



**SINTANA**  
ENERGY

**FS|Q3 2013**

**SNN | TSX-V**

**SINTANA ENERGY INC.**

**CONDENSED INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS**

**FOR THE THREE AND NINE MONTHS ENDED  
SEPTEMBER 30, 2013**

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

**UNAUDITED**

**NOTICE TO READER**

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

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*A South America Focus*

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## Sintana Energy Inc.

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

	As at September 30, 2013	As at December 31, 2012
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 6,687,305	\$ 5,955,166
Accounts receivable and other assets (notes 5 and 14)	1,218,470	1,133,238
Restricted cash (note 4)	-	4,301,060
<b>Total assets</b>	<b>\$ 7,905,775</b>	<b>\$ 11,389,464</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and other liabilities (notes 6 and 14)	\$ 1,155,499	\$ 1,709,534
Debentures (note 7)	-	5,042,416
<b>Total liabilities</b>	<b>1,155,499</b>	<b>6,751,950</b>
<b>Equity</b>	<b>6,750,276</b>	<b>4,637,514</b>
<b>Total equity and liabilities</b>	<b>\$ 7,905,775</b>	<b>\$ 11,389,464</b>

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

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

**Approved on behalf of the Board:**

(signed) "Douglas G. Manner", Director

(signed) "Ronald A. MacMicken", Director

## Sintana Energy Inc.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
<b>Operating expenses</b>				
Exploration and evaluation (recoveries) expenditures (notes 12 and 14)	\$ (1,315,095)	\$ 2,636,784	\$ (3,134,236)	\$ 37,831,031
General and administrative (notes 13 and 14)	451,159	978,814	1,510,614	3,861,205
Foreign exchange loss (gain)	53,788	419,347	(1,513,704)	496,623
Finance interest expense (note 7)	(83,967)	432,478	600,964	1,002,977
Loss on debt extinguishment (note 7)	-	-	-	113,353
<b>Net income (loss) before income taxes</b>	<b>894,115</b>	<b>(4,467,423)</b>	<b>2,536,362</b>	<b>(43,305,189)</b>
Income tax expense	(5,378)	-	(724,115)	-
Deferred income tax recovery	406,315	-	406,315	-
<b>Net income (loss) and comprehensive income (loss) for the period</b>	<b>\$ 1,295,052</b>	<b>\$ (4,467,423)</b>	<b>\$ 2,218,562</b>	<b>\$ (43,305,189)</b>
<b>Income (loss) per share - basic and diluted (note 11)</b>	<b>\$ 0.00</b>	<b>\$ (0.01)</b>	<b>\$ 0.01</b>	<b>\$ (0.20)</b>
<b>Weighted average number of common shares outstanding - basic and diluted (note 11)</b>	<b>310,632,503</b>	<b>310,632,503</b>	<b>310,632,503</b>	<b>211,518,857</b>

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

# Sintana Energy Inc.

## Condensed Interim Consolidated Statements of Cash Flows (Expressed in Canadian Dollars, Unless Otherwise Stated) (Unaudited)

Nine Months Ended  
September 30,  
2013                      2012

### Operating activities

Net income (loss) for the period	\$ 2,218,562	\$ (43,305,189)
Adjustment for:		
Depreciation	-	20,492
Accretion on debentures	357,584	373,823
Loss on debt extinguishment (note 7)	-	113,353
Unrealized foreign exchange	(180,830)	137,149
Shares issued in consideration of interest (note 3(i))	-	42,295
Shares issued for severance payments (note 3(iv))	-	978,000
Acquisition of property interests in Colombia (note 3(i))	-	31,185,394
Deferred income tax recovery	(406,315)	-
Share-based payments	300,515	967,668
Non-cash working capital items:		
Accounts receivable and other assets	(85,232)	130,057
Accounts payable and other liabilities	(554,035)	(805,268)
<b>Net cash provided by (used in) operating activities</b>	<b>1,650,249</b>	<b>(10,162,226)</b>

### Investing activities

Acquisition of property and equipment	-	(1,103)
Redemption of restricted cash (note 4)	4,481,890	-
Cash acquired from business acquisition, net (note 3(i))	-	5,749,719
<b>Net cash provided by investing activities</b>	<b>4,481,890</b>	<b>5,748,616</b>

