



**SINTANA**  
ENERGY

**MD&A|Q1 2013**

**SNN | TSX-V**

**SINTANA ENERGY INC.**

**MANAGEMENT DISCUSSION AND ANALYSIS**

**FOR THE THREE MONTHS ENDED MARCH 31, 2013**

*(DISCUSSION DATED MAY 29, 2013)*

Exploring a better way™

*A South America Focus*

## **Introduction**

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Sintana Energy Inc. ("Sintana" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the three months ended March 31, 2013. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited annual consolidated financial statements of the Company for the year ended December 31, 2012 and for the period from December 20, 2010 to December 31, 2011, together with the notes thereto and the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2013, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Company's annual and quarterly consolidated financial statements and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and IFRS Interpretations Committee ("IFRIC"). In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results for the periods presented are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as of May 29, 2013, unless otherwise indicated.

For the purpose of preparing this MD&A, management, in conjunction with the board of directors, 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 of directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Further information about the Company and its operations is available on the Company's website at [www.sintanaenergy.com](http://www.sintanaenergy.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).

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

This MD&A contains forward-looking information. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "estimates", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases, or states that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking information involves known and unknown risks, uncertainties and other factors that might cause actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by the forward-looking information.

Examples of such information include: the Company's proposed exploration and development activities and methods for funding thereof, timing of development of reserves, expectations regarding the ability of Sintana to raise additional capital and to add to reserves through acquisitions, exploration and development, treatment under governmental regulatory regimes and tax laws, governmental and regulatory approvals, capital expenditures programs and the timing and methods of financing thereof and proposed acquisitions by the Company, exploration programs, development plans and status of assets, future growth and performance, and the ability of the Company to fund operating expenses for the twelve (12) month period ended March 31, 2014.

Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking information contained in this MD&A. Such forward-looking information is based on a number of assumptions that may prove to be incorrect, including, but not limited to: the ability of the Company to obtain necessary financing, manage risks, the economy generally, current and future stock prices, results of operations and exploration, development and production activities, fluctuations in oil and natural gas prices and market conditions, the extent of reserves and future growth and performance, the regulatory and foreign environment, future capital and other expenditures (including the amount, nature and sources of funding thereof), uncertainty of reserve estimates, the availability of necessary exploration and development equipment, competitive advantages, fluctuations in foreign currency exchange rates, property title and investments in oil and natural gas properties, business prospects and opportunities, transportation and construction delays, failure of plant, equipment or processes to operate as anticipated, accidents, labour disputes and other risks of the oil and natural gas industry, political instability, arbitrary changes in law, delays in obtaining governmental or regulatory approvals or failure to obtain such approvals and unanticipated costs. The factors identified above are not intended to represent a complete list of the factors that could affect the Company. Additional risk factors are noted under the heading "Risk Factors".

Furthermore, neither the Company nor any of its subsidiaries nor any of its officers or employees can confirm that the analogous information provided on the area of interest; such as reserves, resources and production, from fields or wells, in nearby or geologically similar areas; was prepared by a qualified reserves evaluator or auditor or in accordance with COGE Handbook, with the exception of the National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities ("NI 51-101") compliant resource evaluation report (the "Report") prepared by Petrotech Engineering Ltd. ("Petrotech") a qualified reserves evaluator. The Report titled "Evaluation Of The Interests of Sintana Energy Inc. in the VMM-37 Block in the Middle Magdalena Valley Basin Colombia" dated November 16, 2012 provides conventional and unconventional prospective resources on VMM-37.

Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking information prove incorrect, actual results, performance or achievement may vary materially from those expressed or implied by the forward-looking information contained in this MD&A. These risk factors should be carefully considered and readers are cautioned not to place undue reliance on forward-looking information, which speak only as of the date of this MD&A. All subsequent forward-looking information attributable to the Company herein is expressly qualified in its entirety by the cautionary statements contained in or referred to herein. The Company does not undertake any obligation to release publicly any revisions to this forward-looking information to reflect events or circumstances that occur after the date of this MD&A or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

## **Description of Business**

Sintana is a Canadian oil and natural gas exploration and development company listed on the TSX Venture Exchange under the trading symbol SNN. The Company is primarily engaged in petroleum and natural gas exploration and development activities in Colombia and Peru. The Company's exploration strategy is to acquire, explore, develop and produce superior quality assets with significant reserve potential. The Company currently holds a 25% interest in the 175,000 acre Bayovar Block XXVII in the Sechura Basin, Peru. The Company's private participation interests in Colombia include 30% in 58,570 acres in the Talora Block and 30% in 272,021 acres in the COR-39 & COR-11 Blocks in the Upper Magdalena Basin. In the Middle Magdalena Basin, private participation interests are 25% (carried) in the 154,909 acre VMM-4 and 59,522 acre VMM-15 Blocks. In the Llanos Basin, the Company has a carried 25% private participation interest in the 111,624 acre LLA-18 Block. In addition, on November 12, 2012,

Sintana announced that Patriot Energy Oil and Gas Inc. ("Patriot Energy"), wholly-owned by the Company, had entered into a Farmout Agreement (the "Agreement") with ExxonMobil Exploration Colombia Limited ("Exxon"), a wholly-owned subsidiary of ExxonMobil Corporation ("ExxonMobil") for the exploration and development of unconventional oil and gas resources underlying the 43,000 acre Valle Medio Magdalena 27 Block ("VMM-37") in Colombia's Middle Magdalena Basin. In April 2013, the Agencia Nacional de Hidrocarburos ("ANH") approved the acquisition by Exxon of an undivided 70% participation interest and operatorship in the formations defined as unconventional by completing the contractually required work program specified in the license agreement. Patriot Energy retains the remaining 30% interest in the unconventional play as well as its current 100% participation interest in the conventional resources overlying the top of the unconventional interval.

### **Overall Performance**

As at March 31, 2013, the Company had assets of \$10,180,616 and a net equity position of \$3,088,259. This compares with assets of \$11,389,464 and a net equity position of \$4,637,514 at December 31, 2012. At March 31, 2013, the Company had \$7,092,357 of liabilities (December 31, 2012 - \$6,751,950). For the three months ended March 31, 2013, the Company expensed \$1,059,220 (three months ended March 31, 2012 - \$155,722) of its oil and natural gas ownership interests.

At March 31, 2013, the Company had working capital of \$3,088,259 (December 31, 2012 - \$4,637,514). The Company had unrestricted cash and cash equivalents of \$5,114,466 at March 31, 2013 (December 31, 2012 - \$5,955,166). The decrease in working capital of \$1,549,255 from December 31, 2012 to March 31, 2013, is primarily due to operating costs and the Company's exploration program.

The Agreement specified that Exxon would reimburse Patriot Energy for prior cost totally US\$7,500,000 in two equal installments, the first being on the execution of the Agreement. The second payment was due upon formal written approval by the ANH to an amendment of the VMM-37 block licence, recognizing Exxon's 70% participation interest. The ANH approved the amendment on April 19, 2013 and Exxon paid Patriot Energy US\$3,750,000 on April 29, 2013.

The Company believes that it has sufficient cash on hand to fund its operating expenses and exploration programs for the twelve-month period ending March 31, 2014. However, the Company may lose a portion of its oil and natural gas participation interests if it does not comply with the terms of the agreements it has entered into. See "Liquidity and Financial Position" and "Commitments", below.

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.

See "Petroleum and Natural Gas Prospects" below.

### **Trends**

The Company is focused on crude oil and natural gas resources.

There are significant uncertainties regarding the price of crude oil and natural gas resources and the availability of equity financing for the purposes of acquisitions, exploration and development activities. The future performance of the Company is largely tied to the development of its oil and natural gas properties and the overall financial markets. Financial markets are likely to be volatile, reflecting ongoing concerns about the stability of the global economy and weak global growth prospects. Unprecedented

uncertainty in the financial markets has also led to increased difficulties in borrowing and raising funds. Companies worldwide have been materially and adversely affected by these trends. As a result, the Company may have difficulties raising equity financing for the purposes of oil and natural gas exploration and development, particularly without excessively diluting the interests of existing shareholders. These trends may limit the ability of the Company to develop and / or further explore its current oil and natural gas interests and any additional interests that may be acquired.

The volatility of financial markets is a significant risk for the Company and the industry. As a result, investors are moving away from assets they perceive as higher risk to others that they perceive as less so. Companies like Sintana are considered risk investments and are highly speculative. The volatility in the markets and investor sentiment may make it difficult for Sintana to access capital markets in order to raise the capital it may need to fund its future expenditures.

See also "Risk Factors"

### **Proposed Transactions**

The Company routinely evaluates various business development opportunities which could entail farm-ins, farmouts, acquisitions and / or divestiture. As of the date of this MD&A, the Company is not a party to any proposed transactions.

### **Off-Balance-Sheet Arrangements**

As of the date of this MD&A, Sintana does not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future impact on its results of operations or financial condition, including, and without limitation, such considerations as liquidity, capital expenditures and capital resources that would be considered material to investors.

### **Capital Management**

Sintana manages its capital with the following objectives:

- ensure sufficient financial flexibility to achieve its ongoing business objectives including funding of current and future growth opportunities, and pursuit of accretive acquisitions;
- establish and maintain a balanced portfolio of various participation interests, with a primary focus on conventional and unconventional opportunities in the Magdalena Basin, Colombia; and
- maximize shareholder value.

Sintana monitors its capital structure and makes adjustments according to market conditions in an effort to meet its commitments and objectives. Sintana can manage its capital structure by issuing new shares and debt, repurchasing outstanding shares, adjusting capital spending and operating costs, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

Sintana considers its capital to be equity, comprising share capital, warrants, contributed surplus and deficit, which at March 31, 2013, totaled \$3,088,259 (December 31, 2012 – equity of \$4,637,514).

