends

The Company is focused on acquisition, exploration, development, production and / or sales of crude oil and natural gas resources.

There are significant uncertainties regarding the market prices for crude oil and natural gas 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 acquisition, exploration, development and production of properties that may be proven successful; associated sales of crude oil and natural gas and overall financial markets. Financial and commodities markets are likely to be volatile, reflecting ongoing concerns about the stability of the global economy and weak global growth prospects. Uncertainties in financial and commodities markets have also led to increased difficulties in borrowing and raising funds. Oil 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 explore and / or further develop crude oil and natural gas discovered on License Blocks in which it has private participate interests.

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 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".

Related Party Transactions

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

The below noted transactions are 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.

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

Salaries and Benefits ⁽¹⁾⁽²⁾ (Includes deferred)	Three Months Ended September 30, 2016 \$	Three Months Ended September 30, 2015 \$	Nine Months Ended September 30, 2016 \$	Nine Months Ended September 30, 2015 \$
Salaries and benefits paid				
Keith D. Spickelmier - Director / Executive Chairman	nil	78,633	110,875	129,889
Douglas G. Manner - Director / Chief Executive Officer	nil	78,756	110,875	136,188
David L. Cherry - President & Chief Operating Officer	nil	78,633	110,875	129,889
Sean J. Austin - Vice President, Controller, Corporate Secretary & Treasurer	23,043	73,383	140,270	116,772
Lee A. Pettigrew – Vice President - Canadian Operations ^(A)	nil	nil	14,721	nil
Bruno C. Maruzzo – Director	nil	nil	10,000	10,000
Ronald A. MacMicken – Director ^(B)	nil	nil	nil	10,000
Ian W. Macqueen – Director	nil	nil	10,000	nil
Phil C. de Gruyter – Vice President Exploration & South America Manager ^(C)	nil	3,817	nil	195,474
Greg L. Schlachter – Reservoir Engineering Manager ^(D)	nil	151,916	nil	346,416
Total salaries and benefits paid	23,043	465,138	507,616	1,074,628
Deferred salaries and benefits				
Keith D. Spickelmier - Director / Executive Chairman	65,225	nil	87,320	102,044
Douglas G. Manner - Director / Chief Executive Officer	65,225	nil	87,320	102,044
David L. Cherry - President & Chief Operating Officer	65,225	nil	87,320	102,044
Sean J. Austin - Vice President, Controller, Corporate Secretary & Treasurer	30,805	nil	38,106	91,966
Lee A. Pettigrew – Vice President - Canadian Operations ^(A)	290,296	nil	403,690	nil
Bruno C. Maruzzo – Director	5,000	5,000	5,000	5,000

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Ian W. Macqueen – Director	5,000	5,000	5,000	nil
Total deferred salaries and benefits	526,776	10,000	713,756	408,098
Total	549,819	475,138	1,221,372	1,482,726

(A) Employment ceased in July 2016.

(B) Did not stand for reelection in July 2015.

(C) Employment ceased in April 2015.

(D) Employment ceased in September 2015.

(1) Salaries and benefits include director fees. During the three and nine months ended September 30, 2016, \$nil (three and nine months ended September 30, 2015 - \$298,189 and \$730,671, respectively) of salaries and benefits expense was included in exploration and evaluation expenditures. Balances for deferred compensation due to directors and key management personnel of \$1,384,092 are included in accounts payable and other liabilities as at September 30, 2016 (December 31, 2015 - \$752,287) and include the retiring allowance payable to Lee A. Pettigrew (refer to ⁽²⁾).

(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\$200,000 (\$262,340)) as a retiring allowance. This amount is included as accounts payable and other liabilities.

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Share-based expense	Three Months Ended September 30, 2016 \$	Three Months Ended September 30, 2015 \$	Nine Months Ended September 30, 2016 \$	Nine Months Ended September 30, 2015 \$
Keith D. Spickelmier - Director / Executive Chairman	23,775	nil	48,931	5,129
Douglas G. Manner - Director / Chief Executive Officer	23,775	nil	48,931	5,129
David L. Cherry - President & Chief Operating Officer	23,775	nil	48,931	5,129
Sean J. Austin - Vice President, Controller, Corporate Secretary & Treasurer	23,775	nil	48,931	2,052
Lee A. Pettigrew – Vice President - Canadian Operations	12,578	nil	37,734	nil
Bruno C. Maruzzo – Director	11,068	nil	22,006	nil
Ian W. Macqueen – Director	11,068	nil	22,006	nil
Carmelo Marrelli, Chief Financial Officer	3,588	nil	7,964	nil
Total	133,402	nil	285,434	17,439

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

For the three and nine months ended September 30, 2016, the Company paid professional fees and disbursements of \$15,799 and \$53,525, respectively (three and nine months ended September 30, 2015 - \$21,383 and \$53,014, respectively) to Marrelli Support Services Inc. ("Marrelli Support"), an organization of which Carmelo Marrelli is president. Carmelo Marrelli is the Chief Financial Officer of the Company. These services were incurred in the normal course of operations for general accounting and financial reporting matters. Marrelli Support also provides bookkeeping services to the Company. All services were made on terms equivalent to those that prevail with arm's length transactions. An amount of \$5,915 is included in accounts payable and other liabilities as at September 30, 2016 (December 31, 2015 - \$20,980).