### Financing activities

Redemption of debentures (note 7)	(5,400,000)	-
Common shares issued, net of issuance costs	-	9,787,952
Exercise of stock options	-	100,000
Note payable, net of repayments	-	(229,088)
<b>Net cash (used in) provided by financing activities</b>	<b>(5,400,000)</b>	<b>9,658,864</b>

<b>Net change in cash and cash equivalents</b>	<b>732,139</b>	<b>5,245,254</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>5,955,166</b>	<b>1,273,722</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 6,687,305</b>	<b>\$ 6,518,976</b>

### Non-cash items

#### Non-cash consideration paid for the acquisition of Sintana

Issuance of shares (note 3(i))	\$ -	\$ 34,099,311
Issuance of options (note 3(i))	\$ -	\$ 1,567,050
Issuance of warrants (note 3(i))	\$ -	\$ 30,547

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

## Sintana Energy Inc.

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

	Number of common shares #	Share capital	Warrants	Contributed surplus	Deficit	Total
<b>Balance, December 31, 2011</b>	<b>78,077,743</b>	<b>\$ 24,841,726</b>	<b>\$ 3,066,525</b>	<b>\$ 735,484</b>	<b>\$(31,078,527)</b>	<b>\$ (2,434,792)</b>
Exercise of stock options	2,000,000	167,642	-	(67,642)	-	100,000
Subscription receipts, net of issue costs	36,666,700	9,787,952	-	-	-	9,787,952
Shares issued for severance payments	3,260,000	978,000	-	-	-	978,000
Conversion of debenture	10,140,983	3,042,295	-	-	-	3,042,295
Shares issued in connection with subscription receipts	1,166,667	350,000	-	-	-	350,000
Cancellation of ColCan Energy Corp. securities	(131,312,093)	-	-	-	-	-
Common shares of Sintana issued in exchange for ColCan Energy Corp. securities	196,968,134	-	(3,066,525)	(667,842)	-	(3,734,367)
Common shares of Sintana issued and outstanding at date of reverse acquisition	113,664,369	34,099,311	3,097,072	2,234,892	-	39,431,275
Share-based payments	-	-	-	967,668	-	967,668
Net loss and comprehensive loss for the period	-	-	-	-	(43,305,189)	(43,305,189)
<b>Balance, September 30, 2012</b>	<b>310,632,503</b>	<b>\$ 73,266,926</b>	<b>\$ 3,097,072</b>	<b>\$ 3,202,560</b>	<b>\$(74,383,716)</b>	<b>\$ 5,182,842</b>
<b>Balance, December 31, 2012</b>	<b>310,632,503</b>	<b>\$ 73,266,926</b>	<b>\$ 3,066,525</b>	<b>\$ 3,338,644</b>	<b>\$(75,034,581)</b>	<b>\$ 4,637,514</b>
Warrants expired, net of tax effect	-	(406,315)	(3,066,525)	-	3,066,525	(406,315)
Share-based payments	-	-	-	300,515	-	300,515
Net income and comprehensive income for the period	-	-	-	-	2,218,562	2,218,562
<b>Balance, September 30, 2013</b>	<b>310,632,503</b>	<b>\$ 72,860,611</b>	<b>\$ -</b>	<b>\$ 3,639,159</b>	<b>\$(69,749,494)</b>	<b>\$ 6,750,276</b>

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

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# Sintana Energy Inc.

## Notes to Condensed Interim Consolidated Financial Statements Three and Nine Months Ended September 30, 2013 (Expressed in Canadian Dollars, Unless Otherwise Stated) (Unaudited)

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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 under the trading symbol SNN, with offices in Toronto, Canada; Plano, Texas; and Bogota, Colombia. The Company is targeting assets in South America, with a focus on Colombia. The Company's exploration strategy is to acquire, explore, develop and produce superior quality assets with significant reserve potential. The primary office of the Company is located at 36 Toronto Street, Suite 1000, Toronto, Ontario, Canada, M5C 2C5.