Sintana monitors its sources and uses of capital through its financial and operational forecasting processes. Sintana reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is updated periodically based on

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current and planned activities related to its oil and natural gas interests. Forecast summaries are provided to the Board of Directors. Sintana's capital management objectives, policies and processes have remained unchanged during the three months ended March 31, 2013. Sintana is not subject to any external capital requirements.

**Selected Quarterly Information**

Quarter Ending	Total Sales (\$)	Profit or (Loss)		Total Assets (\$)
		Total (\$)	Basic and Diluted Loss Per Share (\$)	
2013-March 31	Nil	(1,591,505) <sup>(1)</sup>	(0.01)	10,180,616
2012-December 31	Nil	882,390 <sup>(2)</sup>	(0.00)	11,389,464
2012-September 30	Nil	(4,467,423) <sup>(3)</sup>	(0.01)	11,211,546
2012-June 30	Nil	(39,967,408) <sup>(4)</sup>	(0.19)	16,260,762
2012-March 31	Nil	(434,160) <sup>(5)</sup>	(0.01)	4,943,289
2011-December 31	Nil	(3,466,718) <sup>(6)</sup>	(0.05)	5,880,003
2011-September 30	Nil	(10,499,222) <sup>(7)</sup>	(0.20)	9,567,344
2011-June 30	Nil	(7,133,835) <sup>(8)</sup>	(0.21)	21,519,514

Notes:

- (1) Net loss of \$1,591,505 consisted primarily of: exploration and evaluation expenditures of \$1,059,220; general and administrative expenses of \$432,262; foreign exchange gain of \$242,387; and finance interest expense of \$342,410.
- (2) Net profit of \$882,390 consisted primarily of: exploration and evaluation expenditures of \$323,532; general and administrative expenses of \$(1,043,062); foreign exchange gain of \$3,705; finance interest income of \$218,674; and impairment of equipment of \$59,519.
- (3) Net loss of \$4,467,423 consisted primarily of: exploration and evaluation expenditures of \$2,636,784; general and administrative expenses of \$978,814; foreign exchange loss of \$419,347; and finance interest of \$432,478.
- (4) Net loss of \$39,967,408 consisted primarily of: exploration and evaluation expenditures of \$34,822,952; general and administrative expenses of \$4,403,470; foreign exchange loss of \$57,061, loss on debt extinguishment of \$113,353; and finance interest of \$570,572.
- (5) Net loss of \$434,160 consisted primarily of: exploration and evaluation expenditures of \$155,722; general and administrative expenses of \$258,296; foreign exchange loss of \$20,215; and finance interest income of \$73.
- (6) Net loss of \$3,466,718 consisted primarily of: exploration and evaluation expenditures of \$1,157,940; general and administrative expenses of \$257,006; foreign exchange loss of \$84,176; finance interest expense of \$793,509; and loss on debt extinguishment of \$1,174,087.
- (7) Net loss of \$10,499,222 consisted primarily of: exploration and evaluation expenditures of \$9,243,863; general and administrative expenses of \$769,442; foreign exchange gain of \$99,454; and finance expense of \$585,371.

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(8) Net loss of \$7,133,835 consisted primarily of: exploration and evaluation expenditures of \$6,254,649; general and administrative expenses of \$701,045; foreign exchange loss of \$177,843; and finance expense of \$298.

Variations in the Company's quarterly net income or loss are largely attributable to variations in the timing of the Company's exploration and evaluation expenditures, share-based payments, foreign exchange gain / loss and loss on debt extinguishment.

**Petroleum and Natural Gas Prospects**

**Expenditures incurred on Sintana's Petroleum and Natural Gas Prospects**

Exploration Expenditures	Three Months Ended March 31, 2013 \$	Three Months Ended March 31, 2012 \$
<b>Colombia</b>		
Salaries and benefits	352,922	nil
Drilling / Seismic	506,340	nil
Administrative and general	77,221	nil
Other	451,203	155,722
Professional fees	29,137	nil
Recovery of costs	(379,984)	nil
	<b>1,036,839</b>	<b>155,722</b>
<b>Peru</b>		
Professional fees	16,050	nil
Drilling	6,331	nil
	<b>22,381</b>	<b>nil</b>
<b>Totals</b>	<b>1,059,220</b>	<b>155,722</b>

Statistical Summary for Sintana's eight (8) exploration blocks:

Asset Summary				
Basin / Block	Operator	Gross Acres ('000)	Sintana Net	
			Participation Interest	Acres ('000)
<b>Colombia</b>				
<u>Middle Magdalena</u>				
VMM-37 Unconventional	Exxon	43	30%	12
VMM-37 Conventional	Sintana	n/a	100%	n/a
		<u>43</u>		<u>12</u>
VMM-4	LOH Energy	155	25%	39
VMM-15	LOH Energy	60	25%	15
		<b>258</b>		<b>66</b>
<u>Upper Magdalena</u>				
Talora	Petrodorado	59	30%	18
COR-39	Canacol	95	30%	29
COR-11	Canacol	177	30%	53
		<b>331</b>		<b>100</b>
<u>Llanos Basin</u>				
LLA-18		112	25%	28
		<b>112</b>		<b>28</b>
<b>Total Colombia</b>		<b>701</b>		<b>194</b>
<b>Peru</b>				
<u>Sechura Basin</u>				
Bayovar	Faulkner	175	25%	44
<b>Total Peru</b>		<b>175</b>		<b>44</b>
<b>Total</b>		<b>876</b>		<b>238</b>

**Middle Magdalena Basin** (Primary sources: ANH – Colombian Sedimentary Basins – 2009 and Petrotech Engineering Report for Sintana Energy Inc. – July 31, 2012)

The Middle Magdalena Basin is one of the most explored basins of Colombia with discoveries mainly in the Paleocene section. A century of exploration history in the basin has led to the discovery of approximately 1,900 MMBO, 2.5 Tcf of natural gas and a total of 41 fields, including Colombia's first field, La Cira-Infantas, with well over 900 MMBO of recoverable reserves to date and still under production. The thick Cretaceous section of 4,000 to over 8,000 feet has long been recognized as one of the world's most important source rocks but the absence of conventional reservoirs has discouraged exploration. With the advent of the unconventional plays, this outlook has changed substantially in that these same

kerogen-rich intervals appear to be ideal for unconventional potential. The outlook thus far is very favourable for an unconventional play given what could be considered an extremely favourable unconventional "check list" of positive parameters as understood from areas where the unconventional plays are already well established. The ample thickness of these Cretaceous TOC-rich and high resistivity units, the multi-stacked nature of these formations, the ideal liquid HC phases (medium to high API gravities and gas condensates), the moderate overpressure for high recovery factors (.6-.8 psi/ft gradient) and in many areas the presence of relatively high porosities that verge on the porosities found in conventional reservoirs. Thus the Middle Magdalena Cretaceous section was largely ignored for decades (early 1900's to present) due to the lack of conventional reservoirs, but it is now attracting considerable attention, including from the majors because it appears to contain all of the elements of a high quality unconventional play. On a worldwide inventory basis, the Middle Magdalena basin appears to contain one of the most prolific areas of this type yet to be explored.

The basin has a poly-phase deformation history, beginning most notably with rift and sag sedimentary sequences, evolving into a foundered Foreland Basin and ending as an intermontane basin with two 5,000 meter Cordilleras to either side, the Central Cordillera to the west and the Eastern Cordillera to the east. The Central Cordillera margin is characterized by a regional monocline broken into a series of normal faults, some of which help form large heavy oil fields. The Eastern Cordillera margin is characterized by relatively young thrust faults which can form large anticline structures in the overthrust (hangingwall position) and subthrust structural traps in the footwall position. The exploration history of the basin has been mainly directed towards the identification of structural traps in the Tertiary sequences. Subtle stratigraphic traps have not yet been adequately studied in the basin. The sedimentary record shows a succession of continental Jurassic deposits underlying portions of the basin, some perhaps in half-grabens. The earliest widespread sedimentary sequences overlie the Jurassic and consist of predominantly marine Cretaceous sediments, both calcareous and siliciclastic in composition. The Palaeocene sequence overlies the Cretaceous and is made up of siliciclastic rocks deposited mainly under continental conditions with some marine influence. Three major deformational phases are present in the basin, which are responsible for all three types of trap geometries: rifting, thrusting and wrenching.

Cretaceous limestones and shales of the La Luna formation have long been recognized as the main source rock in the basin. Key portions of this source rock were deposited during two worldwide anoxic events.

The Eocene unconformity overlying the Cretaceous separates the primary conventional reservoir above from the underlying active source rock, forming an ideal plumbing system for the migration of petroleum.

Ninety-seven percent of the proven oil in the basin has been produced from continental Palaeocene sandstones (Palaeocene-Miocene), the Lisama, the Esmeraldas-La Paz and the Colorado-Mugrosa formations with average porosities of 15% to 20% and average permeabilities of 20 to 600 mD. The Basal Limestone Group at the bottom of the Cretaceous section and the La Luna Formation in the middle Cretaceous have been very lightly explored and are considered to contain very large hydrocarbon potential via fractured tight oil and unconventional plays. The seals of Paleocene sandstone reservoirs consist of interbedded, non-marine, ductile claystones, mainly from the Esmeraldas and Colorado formations. The seals for potential Cretaceous limestone reservoirs are marine shales of the Simiti and Umir formations and in some areas, units within the La Luna itself.

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

On March 1, 2011, the ANH awarded 100% of the Hydrocarbon Exploration and Production Contract for the VMM-37 Block (the "Contract") to Patriot Energy Services LLC Corp. ("Patriot") through its wholly owned branch Patriot Energy Sucursal Colombia ("Patriot Energy").