For the three and nine months ended September 30, 2016, the Company paid professional fees and disbursements of \$5,829 and \$12,814, respectively (three and nine months ended September 30, 2015 - \$13,605 and \$31,348, respectively) to DSA Corporate Services Inc. ("DSA"), an organization which Carmelo Marrelli controls. Carmelo Marrelli is also the corporate secretary and sole director of DSA. These services were incurred in the normal course of operations of corporate secretarial matters. All services were made on terms equivalent to those that prevail with arm's length transactions. As at September 30, 2016, DSA was owed \$1,384 (December 31, 2015 - \$3,104) and this amount is included in accounts payable and other liabilities.

Certain related parties of the Company received common shares as settlement of debt and received an aggregate of 361,110 common shares as follows:

- Sean Austin, Vice President of the Company, received 83,333 common shares of the Company in settlement of debt of \$15,000 on January 27, 2016.
- David Cherry, President and Chief Operating Officer of the Company, received 83,333 common shares of the Company in settlement of debt of \$15,000 on January 27, 2016.
- Douglas Manner, a Director and Chief Executive Officer of the Company, received 83,333 common shares of the Company in settlement of debt of \$15,000 on January 27, 2016.
- Lee Pettigrew, then Vice President - Canadian Operations of the Company, received 27,778 common shares of the Company in settlement of debt of \$5,000 on January 27, 2016.
- Keith Spickelmier, a Director and Executive Chairman of the Company, received 83,333 common shares of the Company in settlement of debt of \$15,000 on January 27, 2016.

Financial Highlights

Financial Performance

Sintana's net loss totalled \$1,055,372 for the three months ended September 30, 2016, with basic and diluted loss per share of \$0.01. This compares with a net loss of \$516,612 for the three months ended September 30, 2015, with basic and diluted loss per share of \$0.00. The increase of \$538,760 in net loss was principally due to:

- Exploration and evaluation expenditures decreased to \$155,541 compared to \$378,905 for the comparative period. See "Petroleum and Natural Gas Update" under the subheading "Operational Highlights", above for a description of current exploration activities.
 - Effective as of December 31, 2015, no employees remained on staff in Colombia.
- General and administrative expenses increased by \$188,627. General and administrative expenses totalled \$888,132 for the three months ended September 30, 2016 (three months ended September 30, 2015 - \$699,505) and consisted of administrative and general expenses of \$24,620 (three months ended September 30, 2015 - \$41,969), rent of \$49,779 (three months ended September 30, 2015 - \$nil), professional fees of \$80,640 (three months ended September 30, 2015 - \$225,441), reporting issuer costs of \$479 (three months ended September 30, 2015 - \$27,570), travel expenses of \$3,741 (three months ended September 30, 2015 - \$11,514), salaries and benefits of \$729,134 (three months ended September 30, 2015 - \$412,370) and interest and other income of \$261 (three months ended September 30, 2015 - \$19,359).
 - The Company incurred an increase in salaries and benefits of \$316,764 for the three months ended September 30, 2016, compared to the three months ended September 30, 2015. The increase can be attributed to Lee A. Pettigrew's retiring allowance of 12 months base salary (US\$200,000 (\$262,340)) recorded during the three months ended September 30, 2016. The increase can also be attributed to the vesting over time of options granted.
 - The Company incurred a decrease in professional fees of \$144,801 for the three months ended September 30, 2016, compared to the three months ended September 30, 2015. The decrease can be attributed to higher corporate activity requiring legal

assistance during the comparative period principally related to the Business Combination during the comparative period.

- Administrative and general expenses include corporate office expenses. The decrease in administrative and general expenses can be attributed to lower corporate support costs related to Sintana's operations in Colombia.
- The increase in rent expense can be attributed to additional rent for Calgary office leases inherited as a result of the Business Combination.
- The Company incurred a decrease in travel expenses of \$7,773 for the three months ended September 30, 2016, compared to the three months ended September 30, 2015. The decrease can be attributed to lower business development, operations monitoring and investor relations activities.
- The Company incurred a foreign exchange loss of \$11,699, down from a loss of \$16,728 in the previous period, which was primarily attributable to US dollar and Colombian peso exchange rate fluctuations.
- The Company incurred a decrease in finance interest expense of \$18,538 for the three months ended September 30, 2016, compared to the three months ended September 30, 2015. The decrease is due to the accretion expense and interest expense on the debentures which were issued on May 26, 2015 and subsequently cancelled as part of the closing process of the Business Combination.
- The Company incurred a decrease in gain on Business Combination of \$597,064 for the three months ended September 30, 2016, compared to the three months ended September 30, 2015. The decrease is due to the completion of the Business Combination during the comparative period.