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

Sintana is at an early stage of development and as is common with many exploration companies, it raises financing for its exploration and property acquisition activities. Sintana has incurred losses in the current and prior periods. For the three and nine months ended September 30, 2013, the Company incurred income of \$1,295,052 and \$2,218,562, respectively (comparative period - loss of \$4,467,423 and \$43,305,189, respectively) and had an accumulated deficit of \$69,749,494 (December 31, 2012 - \$75,034,581). Results for the three and nine months ended September 30, 2013 are not necessarily indicative of future results. Sintana had a working capital balance of \$6,750,276 at September 30, 2013 (December 31, 2012 - working capital of \$4,637,514). The Company anticipates it will have a negative cash balance of approximately \$7.5 million as at September 30, 2014 based on current projections. As a result, the Company will require additional funds to develop its assets, meet ongoing obligations and discharge liabilities as they come due. While there is no assurance these funds can be raised and funding for exploration companies remain challenging, the Company believes such financing will be available. The Company is currently pursuing multiple financing options. There can be no assurance that the Company's financing activities will continue to be successful or sufficient. Certain of the Company's discretionary exploration activities have considerable scope for flexibility in terms of the amount and timing of exploration expenditure, and expenditures may be adjusted accordingly. The Company will continue to manage expenditures essential to the viability of its projects.

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. The certainty of funding future exploration expenditures and availability of additional financing sources cannot be assured at this time. Accordingly, these uncertainties may cast a significant doubt as to the Company's ability to continue as a going concern and, accordingly, the ultimate use of accounting principles applicable to a going concern. The Company's ability to continue as a going concern is dependent upon its obtaining additional financing and eventually achieving profitable production.

### 2. Significant accounting policies

#### Statement of compliance

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

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRSs issued and outstanding as of November 27, 2013, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual audited consolidated financial statements as at and for the year ended December 31, 2012, except as noted below. Any subsequent changes to IFRS that are given effect in the Company's annual audited consolidated financial statements for the year ending December 31, 2013 could result in restatement of these unaudited condensed interim consolidated financial statements.

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## Sintana Energy Inc.

Notes to Condensed Interim Consolidated Financial Statements  
Three and Nine Months Ended September 30, 2013  
(Expressed in Canadian Dollars, Unless Otherwise Stated)  
(Unaudited)

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### 2. Significant accounting policies (continued)

#### Change in accounting policies

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

(i) IFRS 10 – Consolidated financial statements ("IFRS 10") was issued by the IASB in May 2011. IFRS 10 was a new standard which identifies the concept of control as the determining factor in assessing whether an entity should be included in the consolidated financial statements of the parent company. Control is comprised of three elements: power over an investee; exposure to variable returns from an investee; and the ability to use power to affect the reporting entity's returns. At January 1, 2013, the Company adopted this pronouncement and there was no material impact on the Company's unaudited condensed interim consolidated financial statements.

(ii) IFRS 11 – Joint arrangements ("IFRS 11") was issued by the IASB in May 2011. IFRS 11 was a new standard which focuses on classifying joint arrangements by their rights and obligations rather than their legal form. Entities are classified into two groups: parties having rights to the assets and obligations for the liabilities of an arrangement, and rights to the net assets of an arrangement. Entities in the former case account for assets, liabilities, revenues and expenses in accordance with the arrangement, whereas entities in the latter case account for the arrangement using the equity method. At January 1, 2013, the Company adopted this pronouncement and there was no material impact on the Company's unaudited condensed interim consolidated financial statements.

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

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

(v) IAS 1 – Presentation of financial statements ("IAS 1") was amended by the IASB in June 2011 in order to align the presentation of items in other comprehensive income with US GAAP standards. Items in other comprehensive income are required to be presented in two categories: items that might be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remain unchanged. At January 1, 2013, the Company adopted this pronouncement and there was no material impact on the Company's unaudited condensed interim consolidated financial statements.

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

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## Sintana Energy Inc.