On March 24, 2011, ColCan Energy Corp. ("Colcan") entered into an asset purchase agreement with Patriot to acquire a 70% private participation interest in VMM-37. Effective the same day, a side letter agreement was reached, which increased the private participation interest acquired by ColCan to 75%. On April 11, 2011, ColCan entered into a second side letter, whereby it acquired the remaining 25% private participation interest from Patriot. Subsequently, a reorganization occurred in Panama where Patriot Energy was a newly organized spin-out entity that maintained ownership of the Colombian branch, Patriot Energy Sucursal Colombia, holder of the VMM-37 licence.

On May 17, 2012, Sintana acquired ColCan.

On November 12, 2012, Patriot Energy executed the Agreement with Exxon. Under the terms of the Agreement: Exxon carries out the contractual work program, it will earn a 70% participation interest in the unconventional formations on VMM-37, all subject to approval by the ANH.

On April 3, 2013, the ANH approved a Contract amendment that allows Patriot Energy to assign 70% of the participating interest, rights and obligations and the operation of the Contract to Exxon for the exploration and development of unconventional oil and gas resources underlying the VMM-37 Block.

Patriot Energy retains the remaining 30% participating interest in the unconventional resources as well as its 100% participation interest in the conventional resources overlying the top of the unconventional interval.

**Reimbursement of past expenses:**

As per the Agreement, Exxon has paid Patriot Energy a total of US\$7,500,000 in two equal installments. The second installment for US\$3,750,000 was received on April 29, 2013.

**Work program:**

- Exxon will pay 100% of all Exploration Phase I well costs (3 wells). The estimated timing for the commencement of drilling operations on the first exploration well is the fourth quarter of 2013.
- Exxon will have an option to proceed to the next phase. In this development phase, it will have the option to pay 100% of all additional costs to a maximum of US\$45 million, of which US\$10 million will be recouped by Exxon from 50% of Patriot's production proceeds.
- As agreed by Patriot Energy and Exxon, as joint participants in the VMM-37 Block, good faith efforts will be made to locate exploration wells targeting the unconventional play in such a way as to also test conventional prospects.
- At various stages of the Work Program, as defined in the Agreement, Exxon will have the right to withdraw from the project, relinquish operatorship and reassign to Patriot Energy the right to the 70% participation interest it would have retained had it met all investments and activities requirements of the Agreement.

**Supplemental Investment Capital:**

- In the event that exploration and development of the unconventional resources continue beyond the activities and costs enumerated above, those costs will be shared based on the parties participation interests.
- Further exploration and subsequent development plans for the unconventional and conventional formations will be determined once technical data obtained from drilling the deeper unconventional play, and other sources, are analyzed.

**Warranties:**

- The ANH requires that operators provide secured performance warranties for various phases of the contractual Work Program. Sintana currently has in place letters of credit in satisfaction of this requirement. Exxon has assumed responsibility for providing these warranties which will result in the release of currently restricted Sintana funds during the second quarter of 2013.

The contractual Work Program consists of three (3) exploration wells in Phase I and two (2) exploration wells in Phase II for a total of five (5) wells, plus 50 kms of 2D seismic which the partner will likely change to approximately 180 km<sup>2</sup> of 3D seismic for full block coverage.

The following description of the VMM-37 Block is derived from the Report. Readers should consult the Report to obtain further particulars regarding the VMM-37 Block. The full text of the Report is available for review on the SEDAR website located at [www.sedar.com](http://www.sedar.com) under Sintana's profile. Readers are cautioned that the summary of technical information in this MD&A should be read in the context of the qualifying statements, procedures and accompanying discussion within the complete Report and the summary provided herein is qualified in its entirety by the Report.

On November 20, 2012, Sintana announced the results of the Report prepared by Petrotech, a qualified reserves evaluator. The Report titled "Evaluation Of The Interests of Sintana Energy Inc. in the VMM-37 Block in the Middle Magdalena Valley Basin Colombia" dated November 16, 2012 provides conventional and unconventional prospective resources on VMM-37.

For the conventional formation (Lisama) on the Block, in which Patriot Energy has a 100% private participation interest, Petrotech calculated a P50 best estimate before royalties effective July 31, 2012 of prospective recoverable resources of 51 million barrels of oil.

As to the unconventional zones of interest, Petrotech has assigned a P50 best estimate effective July 31, 2012 of prospective recoverable resources of 700 million barrels of oil. The P50 best estimate before royalties for Patriot Energy's 30% interest in the unconventional formations is a prospective recoverable resource of 210 million barrels of oil.

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Unrisked Prospective Resources in the Lisama, Tablazo, Salada and Galembo Formations

Estimate	Conventional Oil Resources			Unconventional Oil Resources			Before Tax NPV @				
	100%	Gross	Net	100%	Gross	Net	0%	5%	10%	15%	20%
	MMbbl	MMbbl	MMbbl	MMbbl	MMbbl	MMbbl	MM\$	MM\$	MM\$	MM\$	MM\$
<b>Low Case:</b>											
Lisama	7.7	7.7	7	-	-	-	115.3	87.9	66.8	50.3	37.3
Tablazo	-	-	-	33.7	16.9	15.5	-538.0	-401.9	-308.9	-243.7	-196.7
Salada	-	-	-	66.9	20.1	18.4	587.0	356.2	226.1	149.3	102.0
Galembo	-	-	-	66.9	20.1	18.4	550.4	281.1	151.2	85.2	49.9
<b>Total Low</b>	<b>7.7</b>	<b>7.7</b>	<b>7</b>	<b>167.6</b>	<b>57</b>	<b>52.3</b>	<b>714.8</b>	<b>323.2</b>	<b>135.1</b>	<b>41.1</b>	<b>-7.5</b>
<b>Best Case:</b>											
Lisama	50.5	50.5	45.9	-	-	-	1,861.3	1,490.8	1,211.1	996.4	828.9
Tablazo	-	-	-	121.9	36.6	33	429.4	206.3	98.4	44.2	15.9
Salada	-	-	-	289.2	86.7	77.8	3,707.1	2,076.6	1,239.0	780.6	514.8
Galembo	-	-	-	289.2	86.7	80.6	4,014.9	1,869.0	934.8	497.7	279.4
<b>Total Best</b>	<b>50.5</b>	<b>50.5</b>	<b>45.9</b>	<b>700.2</b>	<b>210.1</b>	<b>191.4</b>	<b>10,012.6</b>	<b>5,642.8</b>	<b>3,483.4</b>	<b>2,318.8</b>	<b>1,638.9</b>
<b>High Case:</b>											
Lisama	167.7	167.7	149.5	-	-	-	7,175.2	5,499.9	4,304.0	3,430.9	2,779.3
Tablazo	-	-	-	374.5	112.4	96.3	3,182.1	1,965.2	1,293.8	899.3	653.5
Salada	-	-	-	687.8	206.3	178	9,302.2	5,006.8	2,890.6	1,772.7	1,143.7
Galembo	-	-	-	687.8	206.3	178	9,765.2	4,327.7	2,075.5	1,065.5	579.2
<b>Total High</b>	<b>167.7</b>	<b>167.7</b>	<b>149.5</b>	<b>1,750.20</b>	<b>525</b>	<b>452.3</b>	<b>29,424.6</b>	<b>16,799.7</b>	<b>10,564.0</b>	<b>7,168.3</b>	<b>5,155.6</b>

Notes:

1) The Lisama Formation is conventional resources and the Tablazo, Salada and Galembo Formations are considered as unconventional resources.

2) Each formation is assumed to receive commerciality individually.

This evaluation uses the definition of resources and follows the guidelines from the Canadian Oil and Gas Evaluation (COGE) Handbook. From geophysical and well data available at this time, three prospects have been identified in the VMM 37 Block in the Lisama, Galembo, Salada and Tablazo Formations. The evaluation above provides the unrisked prospective resources (prospects) in the Lisama, Galembo, Salada and Tablazo Formations. The Galembo, Salada, and Tablazo resources are considered as unconventional.

**Definition of Prospective Resources**

Prospective Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective Resources have both an associated chance of discovery and a chance of development. Prospective Resources are further subdivided in accordance with the level of certainty associated with recoverable estimates, assuming their discovery and development, and may be sub-classified based on project

maturity. Not all exploration projects will result in discoveries. The chance that an exploration project will result in the discovery of petroleum is referred to as the chance of discovery. Thus, for an undiscovered accumulation, the chance of commerciality is the product of two risk components - the chance of discovery and the chance of development.

### **Uncertainty Categories**

Estimates of resources always involve uncertainty, and the degree of uncertainty can vary widely between accumulations/projects and over the life of a project. Consequently, estimates of resources should generally be quoted as a range according to the level of confidence associated with the estimates. An understanding of statistical concepts and terminology is essential to understanding the level of confidence associated with resources definitions and categories. These concepts, which apply to all categories of resources, are outlined in Sections 5.5.1 to 5.5.3 of the Report.

The range of uncertainty of estimated recoverable volumes may be represented by either deterministic scenarios or by a probability distribution. Resources should be provided as low, best and high estimates as follows:

- **Low Estimate:** This is considered to be a conservative estimate of the quantity that will actually be recovered. It is likely that the actual remaining quantities recovered will exceed the low estimate. If probabilistic methods are used, there should be at least a 90 percent probability (P90) that the quantities actually recovered will equal or exceed the low estimate.
- **Best Estimate:** This is considered to be the best estimate of the quantity that will actually be recovered. It is equally likely that the actual remaining quantities recovered will be greater or less than the best estimate. If probabilistic methods are used, there should be at least a 50 percent probability (P50) that the quantities actually recovered will equal or exceed the best estimate.
- **High Estimate:** This is considered to be an optimistic estimate of the quantity that will actually be recovered. It is unlikely that the actual remaining quantities recovered will exceed the high estimate. If probabilistic methods are used, there should be at least a 10 percent probability (P10) that the quantities actually recovered will equal or exceed the high estimate.