As at September 30, 2016, the Company had assets of \$714,898 and a net deficit position of \$1,540,469. This compares with assets of \$2,527,493 and a net deficit position of \$161,599 at December 31, 2015. At September 30, 2016, the Company had \$2,205,367 of current liabilities (December 31, 2015 - \$2,286,292). For the three months ended September 30, 2016, the Company expensed \$155,541 (three months ended September 30, 2015 – \$378,905) as exploration and evaluation expenditures on its oil and natural gas ownership interests.

At September 30, 2016, the Company had a working capital deficiency of \$1,540,469 (December 31, 2015 – working capital of \$192,561). The Company had cash and cash equivalents of \$568,946 at September 30, 2016 (December 31, 2015 - \$2,147,770). The increase in working capital deficiency of \$1,683,030 from December 31, 2015 to September 30, 2016, is primarily due to operating and administration costs and exploration and evaluation expenditures on its oil and natural gas ownership interests which was offset by the reversal of well abandonment and site cleanup of \$827,814.

Cash Flow

At September 30, 2016, the Company had cash and cash equivalents of \$568,946. The decrease in cash and cash equivalents of \$1,578,824 from the December 31, 2015 cash and cash equivalents balance of \$2,147,770 was as a result of cash outflows in operating activities of \$1,578,824. Operating activities were mainly affected by net loss of \$1,765,663, share-based compensation of \$354,293, gain on settlement of \$32,500, reversal of well abandonment and site cleanup of \$827,814 and net change in non-cash working capital balances of \$692,860 because of a decrease in accounts receivable and other assets of \$233,771 and an increase in accounts payable and other liabilities of \$459,089.

Liquidity and Financial Position

Expected use of funds for the remainder of three months of fiscal 2016 includes:

	Budget from October 1, 2016 to December 31, 2016 (\$ millions) ⁽¹⁾
Cash inflow	
Cash balance at September 30, 2016	0.5
Total cash inflow	0.5
Cash outflow	
Exploration expenses and capital expenditures	0.1
General and corporate expenses	0.3
Total cash outflow	0.4
Expected cash balance	0.1

⁽¹⁾ The Company has projected the flow of funds for the following three months. These events might or might not occur. See “Cautionary Note Regarding Forward-Looking Information”.

Notwithstanding the proposed uses of available funds as discussed above, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary. 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 the funds are employed among the uses identified above, 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 crude oil and / or natural gas, could materially and adversely impact Sintana’s ability to complete further financings or disposition of assets, with the result that it may be forced to scale back its operations.

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 unaudited condensed interim 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 unaudited condensed interim consolidated financial statements, and (ii) the unaudited condensed interim 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 unaudited condensed interim 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.

Outlook

The Company routinely evaluates various business development opportunities which could entail farm-ins, farmouts, acquisitions and / or divestitures.

The Company continues to monitor its spending and will amend its plans and budgets based on exploration results and expectations of being able to obtain additional funds as and when required.

Risk Factors

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position. Please refer to the section entitled "Risk factors" in the Company's Annual MD&A for the fiscal year ended December 31, 2015, available on SEDAR at www.sedar.com.

Litigation

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 Nova Scotia property. The third party has 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. Management believes that the Company is not liable for the invoiced costs and therefore no provision for any potential payments has been recorded.

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. The annual average basic rent obligation is approximately \$88,000, payable in monthly installments of approximately \$7,000. Since September 2015 (after the Business Combination), only one payment has been made. The lessor has 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. Management believes that the Company is not liable for this rent and therefore no provision for any potential payments has been recorded.

Subsequent Events

- (i) On October 16, 2016, 2,667 stock options with an exercise price of \$3.00 expired unexercised.
- (ii) On October 29, 2016, 575,000 stock options with an exercise price of \$0.175 expired unexercised.
- (iii) On November 13, 2016, 1,667 stock options with an exercise price of \$4.35 expired unexercised.

CORPORATE INFORMATION

DIRECTORS

Keith Spickelmier, Executive Chairman
Douglas Manner, CEO & Director
Ian Macqueen, Independent Director
Bruno Maruzzo, 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

Ian Macqueen, Independent Director
Bruno Maruzzo, 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
Toronto, Ontario

LISTING

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

UNITED STATES

Sintana Energy Inc. – Head Office
6860 North Dallas Parkway, Suite 208
Plano, TX., USA 75024

☎ 713.825.9591

📠 972.781.6577

✉ info@sintanaenergy.com

SOUTH AMERICA

Sintana Energy Inc. – SA Operations
Avenida 9 No. 113-52
Oficina 1804, Torres Unidas II
Bogotá D.C., Colombia

☎ 011.571.214.8365

📠 011.571.612.3193

CANADA

Sintana Energy Inc. – Registered Office
36 Toronto Street, Suite 1000
Toronto, Ontario M5C 2C5

☎ 416.361.0737

📠 416.361.0923