Notes to Condensed Interim Consolidated Financial Statements  
Three and Nine Months Ended September 30, 2013  
(Expressed in Canadian Dollars, Unless Otherwise Stated)  
(Unaudited)

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### 2. Significant accounting policies (continued)

#### Recent accounting pronouncements

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

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

### 3. Reverse acquisition

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

#### Sintana Energy Inc.

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

#### ColCan Energy Corp.

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



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## Sintana Energy Inc.

Notes to Condensed Interim Consolidated Financial Statements  
Three and Nine Months Ended September 30, 2013  
(Expressed in Canadian Dollars, Unless Otherwise Stated)  
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### 3. Reverse acquisition (continued)

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

The Business Combination was structured in the form of a three-cornered amalgamation, pursuant to which a wholly-owned subsidiary of Sintana amalgamated with ColCan, and all of the issued and outstanding common shares of ColCan (the "ColCan Shares") were acquired by Sintana from the existing holders thereof in consideration of the issuance of 1.5 common shares of Sintana (each, a "Sintana Share") for each ColCan Share issued and outstanding immediately prior to the closing of the Business Combination (including all ColCan Shares issued in connection with the subscription receipts).

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

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

#### Consideration

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

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

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

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## Sintana Energy Inc.

Notes to Condensed Interim Consolidated Financial Statements  
Three and Nine Months Ended September 30, 2013  
(Expressed in Canadian Dollars, Unless Otherwise Stated)  
(Unaudited)

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### 3. Reverse acquisition (continued)

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

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

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

### 4. Restricted cash

At September 30, 2013, restricted cash consists of \$nil (December 31, 2012 - US\$4,300,000) of guaranteed investment certificates being held as security for the Company's Letters of Credit issued by Royal Bank of Canada ("RBC").

On July 30, 2013, the Agencia Nacional de Hidrocarburos of Colombia ("ANH") formally approved the release of the Company's responsibility for the remaining US\$4,300,000 warranty related to VMM-37. On August 7, 2013, the guaranteed investment certificates were released.

### 5. Accounts receivable and other assets

	As at September 30, 2013	As at December 31, 2012
Accounts receivable	\$ 1,069,294	\$ 856,337
Prepays and advances	149,176	276,901
	\$ 1,218,470	\$ 1,133,238

### 6. Accounts payable and other liabilities

	As at September 30, 2013	As at December 31, 2012
Falling due within one year		
Trade payables	\$ 1,155,499	\$ 1,709,534

### 7. Debentures

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

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

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

# Sintana Energy Inc.

## Notes to Condensed Interim Consolidated Financial Statements Three and Nine Months Ended September 30, 2013 (Expressed in Canadian Dollars, Unless Otherwise Stated) (Unaudited)

### 7. Debentures (continued)

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

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

Total finance interest expense, which includes interest paid, accretion and accrued interest was \$(83,932) and \$548,415, respectively (three and nine months ended September 30, 2012 - \$432,478 and \$1,002,977, respectively) for the three and nine month period ended September 30, 2013.

During the three and nine months ended September 30, 2013, all debentures were repaid in full.

During the three and nine months ended September 30, 2013, other interest expense incurred was related to Letters of Credit issued by RBC (Note 4) which amounted to \$(35) and \$52,549, respectively (three and nine months ended September 30, 2012 - \$nil).

### 8. Share capital

#### a) Authorized share capital:

At September 30, 2013, the authorized share capital consisted of an unlimited number of common shares.

The common shares do not have a par value. All issued shares are fully paid.

#### b) Common shares issued:

At September 30, 2013, the issued share capital amounted to \$72,860,611. The change in issued share capital for the periods presented was as follows:

	Number of common shares	Amount
<b>Balance, December 31, 2011</b>	<b>78,077,743</b>	<b>\$ 24,841,726</b>
Exercise of stock options	2,000,000	100,000
Fair value of exercise of stock options	-	67,642
Subscription receipts, net of issue costs (note 3(i))	36,666,700	9,787,952
Shares issued for severance payments (note 3(iv))	3,260,000	978,000
Conversion of debenture (note 3(i))	10,140,983	3,042,295
Shares issued in connection with subscription receipts (note 3(ii))	1,166,667	350,000
Cancellation of ColCan Energy Corp. securities (note 3(i))	(131,312,093)	-
Common shares of Sintana issued in exchange for ColCan Energy Corp. securities (note 3(i))	196,968,134	-
Common shares of Sintana issued and outstanding at date of reverse acquisition (May 17, 2012)	113,664,369	34,099,311
<b>Balance, September 30, 2012</b>	<b>310,632,503</b>	<b>\$ 73,266,926</b>
<b>Balance, December 31, 2012</b>	<b>310,632,503</b>	<b>\$ 73,266,926</b>
Tax effect from expired warrants	-	(406,315)
<b>Balance, September 30, 2013</b>	<b>310,632,503</b>	<b>\$ 72,860,611</b>