This approach to describing uncertainty may be applied to reserves, contingent resources and prospective resources. There may be significant risk that sub-commercial and undiscovered accumulations will not achieve commercial production. However, it is useful to consider and identify the range of potentially recoverable quantities independent of such risk.

### **VMM-4 Block, Colombia (Sintana – 25% participation interest - carried)**

The VMM-4 Block is located on the extreme east side of the Middle Magdalena Basin, where the basin ends against the Eastern Cordillera with its major mainly strike-slip fault-systems and rugged highlands. The VMM-4 Block consists of an area of 62,690 hectares and is part of three municipalities, Rio de Oro, San Martin, and San Alberto. This area was part of larger exploration blocks over the past years, for example when the area was explored by Texaco in the 1960s when the Torcoroma wells were drilled and then by Pluspetrol (in the 1990s) in a large block named Torcoroma.

- The VMM-4 Block is from the 2008 Bid Round.
- The Exploration & Production ("E&P") contract for the VMM-4 Block, dated March 10, 2009, was awarded to Golden Oil Corp. ("Golden Oil") by the ANH. Production is subject to the standard

sliding scale of the ANH royalty rates and an additional 7% that was offered by Golden Oil in its X-factor bid.

- On June 17, 2010, as decreed by the ANH in Resolution #220, the VMM-4 contract was transferred from Golden Oil to LOH Energy Sucursal Colombia ("LOH").
- On September 29, 2010 in a private participation agreement between APO Energy Ltd. ("APO-Barbados"), a wholly-owned indirect subsidiary of P1 Energy Corporation ("P1") and LOH, P1 obtained a 75% participation interest in the VMM-4 Block and became the operator.
- Subsequently, ColCan acquired a 25% participation interest from LOH with a 25% carry.
- On April 25, 2012 Sintana and Colcan closed on a previously announced \$11-million Financing of Colcan's subscription receipts that were announced on April 10, 2012, following an agreement to combine companies as was announced on March 13, 2012.
- As such, Sintana has a 25% work program carry on VMM-4 via its amalgamation with Colcan.

**Work Program:**

The original bid offer to win the block award consisted of the mandatory minimum work program for Phase I:

- Drill 1 A3 well
- 125.4 km 2D seismic

Plus what the bidders chose to bid in the additional work program for Phase I (as a means to win the bid):

- 170 km 2D seismic

**Total VMM-4 Work Program:**

- Drill 1 A3 well in Phase I
- 125.4 + 170 km = 295.4 km 2D seismic
- Company has option to convert this 2D to 3D using an ANH standard conversion factor of 1.6X (or x 0.625)
- 295.4 km 2D / 1.6X ANH conversion factor = **184.625 km<sup>2</sup> 3D seismic**

The partnership is to acquire, process and interpret as a minimum the seismic stipulated by the ANH in the minimum program which was 125.4 km 2D plus the seismic offered by Golden in the additional work program as part of their bid offer, which was 170 km 2D for a total of 295.4 km of 2D seismic. The ANH typically allows for a conversion of the 2D seismic to 3D seismic with an ANH standard conversion factor of 1.6X. Converting 295.4 km 2D seismic to 3D seismic with a conversion factor of 1.6 results in 184.625 square kilometers of 3D seismic. In working out the design details of this 3D seismic survey, in large measure due to some seismic data acquisition activities falling outside of the VMM-4 block (for proper subsurface coverage), the final 3D survey size is 206.7 km of 3D seismic. In addition to the seismic, the partnership is obligated to drill 1 exploration well in Phase I and one exploration well in Phase II.

Sintana is carried for the costs for the seismic program and the Phase I exploration well.

The work program is ongoing.

**VMM-15 Block, Colombia (Sintana – 25% participation interest - carried)**

The E&P contract for the VMM-15 Block dated March 10, 2009 was awarded to Golden Oil by the ANH. Production is subject to the standard sliding scale of the ANH royalty rates and an additional X% which is 7% for this block. On June 17, 2010, by way of Resolution #219 from the ANH, the transfer of ownership of this block was made to LOH.

The VMM-15 Block has an area of 24,089 hectares in the municipalities Guaduas, and Puerto Salgar in the Department of Cundinamarca; Honda in the Department of Tolima, and La Dorada; and Victoria, in the Department of Caldas. It is located on the far southwest side of the Middle Magdalena Basin.

- The VMM-15 Block is from the 2008 Bid Round.
- The E&P contract for the VMM-15 Block, dated March 10, 2009, was awarded to Golden Oil by the ANH. Production is subject to the standard sliding scale of the ANH royalty rates and an additional 7% that was offered by Golden Oil in its X-factor bid.
- On June 17, 2010, as decreed by the ANH in Resolutions #219, the VMM-15 contract was transferred from Golden Oil to LOH.
- On September 29, 2010, in a private participation agreement between APO-Barbados, a wholly-owned indirect subsidiary of P1 and LOH, P1 obtained a 75% participation interest in the VMM-15 Block and became operator.
- Subsequently, ColCan acquired a 25% participation interest from LOH with a 25% carry.
- On April 25, 2012 Sintana and ColCan closed on a previously announced \$11-million Financing of ColCan's subscription receipts that were announced on April 10, 2012, following an agreement to combine companies as was announced on March 13, 2012.
- As such, Sintana has a 25% work program carry on VMM-15 via its amalgamation with ColCan

**Total VMM-15 Work Program:**

- 48.2 km of 2D seismic.
- Drill 2 XA3 wells.
- 200 km of 2D seismic.
- Drill 1 XA3 well.

**Exploration Program**

Acquire process and interpret 248 km of 2D seismic. Drill two (2) exploration wells in Phase I and one (1) exploration well in Phase II. Note: Sintana is carried for the 2D seismic program and two of the three exploration wells via its amalgamation with Colcan.

Progress has been made by the operator, LOH, on preparing the EIA and PMAs in order to obtain the environmental license, and the approvals to shoot seismic and to drill wells. LOH reports that the same environmental team that made excellent progress on the VMM-4 environmental licensing work is now working on the same for VMM-15.

In addition it should be noted that a third partner has come into the VMM-15 block: Alpha Drilling & Exploration.

The work program is ongoing.

### **Upper-Middle Magdalena Basin, Transition Area, Colombia**

There are four field areas surrounding Sintana's acreage in what can be referred to as the Upper-Middle Magdalena Transition Area. Management estimates, based on prior work experience and frequent communications with other industry participants, that recoverable reserves in the Guando Field are approximately 120 MMBO, that peak production was greater than 30,000 BOPD and is currently producing in a range around 20,000 BOPD. These field areas stake out a rough rectangle around Sintana's two (2) main blocks, Talora and COR-39. COR-11 is located further to the SE, within in its own transition area between the Upper Magdalena Basin and the Eastern Cordillera in a frontier wildcat area, fairly high up in the mountains. These four fields are:

- Guando Field discovered in 2000
- Toqui-Toqui Field discovered in 1986
- Puli Field discovered in 1991
- Abanico Field ("Main") discovered in 1999

The Guando Field is 25 km to the southeast of Talora and is one of the most important Upper Magdalena basin fields. This field, which was discovered by Petrobras and Nexen Inc. in 2000 (from the Lasmo prospect inventory acquired in 1998), is one of the most notable fields in Colombia due to its shallow position, the excellent thick Cretaceous Guadalupe reservoir with over 1,000 feet net sandstone and a world-class hydrocarbon column of over 2,100 feet. The good quality medium-gravity oil is surprising for such a shallow field, especially since the field has low reservoir pressure. The shallow position of such a large field and its proximity to infrastructure in the Magdalena Valley and the nearby Bogotá metro area, about 60 km to the east, gives the field considerable commercial advantage. The key to success in low-pressure fields such as Guando is to maintain reasonable reservoir pressures and efficient water flooding programs as long as possible.

When one zooms into the individual areas, it becomes clear that there may be additional clues as to how even more oil and gas potential may have been overlooked. Nine wells have been drilled in the immediate Talora area since 1921. Closer inspection, however, reveals that these wells are located on the edges of the main structures and mainly along the faults rather than on the anticlines between the faults. It is also important to note that none of these wells has yet reached the Cretaceous Caballos reservoir. Sintana has often urged the operator to be prepared for both conventional fractured sandstone and unconventional shales and carbonates. The commercial outlook is excellent due to the proximity of infrastructure in the well-developed Bogotá/Sabana region where both natural gas and oil are commercially viable.

It is important to point out that the best-known reservoirs in this "Upper-Middle Magdalena Transition Area," are stratigraphically situated in the upper Cretaceous section. Unfortunately, large areas have been eroded and stripped of this upper Cretaceous section due to uplift, incision and erosion. In the Talora area, as is true in much of the transitional area between the Upper and Middle Magdalena basins, the lower Cretaceous is often considered to be "*shaley*" even though it is largely unknown or very poorly understood. In some areas – in particular to the NE – the lower Cretaceous is thought to be dominated by shales, marls and poorly developed limestones (<20 kms away are the shaley Chawina wells). In other areas – for example toward the SW – the lower Cretaceous is dominated by hundreds of feet of

hard sandstones and conglomerates as observed in the Raspe-1 and Lucha-1 wells (~20 kms SW of Talora). Across the entire area, closer inspection reveals a widespread lack of trap in the features that have been drilled over the years.