As at September 30, 2013, there were 8,592,000 common shares held in escrow.

## Sintana Energy Inc.

Notes to Condensed Interim Consolidated Financial Statements  
Three and Nine Months Ended September 30, 2013  
(Expressed in Canadian Dollars, Unless Otherwise Stated)  
(Unaudited)

### 9. Warrants

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

	Number of warrants	Weighted average exercise price (\$)	Fair value	
<b>Balance, December 31, 2011</b>	<b>16,250,000</b>	<b>0.48</b>	<b>\$ 3,066,525</b>	
Cancelled on business acquisition (note 3(i))	(16,250,000)	0.48	(3,066,525)	
Warrants of Sintana issued and outstanding at May 17, 2012 (note 3(i)(a))	21,080,000	0.75	21,080	October 2012
Warrants of Sintana issued and outstanding at May 17, 2012 (note 3(i)(a))	2,366,700	0.50	9,467	October 2012
Issued (i)	7,500,000	0.27	1,951,844	August 1, 2013
Issued (i)	15,000,000	0.34	990,828	August 9, 2013
Issued (i)	1,875,000	0.34	123,853	August 9, 2013
<b>Balance, September 30, 2012</b>	<b>47,821,700</b>	<b>0.52</b>	<b>\$ 3,097,072</b>	
<b>Balance, December 31, 2012</b>	<b>24,375,000</b>	<b>0.32</b>	<b>\$ 3,066,525</b>	
Expired	(7,500,000)	0.27	(1,951,844)	August 1, 2013
Expired	(16,875,000)	0.34	(1,114,681)	August 9, 2013
<b>Balance, September 30, 2013</b>	<b>-</b>	<b>-</b>	<b>\$ -</b>	

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

There are no warrants issued and outstanding as of September 30, 2013.

## Sintana Energy Inc.

Notes to Condensed Interim Consolidated Financial Statements  
Three and Nine Months Ended September 30, 2013  
(Expressed in Canadian Dollars, Unless Otherwise Stated)  
(Unaudited)

### 10. Stock options

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

	Number of stock options	Weighted average exercise price (\$)
<b>Balance, December 31, 2011</b>	<b>6,410,000</b>	<b>0.13</b>
Exercised (i)	(2,000,000)	0.05
Granted (ii)	20,000	0.40
Granted (iii)	200,000	0.40
Cancelled on business acquisition (note 3(i))	(4,630,000)	0.40
Stock options of Sintana issued and outstanding at May 17, 2012 (note 3(i)(b))	50,000	0.10
Stock options of Sintana issued and outstanding at May 17, 2012 (note 3(i)(b))	50,000	0.135
Stock options of Sintana issued and outstanding at May 17, 2012 (note 3(i)(b))	2,700,000	0.49
Stock options of Sintana issued and outstanding at May 17, 2012 (note 3(i)(b))	6,650,000	0.20
Granted (iv)	6,945,000	0.27
<b>Balance, September 30, 2012</b>	<b>16,395,000</b>	<b>0.28</b>
<b>Balance, December 31, 2012</b>	<b>18,245,000</b>	<b>0.27</b>
Granted (v)	3,400,000	0.20
Expired	(50,000)	0.10
<b>Balance, September 30, 2013</b>	<b>21,595,000</b>	<b>0.26</b>

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

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

(iii) On April 25, 2012, the Company issued 200,000 options (300,000 options post-conversion) to eligible persons vesting equally over a three year period, with an exercise price of \$0.40 per share and expiry date of April 25, 2017. For the purposes of the 200,000 options, the fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 133%; risk-free interest rate of 1.62%; and an expected average life of five years.