It is in part due to these widespread perceptions in the industry that Sintana chose this "Upper-Middle Magdalena Transition Area," as a strategic focus area because some of these risks are quite real, there are also several overlapping favorable conditions that one might suggest lead to the opposite conclusion often held by the industry. There are 4 main strategic reasons:

**(1) Reserve Scale: Avoids the "Reserve Treadmill"**

In the opinion of management, this area has world-class oil charge volume as well as very thick net reservoir. These world-class characteristics provide the large reserve scale observed in the nearby Guando Field. The upper Cretaceous reservoir in Guando (Guadalupe) has over 2,000 feet gross and around 1,000 feet net. The disadvantage in Talora is that this upper Cretaceous section has been eroded and has mainly the upper and middle Cretaceous section exposed at the surface. Thus the reservoir section in Talora must depend on the middle and lower Cretaceous. As stated above, Sintana's view is that this Upper-Middle Magdalena transition area has more conventional sandstone reservoirs hidden in the undrilled Cretaceous sequences, likely representing progressively greater water depths in the northward direction. Though the age of the reservoir unit may vary from field to field and prospect to prospect, it is extremely important to note that these Cretaceous transitional sequences might provide 100s of feet of net reservoir. This reserve scale in Sintana's Upper-Middle Magdalena transition area provides a very important exploration element in Sintana's strategy and that is to avoid the reserve treadmill. This is a common vicious circle that is difficult to break in which companies find themselves in a state of constant reserve depletion due to the small size of their discoveries.

**(2) Underexplored Conventional Sandstone Reservoirs: Additional Conventional Upside**

Sintana's view is that this transitional area is underexplored and that there are large sections of conventional sandstone reservoirs hidden in the undrilled Cretaceous sequences of this Upper-Middle Magdalena transition area. Due to the thickness of some of these conventional reservoirs and the large hydrocarbon volumes native to this area, the conventional play has considerable long-term upside and reserve scale, much more than is generally recognized.

**(3) New Unconventional Play: Significant New Unconventional Reserves**

There is increasing evidence being collected and compiled for the unconventional plays in the Upper-Middle Magdalena transition area. The La Luna and the Simiti-Tablazo formations are the main source rocks in the basin. Therefore, they are the main unconventional targets. The basin is highly charged with geochemical characteristics of the Cretaceous section which are being analyzed with very encouraging source rock characteristics, including the fact that some are within the present-day oil window, even at relatively shallow depths (e.g. 3,000-6,000 feet). If these source-prone sections are proven to be viable unconventional reservoirs, they may provide significant reserve scale. (Petrotech Engineering Report for Sintana Energy Inc. – July 31, 2012)

**(4) Less Competitive Area, but Excellent Infrastructure & Proximity to Market: Under the Radar**

Finally, despite its close proximity to the full range of infrastructure, the country's main oil and gas pipelines and Bogotá as one of the major growing industrial centers, this Upper-Middle Magdalena transition area is not nearly as competitive or over-sold as some of Colombia's other basins. For example,

many of the active portions of the Llanos basin are extremely competitive within the industry and yet they are known to have small reserve size, they are often isolated by great distances without infrastructure and overall, the Llanos' new discoveries lack access to pipelines and even face serious trucking challenges. In great contrast, the Upper-Middle Magdalena area faces none of these problematic issues. The Upper-Middle Magdalena transition area is in one of the most ideal locations with respect to natural gas commercialization. Due to the proximity of the pipelines and the nearby facilities, oil development in this mature Magdalena area results in low development costs.

**Talora Block, Colombia (Sintana – 30% participation interest)**

On August 17, 2011, the Company announced that Sintana Energy Inc. Sucursal Colombia had entered into an agreement with Petrodorado Energy Ltd. ("Petrodorado") to farm-in to an undivided 30% private participation interest in the 108,336-acre Talora Block located in Colombia's oil prolific Magdalena Basin. The block was subsequently reduced to 58,812 acres through the normal contract relinquishment schedule (September 2011). The Talora Block, which is operated by Petrodorado, is immediately adjacent to the region's main oil and natural gas pipelines and only 60 kilometres west of the capital city of Bogotá. Sintana's first well on Talora, Dorados-1X commenced drilling on July 31, 2012.

The original planned total depth for the well was 9,500 feet (MD, Measured Depth) with the Cretaceous Caballos and Tetuan (Albian/Aptian) formations being the primary objectives. While drilling in the Cretaceous Cenomanian section above these objectives, the well encountered a younger and exceptionally thick sand-prone sequence which had never previously been reported in the basin. This sand-prone section, currently named the Dorados Sands, was encountered from about 5,160 feet (MD) to below 7,000 feet, or around 1,850 feet thick (gross). While drilling, this section (5,160 to 6,035 feet) yielded excellent wet gas and oil shows as measured by both Gas Chromatography and Mass Spectroscopy. The economic basement was reached, much higher than the prognosis, at 7,282 feet (MD), without seeing the Tetuan or Caballos formations and as such, the partnership decided to terminate drilling operations at this depth on September 29, 2012 with the forward plan to log and then production test the extensive Dorados Sands.

Due to deteriorating hole conditions, tool sticking and high levels of mud invasion (seven (7) lost circulation events) it was operationally impossible to run an adequate logging program. With limited data, however, it was noted that the targeted reservoir section coincides with the highest log resistivities (through casing logs), including zones with fair to good porosities (e.g. 15%). All these indicators, log resistivities, oil shows, hydrocarbon components (C1 through C9), hydrocarbon ratios, helium and other trace element relationships are consistent with a thick hydrocarbon column. In addition, and very importantly, all these indicators terminate abruptly, still within the sand-prone section, at around 6,030 to 6,050 feet (as stated above), forming compelling evidence of a basal water contact with a hydrocarbon column above.

In mid-November, 2012 a program to flow test up to six (6) sandstone intervals was initiated with a completion and testing rig. Due to significant formation damage which occurred during drilling operations, only a limited amount of additional reservoir data was obtained. The test results confirmed that the sand section is a low-pressure reservoir system and that oil has been emulsified. Geochemical lab analysis from production tests proved that this emulsion contains viable medium gravity crude oil with 20° API. This provides incontrovertible evidence regarding the severity of the mud invasion and a valid reason as to why certain sandstone intervals with good porosities did not flow during testing. It is important to note that these low-pressure reservoirs are common in this part of the Basin, including in the Guando Field.

Despite the formation damage incurred in the wellbore, the underlying conclusion is very encouraging. The Farm-in partners have concluded that a new undamaged wellbore is needed (sidetrack or twin well) to further evaluate the Dorados structure, a large thrust anticline in which the Dorados-1X well data now reveals this new thick sandstone reservoir with significant recoverable hydrocarbons potential. Seismic mapping yields structural closure, 4-way and 3-way closure against the main thrust fault, in the range of 2,900 to possibly over 8,000 acres with estimated net reservoir thickness based on limited data in the range of 200 feet and possibly much greater.

The Talora Block straddles the boundary between the Upper and Middle Magdalena Basins and is flanked by Middle Magdalena oil fields to the north and Upper Magdalena oil fields to the south. In the Cretaceous, this area represents the transition between the Upper Magdalena's long-known prolific conventional sandstone reservoirs to the south and the very recent excitement over an increasingly compelling unconventional section in the Middle Magdalena Basin to the north. Sintana Energy's technical strategy is to have, in addition to acreage within the northern unconventional acreage (e.g. VMM-37), to establish a focus area in this transition area between the Upper and Middle Magdalena basins with the concept that there are attractive prospects in both the conventional and unconventional sections. Sintana's view is that there are more conventional sandstone reservoirs in this transition area within the undrilled Cretaceous sequences than the industry has recognized to date, sequences which likely contain the range of depositional clastic environments in a northward direction as Cretaceous water depths generally increase, from fluvial to paralic to marine. Conversely, although the unconventional play-types are now being investigated in Colombia's northern and central Middle Magdalena and Eastern Cordillera basins, the industry has largely ignored the transition area between the Upper and Middle Magdalena. This transition area has long been recognized for its oil seeps and rich source rocks, often at shallow depths. Only recently have companies begun to view these hydrocarbon-rich sections as potential unconventional reservoirs. In fact it is possible that both conventional and unconventional reservoirs will be found in the same wellbores.

#### *Verdal-1 (2010)*

The prior well, Verdal-1, was drilled by the current operator Petrodorado in 2010. It was the first well to target one of the two main thrust anticlines located near the center of the Talora Block. The Verdal-1 was forced to cease drilling and was abandoned while drilling the shale, limestone and marl of the Tetuan Formation due to well control problems, including significant quantities of natural gas coming from the Tetuan Formation. The well depth was estimated to be only a few hundred feet above the main Caballos reservoir target. Drill stem test attempts in the Tetuan failed due to insufficient stimulation or possibly that the tests indicated a limited gas volume in the Tetuan. Ultimately, the Verdal-1 test results were considered inconclusive. However, the well was declared a technical gas discovery by the ANH in the gas-charged Cretaceous Tetuan formation. The Verdal-1 well revealed important new information about stratigraphy and the hydrocarbon content of the Cretaceous units in these thrust anticlines, including that the main Cretaceous Caballos reservoir may be deeper than originally thought in the Verdal structure.