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

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## Sintana Energy Inc.

### Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2013

(Expressed in Canadian Dollars, Unless Otherwise Stated)

(Unaudited)

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#### 10. Stock options (continued)

(v) On April 29, 2013, the Company granted a total of 3,400,000 stock options to four officers of the Company. The options have an exercise price of \$0.20, vest in three equal tranches over the next 24 months and expire on April 29, 2018. For the purposes of the 3,400,000 options, the fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 130%; risk-free interest rate of 1.18%; and an expected average life of five years. The options were valued at \$319,600. \$39,650 and \$173,765 was expensed to salaries and benefits (share-based payments) and as an addition to contributed surplus for the three and nine months ended September 30, 2013.

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

Expiry date	Exercise price (\$)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)	Number of options unvested
August 18, 2015	0.135	1.88	50,000	50,000	-
April 19, 2016	0.27	2.55	6,615,000	6,615,000	-
May 11, 2016	0.49	2.61	2,700,000	2,700,000	-
December 20, 2016	0.20	3.22	6,500,000	4,333,333	2,166,667
March 2, 2017	0.27	3.42	30,000	30,000	-
April 25, 2017	0.27	3.57	300,000	300,000	-
November 28, 2017	0.20	4.16	2,000,000	666,667	1,333,333
April 29, 2018	0.20	4.58	3,400,000	1,133,333	2,266,667
		<b>3.25</b>	<b>21,595,000</b>	<b>15,828,333</b>	<b>5,766,667</b>

#### 11. Net income (loss) per share

The calculation of basic and diluted income per share for the three and nine months ended September 30, 2013 was based on the income attributable to common shareholders of \$1,295,052 and \$2,218,562, respectively (three and nine months ended September 30, 2012 - loss of \$4,467,423 and \$43,305,189, respectively) and the weighted average number of common shares outstanding of 310,632,503 (three and nine months ended September 30, 2012 - 310,632,503 and 211,518,857, respectively) for basic and diluted income (loss) per share. Diluted income (loss) did not include the effect of warrants and options for the three and nine months ended September 30, 2013 and for the three and nine months ended September 30, 2012, as they are anti-dilutive.

# Sintana Energy Inc.

Notes to Condensed Interim Consolidated Financial Statements  
 Three and Nine Months Ended September 30, 2013  
 (Expressed in Canadian Dollars, Unless Otherwise Stated)  
 (Unaudited)

## 12. Exploration and evaluation (recoveries) expenditures

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
<b>Colombia (i)</b>				
Salaries and benefits	\$ 528,551	\$ 449,648	\$ 1,359,495	\$ 578,657
Seismic	337,735	863,530	1,061,682	2,287,370
Drilling	23,163	1,331,512	114,061	3,479,405
Professional fees	116,085	(79,212)	287,122	(57,622)
Consulting fees	90,568	-	273,060	-
Administrative and general	92,819	77,585	121,589	106,944
Office rent	33,515	-	99,126	-
Travel expenses	43,098	-	53,410	-
Other	-	(68,834)	20,652	184,046
Acquisition costs	-	-	-	31,185,394
Recovery of costs	(539,627)	-	(4,592,077)	-
	\$ 725,907	\$ 2,574,229	\$ (1,201,880)	\$ 37,764,194
<b>Peru</b>				
Professional fees	\$ 7,402	\$ 5,960	\$ 50,800	\$ 10,242
Drilling	-	56,595	-	56,595
Other	12,196	-	77,444	-
Termination fees (ii)	(2,060,600)	-	(2,060,600)	-
	\$ (2,041,002)	\$ 62,555	\$ (1,932,356)	\$ 66,837
	\$ (1,315,095)	\$ 2,636,784	\$ (3,134,236)	\$ 37,831,031

(i) On April 19, 2013, a wholly-owned Panama subsidiary of the Company, Patriot Energy Oil & Gas Inc. and its Colombian branch Patriot Energy Sucursal Colombia (both entities hereinafter referred to as "Patriot"), wholly-owned by the Company, entered into an amendment to the Hydrocarbon Exploration and Production Contract for the VMM-37 Block (the "Contract") with the ANH and ExxonMobil Exploration Colombia Limited ("Exxon"), a wholly-owned subsidiary of ExxonMobil Corporation ("ExxonMobil").

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

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

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

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

## Sintana Energy Inc.

Notes to Condensed Interim Consolidated Financial Statements  
Three and Nine Months Ended September 30, 2013  
(Expressed in Canadian Dollars, Unless Otherwise Stated)  
(Unaudited)

### 12. Exploration and evaluation (recoveries) expenditures (continued)

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

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

### 13. General and administrative

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Transaction costs (note 3(i))	\$ -	\$ -	\$ -	\$ 592,392
Salaries and benefits	272,471	832,595	943,311	1,249,054
Consulting fees	-	-	-	1,338,087
Professional fees	81,797	47,742	255,127	201,833
Administrative and general	57,934	55,998	154,040	270,342
Travel expenses	37,130	31,301	123,564	136,153
Reporting issuer costs	2,322	6,692	36,457	7,335
Depreciation	-	15,338	-	20,492
Interest (income) expense	(495)	(10,852)	(1,885)	45,517
	\$ 451,159	\$ 978,814	\$ 1,510,614	\$ 3,861,205

### 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 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 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 September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Salaries and benefits <sup>(1)</sup>	\$ 388,766	\$ 325,502	\$ 1,232,499	\$ 660,589
Share-based payments	\$ 63,188	\$ -	\$ 243,778	\$ 2,285,450

<sup>(1)</sup> Salaries and benefits include director fees. During the three and nine months ended September 30, 2013, \$204,933 and \$637,357, respectively (three and nine months ended September 30, 2012 - \$170,238) of salaries and benefits expense was included in exploration and evaluation expenditures. \$209,909 is included in accounts receivable and other assets at September 30, 2013 (December 31, 2012 - \$252,327) and \$31,467 is included in accounts payable and other liabilities (December 31, 2012 - \$nil).



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## Sintana Energy Inc.

Notes to Condensed Interim Consolidated Financial Statements  
Three and Nine Months Ended September 30, 2013  
(Expressed in Canadian Dollars, Unless Otherwise Stated)  
(Unaudited)

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### 14. Related party transactions and balances (continued)

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

For the three and nine months ended September 30, 2013, the Company expensed \$20,450 and \$54,484, respectively (three and nine months ended September 30, 2012 - \$15,977) to Marrelli Support Services Inc. ("Marrelli Support") for the services of Carmelo Marrelli to act as Chief Financial Officer ("CFO") of the Company. In addition, Marrelli Support also provides outsourced bookkeeping services to the Company. Carmelo Marrelli is the president of Marrelli Support. The amounts charged by Marrelli Support are based on what Marrelli Support usually charges its clients. The Company expects to continue to use Marrelli Support for an indefinite period. \$5,753 is included in accounts payable and other liabilities at September 30, 2013 (December 31, 2012 - \$12,813).

For the three and nine months ended September 30, 2013, the Company expensed \$4,984 and \$11,381, respectively (three and nine months ended September 30, 2012 - \$3,620) to DSA Corporate Services Inc. ("DSA") for corporate secretarial services. The CFO of the Company is an officer of DSA. DSA is a private company controlled by Carmelo Marrelli, the CFO of the Company. Carmelo Marrelli is also the corporate secretary and sole director of DSA. The amounts charged by DSA are based on what DSA usually charges its clients. The Company expects to continue to use DSA for an indefinite period. \$1,380 is included in accounts payable and other liabilities at September 30, 2013 (December 31, 2012 - \$1,387).

(c) To the knowledge of the directors and executive officers of the Company as of September 30, 2013, the shares were widely held, except for 31,170,000 common shares held by directors and officers of the Company. These holdings can change at any time at the discretion of the owner.