#### *Talora Work Program – 2-Year Appraisal & Exploratory Extensions*

The Talora E&P contract began in 2004, in the year following the start of the ANH and its new function as the administrator of Colombia's oil and gas contracts. The Talora contract had the typical 6-year exploration term and thus 2010, the year in which the Verdal-1 was drilled, was the final exploration year. Given fulfillment of the contractual work program and an adequate indication of a new hydrocarbon resource, these E&P contracts allow for 2-year contract extensions beyond the normal 6-year exploration term in which the partnership has additional time to prove up a commercial project. This additional time consists of 2-year extensions, typically in exchange for drilling a well, performing other work program

activities and/or making partial acreage relinquishments, all subject to approval by the ANH. By approval of the ANH, the Verdal-1 well was formally declared a technical gas discovery on January 17, 2011, thereby providing the Talora partnership with the option of an extension in exchange for a defined ANH-approved work program. The current extension expires in September 2013. In addition, with the encouraging technical information gathered from the Verdal-1 well, the partnership was also interested in committing to additional exploratory work program activities to test a separate structure adjacent to Verdal, referred to as the Dorados structure. The current extension for the Dorados acreage expires in July 2013. Due to the likely need for an appraisal well following an exploratory well, an exploratory program has the option of a second 2-year extension. Thus by agreement between the ANH and the Talora partnership, the current Talora work program is based upon two 2-year drilling and evaluation programs running in parallel with the option to add another 2-year period. The first is based upon drilling a follow-up appraisal well to the 2010 Verdal-1 exploratory well and proving up a commercial Verdal project within a 2-year period. In tandem the partnership may also work at proving up the Dorados exploratory project within the adjacent undrilled Dorados structure. A more limited exploration activities program will result in a partial acreage relinquishment in the Talora block outside of the discovery areas for the Verdal and Dorados, as defined by the ANH. Satisfaction of the requirements of these limited programs will result in additional two year extensions for each of the Verdal and Dorados areas.

The Verdal-1 (2010) technical gas discovery provided the initial contractual basis for the current 2-year extensions for the Talora partnership. It is in these extension phases that Sintana began to participate in the Talora contract. The advantage of participating in these extension periods is that it consists of near term drilling activities, which Sintana's analysis suggests have reasonable probabilities to be high impact in terms of reserves, time to market and the equally commercial outlook of both oil and natural gas.

The phase of the hydrocarbons may change with depth and by geologic formation. Thus there could be a fairly complex interaction of multiple source rocks, episodes of expulsion and migration in order to explain dry gas in the Tetuan formation (Verdal-1), possible natural gas and light oil zones in the Dorados Sandstones younger than the Tetuan, gas-condensate in the younger shale unit above the Dorados Sandstones (possible 500-foot unconventional section) and the presence of the well-known Guataqui Oil Seeps which flow to surface, apparently along the prospect's main thrust fault (current API gravity may be in the teens while the original oil at depth may be 30° and lighter).

The Verdal-1 and the Dorados-1X wells demonstrate evidence for effective anticlinal traps, the presence of both oil and natural gas and the presence of potential reservoirs which may be conventional, unconventional or both.

#### **Talora Contract Extensions:**

- Talora E&P Contract: 2004 to 2010, normal 6-year exploration period.
- Final well drilled in 2010: Verdal-1 which resulted in gas-charged Tetuan Fm.
- Declaration of **Verdal-1** as a **technical gas Discovery** with the ANH – **January 17, 2011:**
  - 2-year extension granted by the ANH and recently extended to September 2013.
  - Requires drilling Appraisal Well on the Verdal structure.
- Partnership also filed for an **exploration extension** of the Dorados structure, adjacent to Verdal:
  - 2-year extension granted by the ANH (see below).
  - Requires drilling exploration well on the Dorados structure.
  - Option for a second 2-year extension (see below).

- **Mandatory 50% Relinquishment**
  - Sep. 15, 2011: 108,336 acres reduced to 58,812 acres
  - Additional 50% relinquishment in 2013, the acreage area to be determined based on limited exploration activities and the resulting acreage held for an additional two years.
- **Exploration Extensions** – decision on April 19, 2011:
  - Phase I: 2 years, ending January 19, 2013: Drill 1 A3\* well. Recently extended through July 2013.
  - Phase II: 2 years, ending January 19, 2015: Drill 1 A3\* well + 50% Relinquishment.
  - Dorados-1X drilled, tested and temporarily abandoned.
  - Additions 50% relinquishment of acreage as held by prior exploration activities
  - 2<sup>nd</sup> Dorados well may be drilled as soon as possible, before Jan. 19, 2015.

*[\*A3 Well = rank exploration well; A2 = appraisal; A1 = development well.]*

### **COR-39 and COR-11 Blocks, Colombia (Sintana – 30% participation interests)**

On September 15, 2011, the Company announced that it had entered into an agreement with Canacol Energy Colombia S.A., ("Canacol") (a subsidiary of Canacol Energy Ltd.) to farm-in to undivided 30% private participation interests in the COR-11 and COR-39 Blocks in the Guando trend of Colombia's Upper Magdalena Basin.

COR-39 and COR-11 are 60 km apart (north-south direction) on either side of Guando Field: COR-39 is 20 km to the north and COR-11 is 40 km to the south. The COR-39 and COR-11 Blocks were awarded to Canacol in Colombia's 2010 bid round and have positive contract terms and minimal X-factors of only 1% each. These blocks represent sizeable exploration tracts, consisting of 95,106 and 176,915 acres, respectively, for a total of 272,021 acres (1,100 km<sup>2</sup>). The blocks are located 50 and 90 km, respectively, southwest of the capital city of Bogotá and are close to established infrastructure and local markets. COR-39 is immediately adjacent and south of the Talora Block, the Company's initial acquisition in Colombia.

Sintana's approach is to establish a series of contiguous blocks along specific play fairways in order to systematically explore and produce play-types as opposed to having one-off blocks in widely diverse areas. In the northern Upper Magdalena Basin, Sintana has selected areas which have excellent nearby field analogs with a balanced set of prospects, some of them close-in and ready to drill. The objective is to shorten the cycle-time in order to establish positive cash flow. Management believes that Talora and the two COR Blocks provide an ideal diversification of prospect types, resource range and risk profile. Prospects range from well-defined conventional low risk types in Talora and COR-39 to higher risk and higher reward prospects with significant upside in COR-11.

Permits have been approved and Canacol has completed the data acquisition phase of a 100 km 2D seismic program on COR-39 (95 km minimum program) and in early 2014 will acquire 155 kilometres 2D seismic program on COR-11 (permit application review in progress). This will be followed by an aggressive drilling program of at least two wells on COR-39 and one well on COR-11.

Under the terms of the farm-in agreement, the Company will earn an undivided 30% private participation interest in each of the COR-39 and COR-11 blocks by paying 60% of the seismic and exploration costs related to the drilling of the first three wells. The total estimated net cost to Sintana to complete the earn-in exploration phase is approximately \$20.8 million.

**COR-39 Block, Colombia (Sintana – 30% participation interest)**

Sintana is required to incur 60% of the Phase 1 costs to earn a 30% private participation interest. Sintana will spend approximately \$10.8 million for a work program consisting of 100 km of 2D seismic acquisition (completed) and two (2) exploratory wells. The time needed to drill, evaluate and test each of these wells is estimated to be six weeks.

**COR-11 Block, Colombia (Sintana – 30% participation interest)**

Sintana is required to incur 60% of Phase 1 costs to earn a 30% private participation interest. Sintana will spend approximately \$10 million for a work program consisting of 155 km of 2D seismic acquisition which will commence in 2013 (permit approval activities in progress). Following a similar processing, analysis, site selection and well design work program to that being undertaken on COR-39, an exploration well is projected to be drilled in 2014.

**Eastern/Central Llanos Basin**

The Eastern Llanos Basin is located in the Eastern region of Colombia. Geomorphologic boundaries are the Colombian-Venezuela border to the north, Macarena high and Vaupes Arch to the south, Guaicaramo fault system to the west, and Guyana Shield to the east.

The evolution of the basin started in the Palaeozoic with a rifting phase. Siliciclastic sediments were deposited over the crystalline Precambrian basement, from Triassic to Late Cretaceous the basin was the eastern shoulder of a major rift system.

Since the Maastrichtian to Palaeocene, this basin became a foreland. From Miocene to recent times the basin has been the repository of thick molasse deposits. Cretaceous source rocks range from immature to marginally mature within the region to the east of the frontal thrust. Main reservoirs are siliciclastic units of Late Cretaceous and Palaeogene age. Analysis of the individual components of the migration systems within the basin is complicated by thinning of the stratigraphic section; and the development of more sand-prone facies towards the Guyana Shield.

Two giants, (Cano-Limon and Castilla) three major (Rubiales, Apiay and Tame Complex), and more than fifty minor fields have been discovered. Source rocks for the Llanos Foreland Basin are in fact located beneath the east flank of the Eastern Cordillera. Mixed marine-continental shales of the Gacheta Formation with kerogen type II and III with 150-300 ft of effective thickness are the main source. Two pulses of migration have been documented. The first one during the Upper Eocene/Oligocene. The second pulse of migration started in Miocene time and is continuing at the present.

The Palaeogene Carbon era (C-3, C-5, and C-7 units) and Mirador sandstones are excellent reservoir units. Within the Cretaceous sequence several sandstone intervals are also excellent reservoirs. Without exceptions, sedimentary thickness increases in an east to west direction. Porosity decreases in the same direction from 30% to near 10%. Pay thickness varies from a few feet up to 180 feet, depending on the location of the well within the basin. API gravity ranges from 120 to 42°.

The C-8 unit of the Carbonera Formation has traditionally been considered as the regional seal of the basin, but because of its extension the best seal is the Carbonera C-2 Unit. The Carbonera even numbered units are recognized as local seals as well as the Cretaceous Gacheta and Guadalupe formations that may be self-sealant.

Exploration drilling has been concentrated in normal, up-to-the basin (antithetic) faults. Poorly tested reverse fault anticlines, low-relief anticlines and stratigraphic traps (pinchouts, paleohighs, channels, etc.) are all high potential exploration targets.

**LLA-18 Block, Colombia (Sintana – 25% participation interest - carried)**

The E&P contract for the LLA-18 Block, dated March 10, 2009, was awarded to Golden Oil by the ANH. Oil production is subject to the standard sliding scale of the ANH royalty rates plus an additional X-factor that is 7% as offered by Golden Oil in their bid for this block. The LLA-18 Block has an area of 45,173 hectares near the municipality of Paz de Ariporo in the Department of Casanare.

- On June 17, 2010, by way of resolutions #218 from the ANH, ownership of LLA-18 was transferred from Golden Oil to LOH.
- Through a private participation agreement dated September 29, 2010 between APO-Barbados a wholly-owned indirect subsidiary of P1 Energy Corp. ("P1"), and LOH, P1 obtained a 75% private participation interest in the LLA-18 Block and became the operator.
- Subsequently, ColCan acquired a 25% private participation interest from LOH.

*Exploration Program*

Acquire, process and interpret 490 km of 2D seismic. Drill three (3) exploration wells. Note ColCan is carried for the costs for the 2D seismic program and two of the exploration wells. Work is ongoing.

P1 is currently evaluating the most economic and viable form of getting into the well locations. The first option considered was the typical road construction methods, all of which are high cost. A second option is now being considered and that includes a heli-rig approach whereby the need for roads is completely circumvented until it is clear that there are commercial discoveries.

**Bayovar Block, Peru (Sintana – 25% participation interest)**

In the Bayovar Block, the Company's ownership position, acquired from Faulkner Exploration Inc. S.A. ("Faulkner"), consists of an undivided 25% private participation interest in the license contract for exploration and Exploitation of Hydrocarbons dated April 15, 2009 and a 25% private participation interest in Exploration Permit XXVII, comprising approximately 175,000 acres (70,820 hectares) in the Sechura Basin, in the Province of Sechura, Peru. Faulkner is the operator of the block under the Bayovar agreement.

*Exploration Program*

On August 22, 2011, the Company announced that its South American operations office located in Bogotá and existing under the laws of Colombia ("Sintana Energy (Colombia)") had received notice from Faulkner that the Peru Ministry of Energy and Mines (EIA) had approved a 10 well drilling permit for the Bayovar Block. The contract with Faulkner commits the Company to participate in the drilling of the first five (5) wells drilled out of the ten (10) wells covered by the permit. Faulkner estimates drilling costs of approximately \$3.0 million gross per well.

The SC-4X control well reached a TD of 5,276 feet and encountered the target reservoirs 500 feet lower than anticipated. Open hole log evaluations identified a continuous column of rich gas shows from the 1,496 feet of gross Paleozoic section penetrated, starting at 3,780 feet. Imagery logs depict a high

density fracture system with a network of fracture intersections. The operator reported that during testing the highly fractured target interval collapsed which prevented completion of the well. The objective of gathering open hole log data on the stratigraphic section on the block was achieved and indications of hydrocarbons at this location are considered a significant bonus. Interestingly, this well exhibited natural flow compared to the nearby San Pedro Field (Savia, operator) which requires artificial lift and it appears that net pay footage and flow rate at SC-4X could be greater than what is already a commercial project at the San Pedro Field. If the SC-4X well had been tested for a much longer period of time and if not for the borehole collapse in the zone of interest, it is possible that the well could have been completed as a gas discovery.

In order to drill follow-up wells, planning has commenced for a seismic program on the Bayovar Block XXVII. This consists of a loose 90 km 2D seismic grid designed by Sintana to obtain the first structural subsurface picture. Faulkner, as operator, previously drilled the SC-4X well without seismic control. Open-hole log data from the well are being incorporated into the design of the seismic survey. Seismic structural and stratigraphic interpretation and post-processing analysis will be used to define optimum locations for the subsequent wells. The key points are that the SC-4X well showed a Paleozoic section that may be highly fractured and gas-saturated over large distances. The seismic will thus provide the next optimum well locations based on structure. The seismic will also provide the basis for defining possible regional gas contacts and drilling in optimum directions relative to the preferred fracture and fault directions. Gas commercialization of even small quantities of gas is relatively easy in this area due to existing gas infrastructure and a nearby successful phosphate industry with need for gas and power generation.

### **Technical Information**

Phil de Gruyter, Vice President Exploration and South American Manager of Sintana has reviewed and verified the technical content of the information contained in this MD&A.

### **Environmental Contingency**

The Company's exploration activities are subject to various government laws and regulations relating to the protection of the environment. These environmental regulations are continually changing and generally becoming more restrictive. As of the date of this MD&A, the Company believes that there are no significant environmental obligations requiring material capital outlays in the immediate future.

### **Discussion of Operations**

Three Months Ended March 31, 2013, compared with the three months ended March 31, 2012

Sintana's net loss totalled \$1,591,505 for the three months ended March 31, 2013, with basic and diluted loss per share of \$0.01. This compares with a net loss of \$434,160 for the three months ended March 31, 2012, with basic and diluted loss per share of \$0.01. The increase of \$1,157,345 in net loss was principally because:

- Exploration and evaluation expenditures increased by \$903,498, net of recovery of costs of \$379,984, as business expanded and work increased. See "Petroleum and Natural Gas Prospects", above for a description of current exploration activities.
- General and administrative expenses increased by \$173,966. General and administrative expenses totalled \$432,262 for the three months ended March 31, 2013 (three months ended

March 31, 2012 - \$258,296) and consisted of administrative and general expenses of \$72,795 (three months ended March 31, 2012 - \$64,095), professional fees of \$64,753 (three months ended March 31, 2012 - (\$16,265)), consulting fees of \$nil (three months ended March 31, 2012 - \$169,863), reporting issuer costs of \$26,518 (three months ended March 31, 2012 - \$nil), travel and accommodation expenses of \$56,268 (three months ended March 31, 2012 - \$30,000), salaries and benefits of \$212,163 (three months ended March 31, 2012 - \$nil), and interest income of \$235 (three months ended March 31, 2012 – interest expense of \$10,603).

- The Company incurred an increase in salaries and benefits of \$212,163 for the three months ended March 31, 2013, compared to the three months ended March 31, 2012. The increase can be attributed to the vesting over time of options granted.
  - On November 28, 2012, the Company granted a total of 2,000,000 stock options to an officer, a consultant and employees. The awarded options are exercisable at \$0.20 per share and an expiry date of November 28, 2017. Vesting of the stock options is as follows: 1/3 immediately, 1/3 after one year and 1/3 after two years. For the purposes of the 2,000,000 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 125%; risk-free interest rate of 1.25%; and an expected average life of five years. The fair value assigned to these options was \$338,000. For the three months ended March 31, 2013, \$42,250 (three months ended March 31, 2012 - \$nil) was expensed to salaries and benefits (share-based payments) and as an addition to contributed surplus as the option vested.
  - 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 (\$0.27 post-conversion) per share and expiry date of March 2, 2017. For the purposes of the 20,000 options (30,000 options post-conversion), 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.

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

- The expected term: the Company used the maximum term ascribed to stock options issued for the purposes of calculating their value. The Company chose the maximum term because it is difficult to determine with any reasonable degree of accuracy when these stock options will be exercised.
- Volatility: the Company used historical information on the market price of common shares of a similar company to determine the degree of volatility at the date the stock options were granted. Therefore, depending on when the stock options were granted and the period of historical information examined, the degree of volatility can be different when calculating the value of different stock options.
- Risk-free interest rate: the Company used the interest rate available for government securities of an equivalent expected term as at the date of the grant

of the stock options. The risk-free interest rate varies depending on the date of the grant of the stock options and their expected term.

- Dividend yield: the Company has not paid dividends in the past because it is in the development stage and has not yet earned any significant income. Also, the Company does not expect to pay dividends in the foreseeable future. Therefore, a dividend rate of 0% was used for the purposes of the valuation of the stock options.
- The Company incurred a decrease in consulting fees of \$169,863 compared to the three months ended March 31, 2012. This is primarily due to consulting fees paid to former directors and officers of ColCan prior to the Business Combination.
- The Company incurred an increase in professional fees of \$81,018 for the three months ended March 31, 2013, compared to the three months ended March 31, 2012. The increase can be attributed to higher corporate activity requiring legal assistance.
- Administrative and general expenses include compensation, rent, professional services and other corporate office expenses. The increase in administrative and general expenses can be attributed to higher support costs for Sintana's operations subsequent to the closing of the business combination (the "Business Combination") with ColCan on May 17, 2012.
- The Company incurred an increase in travel and accommodation expenses of \$26,268 for the three months ended March 31, 2013, compared to the three months ended March 31, 2012. The increase can be attributed to business development, operations monitoring and investor relations activities.
- The Company incurred a foreign exchange gain of \$242,387, up from a loss of \$20,215 in the previous period, which was mostly attributed to US dollar, Peruvian Nuevo sol and Colombian peso exchange rate fluctuations.
- The Company incurred an increase in finance interest expense of \$342,483 for the three months ended March 31, 2013, compared to the three months ended March 31, 2012 due to the increase of accretion on debentures.

## Liquidity and Financial Position

Expected use of funds for the following twelve months (April 1, 2013 to March 31, 2014) includes:

	Budget from April 1, 2013 to March 31, 2014 (\$ millions)
<b>Cash inflow</b>	
Expected funds from ExxonMobil <sup>(1)</sup>	3.9
Cash balance at March 31, 2013	9.5
<b>Total cash inflow</b>	<b>13.4</b>
<b>Cash outflow</b>	
Exploration and evaluation	3.8
General and corporate expenses	1.6
Redemption of debentures <sup>(2)</sup>	5.5
<b>Total cash outflow</b>	<b>10.9</b>
<b>Expected positive cash balance</b>	<b>2.5</b>

<sup>(1)</sup> On April 29, 2013, Sintana received US\$3,750,000 for reimbursement of expenses incurred prior to closing date of the Agreement from ExxonMobil.