### 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 and / or operating offices in Toronto, Canada; Plano, Texas; and Bogota, Colombia. Segmented information on a geographic basis is as follows:

<b>September 30, 2013</b>	<b>Canada</b>	<b>United States</b>	<b>Colombia</b>	<b>Peru</b>	<b>Total</b>
Cash and cash equivalents	\$ 6,449,792	\$ 60,838	\$ 176,626	\$ 49	\$ 6,687,305
Accounts receivable and other assets	131,200	9,435	1,069,650	8,185	1,218,470
<b>Total assets</b>	<b>\$ 6,580,992</b>	<b>\$ 70,273</b>	<b>\$ 1,246,276</b>	<b>\$ 8,234</b>	<b>\$ 7,905,775</b>

  

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

# Sintana Energy Inc.

## Notes to Condensed Interim Consolidated Financial Statements Three and Nine Months Ended September 30, 2013 (Expressed in Canadian Dollars, Unless Otherwise Stated) (Unaudited)

### 16. Commitments and contingencies

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

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

### 17. Fair value measurements

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

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

	Quoted prices in active markets for identical assets (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)	Aggregate fair value
<b>As at September 30, 2013</b>				
Cash and cash equivalents	\$ 6,687,305	\$ -	\$ -	\$ 6,687,305

(b) Fair values of financial assets and liabilities:

As at	September 30, 2013		December 31, 2012	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Financial assets				
Cash and cash equivalents	\$ 6,687,305	\$ 6,687,305	\$ 5,955,166	\$ 5,955,166
Accounts receivable	1,069,294	1,069,294	856,337	856,337
Restricted cash	-	-	4,301,060	4,301,060
	\$ 7,756,599	\$ 7,756,599	\$ 11,112,563	\$ 11,112,563
Financial liabilities				
Accounts payable and other liabilities	\$ 1,155,499	\$ 1,155,499	\$ 1,709,534	\$ 1,709,534
Debentures	-	-	5,042,416	5,042,416
	\$ 1,155,499	\$ 1,155,499	\$ 6,751,950	\$ 6,751,950

The Company does not offset financial assets with financial liabilities.

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## **Sintana Energy Inc.**

### **Notes to Condensed Interim Consolidated Financial Statements**

**Three and Nine Months Ended September 30, 2013**

**(Expressed in Canadian Dollars, Unless Otherwise Stated)**

**(Unaudited)**

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#### **18. Subsequent events**

(a) On October 22, 2013, the Company announced that it had commenced an arbitration action, through the International Chamber of Commerce in Paris, France, against Petrodorado Energy Ltd. and Petrosouth Energy Corp., the Operator, (together "Petrodorado") relating to the Talora Block located in the Magdalena Basin, Colombia.

The Company and Petrodorado entered into a Farmout Agreement dated October 16, 2011 ("Agreement") to further the exploration and development of the Talora Block. Sintana contends that Petrodorado committed multiple breaches of the Agreement.

Since the commencement of this dispute, it has been the strong preference of Sintana to amicably reach an acceptable compromise and preserve the Agreement. To date, the matters in dispute have not been resolved. Accordingly, Sintana referred the matter to arbitration and will vigorously pursue its claims in accordance with the terms and conditions of the Agreement.

(b) On November 19, 2013, Petrodorado announced the commencement of drilling operations for the exploration well, Verdai-2X, in the Talora Block. The Verdai-2X exploration well was spudded on November 17, 2013. The well is projected to reach 5,000 feet true vertical depth by the end of November 2013, which will satisfy the only current commitment on the block.

## CORPORATE INFORMATION

### DIRECTORS

Keith D. Spickelmeir, Executive Chairman  
Doug Manner, CEO & Director  
Grant Fagerheim, Director  
Ron MacMicken, Director  
Bruno C. Maruzzo, Director

### OFFICERS

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

### AUDIT COMMITTEE

Ron MacMicken, Director  
Grant Fagerheim, Director  
Bruno Maruzzo, Director

### AUDITORS

MSCM LLP Chartered Accountants  
Toronto, Ontario

### REGISTRAR AND TRANSFER AGENT

Olympia Transfer Services Inc.  
Toronto, Ontario

### LEGAL COUNSEL

Cassels Brock Lawyers  
Toronto, Ontario

### LISTING

Exchange: TSX Venture  
Trading Symbol: SNN  
Cusip Number: 26203M  
Fiscal Year End: Dec 31

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