<sup>(2)</sup> The Company's debentures in the amount of \$5,330,666, plus interest of approximately \$160,000 mature on August 1, 2013. Semi-annual interest payment of approximately \$160,000 will also be made on that date.

The expenditures provided in the table below represent the Company's estimated costs to satisfy contractual commitments as of March 31, 2013 (\$ millions). Actual expenditures to satisfy these commitments may, and most likely will, differ from these estimates.

### Work Program Commitments

Activity / Block	2013	2014	2015	2016	2017
Talora - 30% and 45%	0.4	1.0	0.9	-	-
COR-39 – 60% and 30%	-	7.2	-	-	3.6
COR-11 – 60% and 30%	-	6.4	-	-	3.6
<b>Total (a)</b>	<b>0.4</b>	<b>14.6</b>	<b>0.9</b>	<b>-</b>	<b>7.2</b>

(a) Excludes VMM-37, VMM-4, VMM-15 and LLA-18 Blocks. Prior commitments extinguished as a result of Farmout Agreements.

The Company does not have sufficient funds to meet all of its exploration commitments. Further financings and / or other actions will be required to meet these future obligations. There is no guarantee that Sintana will be able to successfully complete additional financings and / or undertake other activities to close this funding gap. See "Risk Factors".

The Company believes that it has sufficient cash on hand to fund its operating expenses and exploration programs for the twelve-month period ending March 31, 2014. However, the Company might lose its oil and natural gas participation interests at some future date should circumstances arise where it can no longer comply with the terms of the agreements it has entered into.

Changes in the capital markets, including a decline in the prices of oil and natural gas, could materially and adversely impact Sintana's ability to complete further financings, with the result that it may be forced to scale back its operations.

### **Commitments**

(i) 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 three months ended March 31, 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%.

(ii) See "Liquidity and Financial Position", above.

### **Change in Accounting Policies**

Certain pronouncements were issued by the IASB or the 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 is 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 is 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 is 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 is 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") is effective for the Company beginning on January 1, 2013, provides the 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 are required and can be found in note 17 of the unaudited condensed interim consolidated financial statements.

(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 will be 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 remains 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 has been reissued, as the consolidation guidance will now be included in IFRS 10. IAS 27 will now only prescribe 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.

#### 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 is 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 will be 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.

### **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.

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

(i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

(ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with the issuer's GAAP (IFRS).

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

## **Share Capital**

As of the date of this MD&A, an aggregate of 310,632,503 Sintana shares are issued and outstanding. Furthermore, an additional 24,375,000 Sintana shares are reserved for issuance in connection with the Business Combination pursuant to pre-existing share purchase warrants of ColCan.

In addition, as of the date of this MD&A, Sintana had the following securities outstanding:

- 9,300,000 stock options (50,000 with an exercise price of \$0.10 until September 30, 2013, 50,000 with an exercise price of \$0.135 until August 18, 2015, 2.7 million with an exercise price of \$0.49 until May 11, 2016, and 6.5 million with an exercise price of \$0.20 until December 20, 2016);
- 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 (6,615,000 until April 19, 2016; 30,000 until March 2, 2017; and 300,000 until April 25, 2017);
- 2,000,000 stock options to an officer, employees and a consultant of the Company. The options have an exercise price of \$0.20, vest in three equal tranches over 24 months and expire on November 28, 2017; and
- 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 24 months and expire on April 29, 2018.

## **Outlook**

The Company routinely evaluates various business development opportunities which could entail farm-ins, farmouts, acquisitions and / or divestiture. As of the date of this MD&A, the Company is not a party to any proposed transactions.

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.

### **Related Party Transactions**

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. Related party transactions are conducted at normal commercial terms.

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

	<b>Three Months Ended March 31, 2013 \$</b>	<b>Three Months Ended March 31, 2012 \$</b>
<b>Cash Compensation <sup>(1)</sup></b>		
Shaljero Advisors Inc. <sup>(i)</sup>	nil	45,000
Delavaco Capital Inc. <sup>(ii)</sup>	nil	60,488
Playfair Capital Inc. <sup>(iii)</sup>	nil	49,375
Keith D. Spickelmier - Director / Executive Chairman	44,100	nil
Douglas G. Manner - Director / Chief Executive Officer	63,913	nil
David L. Cherry - President & Chief Operating Officer	44,739	nil
Sean J. Austin - Vice President, Controller, Secretary & Treasurer	37,202	nil
Bruno Maruzzo – Director	5,000	nil
Grant Fagerheim – Director	5,000	nil
Ron MacMicken – Director	5,000	nil
Phil de Gruyter – Vice President Exploration & South America Manager	75,598	nil
Greg Schlatter – Reservoir Engineering Manager	50,855	nil
<b>Total</b>	<b>331,407</b>	<b>154,863</b>

**Sintana Energy Inc.**  
**Management's Discussion & Analysis**  
**Three Months Ended March 31, 2013**  
**Discussion dated: May 29, 2013**

(1) Salaries and benefits include director fees. During the three months ended March 31, 2013, \$173,549 (three months ended March 31, 2012 - \$nil) of salaries and benefits expense was included in exploration and evaluation expenditures. \$231,998 is included in accounts receivable and other assets at March 31, 2013 (December 31, 2012 - \$252,327).

(i) John Martin, former Chief Financial Officer ("CFO") of ColCan, was the Chief Executive Officer ("CEO") of Shaljero Advisors Inc.

(ii) Ron MacMicken, Former President and Chief Operating Officer ("COO") of ColCan, was the president and a director of Delavaco Capital Inc.

(iii) Playfair Capital Inc. shared a common officer with ColCan (Ron MacMicken).

Share-based payments	Three Months Ended March 31, 2013 \$	Three Months Ended March 31, 2012 \$
Phil de Gruyter - Vice President Exploration & South America Manager	14,788	nil
Greg Schlatcher - Reservoir Engineering Manager	8,450	nil
<b>Total</b>	<b>23,238</b>	<b>nil</b>

The Company entered into the following transactions with related parties:

For the three months ended March 31, 2013, the Company expensed \$15,540 (three months ended March 31, 2012 - \$nil) to Marrelli Support Services Inc. ("Marrelli Support") for the services of Carmelo Marrelli to act as CFO of the Company and for outsourced bookkeeping services. Mr. Marrelli is the president of Marrelli Support. \$12,759 is included in accounts payable and other liabilities at March 31, 2013 (December 31, 2012 - \$12,813).

For the three months ended March 31, 2013, the Company expensed \$3,667 (three months ended March 31, 2012 - \$nil) to DSA Corporate Services Inc. ("DSA") for corporate secretarial services. DSA is a private company controlled by Carmelo Marrelli. Mr. Marrelli is also the corporate secretary and sole director of DSA. \$15,129 is included in accounts payable and other liabilities at March 31, 2013 (December 31, 2012 - \$1,387).

## **Financial Instruments**

### *Financial risk*

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

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

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and accounts receivable. All of the Company's cash is held with well-known and established financial institutions. As such, management considers credit risk related to these financial assets to be minimal. Management believes that the credit risk concentration with respect to financial instruments included in accounts receivable is remote. As at March 31, 2013, no accounts receivable were considered impaired or past due.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to capital markets is hindered, whether as a result of a downturn in economic conditions generally or matters specific to Sintana. The Company generates cash flow primarily from its financing and business development activities.

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

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

- Interest rate risk

The Company has interest bearing debt at a fixed interest rate until maturity. The Company's current policy is to invest excess cash in short-term guaranteed investment certificates or money market funds of major Canadian chartered banks.

- Foreign currency risk

As of March 31, 2013, the Company funds certain operations, exploration and administrative expenses in Colombia and Peru on a cash call basis using US Dollar currency. The Company maintains US dollar bank accounts in Canada, Colombia, Peru and the United States. The Company maintains a Peruvian Nuevo Sol bank account in Peru and a Colombian Peso bank account in Colombia. The Company is subject to gains and losses from fluctuations in the Canadian Dollar, Colombian Peso, Peruvian Nuevo Sol and the United States Dollar. The Company does not use currency derivative instruments to manage its exposure to foreign currency fluctuations.

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

	<b>March 31, 2013 (\$)<sup>(1)</sup></b>
Cash and cash equivalents	5,077,318
Accounts receivable and other assets	570,317
Restricted cash	4,391,720
Accounts payable and other liabilities	(1,400,278)

(1) Converted from US\$.

#### *Sensitivity analysis*

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

- Management believes interest rate risk is minimal as the debentures are at fixed rates.
- Sintana holds balances in foreign currencies which could give rise to exposure to foreign exchange risk. Sensitivity to a plus or minus 10% change in the US dollar foreign exchange rate against the Canadian Dollar would have affected the reported loss and comprehensive loss by approximately \$864,000 for the three months ended March 31, 2013.

#### **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 "Risks factors" in the Company's MD&A for the fiscal year ended December 31, 2012, available on SEDAR at [www.sedar.com](http://www.sedar.com).

#### **Additional Information**

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

#### **Subsequent events**

(i) On April 19, 2013, Patriot Energy, wholly-owned by the Company, entered into an amendment to the Contract with the ANH and Exxon, a wholly-owned subsidiary of ExxonMobil.

The amendment, which was approved on April 3, 2013, allows Patriot Energy to assign seventy 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 Energy will retain the remaining 30% participating interest in the unconventional resources as well as its current 100% participation interest in the conventional resources overlying the top of the unconventional interval.

In accordance with the Farmout Agreement between Patriot Energy 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 for reimbursement of costs incurred prior to the closing date of the Farmout Agreement; and
- 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 Company cash will be cancelled. These funds will be used for partial repayment of the debentures on or before August 1, 2013.

(ii) 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 in April 29, 2018.

## 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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