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**SINTANA ENERGY INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2016 AND 2015**  
**(EXPRESSED IN CANADIAN DOLLARS, UNLESS OTHERWISE STATED)**

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## **Independent Auditors' Report**

To the Shareholders of Sintana Energy Inc.

We have audited the accompanying consolidated financial statements of Sintana Energy Inc., which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of loss and comprehensive loss, changes in equity (deficit) and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Consolidated Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sintana Energy Inc. as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### **Emphasis of Matter**

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which highlights the existence of a material uncertainty relating to conditions that cast significant doubt on Sintana Energy Inc.'s ability to continue as a going concern.

*MNP LLP*

**Chartered Professional Accountants  
Licensed Public Accountants**

Mississauga, Ontario  
April 27, 2017

**MNP**  
LLP

# Sintana Energy Inc.

## Consolidated Statements of Financial Position

(Expressed in Canadian Dollars, Unless Otherwise Stated)

As at December 31,	2016	2015
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 7)	\$ 387,576	\$ 2,147,770
Accounts receivable and other assets (note 8)	84,144	331,083
Deposits	9,261	-
<b>Total current assets</b>	<b>480,981</b>	<b>2,478,853</b>
<b>Non-current assets</b>		
Deposits	-	48,640
<b>Total assets</b>	<b>\$ 480,981</b>	<b>\$ 2,527,493</b>
<b>DEFICIT AND LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and other liabilities (notes 9 and 19)	\$ 2,502,694	\$ 2,286,292
Asset retirement obligation (note 11)	102,312	-
<b>Total current liabilities</b>	<b>2,605,006</b>	<b>2,286,292</b>
<b>Non-current liabilities</b>		
Asset retirement obligation (note 11)	-	402,800
<b>Total liabilities</b>	<b>2,605,006</b>	<b>2,689,092</b>
<b>Deficit</b>	<b>(2,124,025)</b>	<b>(161,599)</b>
<b>Total deficit and liabilities</b>	<b>\$ 480,981</b>	<b>\$ 2,527,493</b>

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

Nature of operations and going concern (note 1)

Commitments and contingencies (note 21)

Subsequent events (note 22)

### Approved on behalf of the Board:

(signed) "Douglas G. Manner", Director

(signed) "Bruno C. Maruzzo", Director

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

<b>Year Ended December 31,</b>	<b>2016</b>	<b>2015</b>
<b>Operating expenses</b>		
Exploration and evaluation expenditures (notes 16 and 19)	\$ (269,264)	\$ 2,588,130
General and administrative (notes 17 and 19)	2,671,765	3,195,309
Foreign exchange loss (gain)	2,261	(365,761)
<b>Net loss before gain on settlement of debt and gain on Business Combination</b>	<b>(2,404,762)</b>	<b>(5,417,678)</b>
Gain on settlement of debt (note 12(b)(i))	32,500	-
Gain on Business Combination (note 3)	-	591,446
<b>Net loss and comprehensive loss for the year</b>	<b>\$ (2,372,262)</b>	<b>\$ (4,826,232)</b>
<b>Loss per share - basic and diluted (note 15)</b>	<b>\$ (0.02)</b>	<b>\$ (0.05)</b>
<b>Weighted average number of common shares outstanding - basic and diluted (note 15)</b>	<b>117,202,101</b>	<b>91,441,992</b>

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

# Sintana Energy Inc.

## Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars, Unless Otherwise Stated)

Year Ended December 31,	2016	2015
<b>Operating activities</b>		
Net loss for the year	\$ (2,372,262)	\$ (4,826,232)
Adjustment for:		
Share-based compensation (note 14(i)(ii)(iii))	377,336	331,380
Gain on settlement of debt (note 12(b)(i))	(32,500)	-
Reversal of well abandonment and site cleanup (notes 11 and 16)	(827,814)	-
Gain on Business Combination (note 3)	-	(591,446)
Non-cash working capital items:		
Accounts receivable and other assets	246,939	2,665,504
Deposits	39,379	3,068
Accounts payable and other liabilities	760,238	457,335
Asset retirement obligation	48,490	265,701
<b>Net cash used in operating activities</b>	<b>(1,760,194)</b>	<b>(1,694,690)</b>
<b>Investing activity</b>		
Cash acquired from Business Combination (note 3)	-	966,269
<b>Net cash provided by investing activity</b>	<b>-</b>	<b>966,269</b>
<b>Financing activity</b>		
Proceeds from convertible debentures (note 10)	-	1,000,000
<b>Net cash provided by financing activity</b>	<b>-</b>	<b>1,000,000</b>
<b>Net change in cash and cash equivalents</b>	<b>(1,760,194)</b>	<b>271,579</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>2,147,770</b>	<b>1,876,191</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 387,576</b>	<b>\$ 2,147,770</b>
<b>Non-cash transactions</b>		
Issuance of shares as settlement of debt (note 12(b)(i))	\$ 32,500	\$ -
Issuance of shares (note 3)	\$ -	\$ 3,128,269
Issuance of options (note 3)	\$ -	\$ 161,766

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

## Sintana Energy Inc.

### Consolidated Statements of Changes in Deficit (Expressed in Canadian Dollars, Unless Otherwise Stated)

	Number of common shares #	Share capital	Warrants	Contributed surplus	Convertible debentures	Deficit	Total
<b>Balance, December 31, 2014</b>	<b>88,427,906</b>	<b>\$ 74,483,688</b>	<b>\$ 244,527</b>	<b>\$ 3,851,130</b>	<b>\$ -</b>	<b>\$(77,536,127)</b>	<b>\$ 1,043,218</b>
Convertible debentures (note 10)	-	-	-	-	131,101	-	131,101
Share-based compensation (note 14(i)(ii))	-	-	-	331,380	-	-	331,380
Securities of Sintana issued and outstanding at date of Business Combination (note 3)	28,438,808	3,128,269	-	161,766	-	-	3,290,035
Convertible debentures extinguishment (note 3)	-	-	-	-	(131,101)	-	(131,101)
Net loss and comprehensive loss for the year	-	-	-	-	-	(4,826,232)	(4,826,232)
<b>Balance, December 31, 2015</b>	<b>116,866,714</b>	<b>77,611,957</b>	<b>244,527</b>	<b>4,344,276</b>	<b>-</b>	<b>\$(82,362,359)</b>	<b>(161,599)</b>
Shares issued as settlement of debt (note 12(b)(i))	361,110	32,500	-	-	-	-	32,500
Share-based compensation (note 14(ii)(iii))	-	-	-	377,336	-	-	377,336
Net loss and comprehensive loss for the year	-	-	-	-	-	(2,372,262)	(2,372,262)
<b>Balance, December 31, 2016</b>	<b>117,227,824</b>	<b>\$ 77,644,457</b>	<b>\$ 244,527</b>	<b>\$ 4,721,612</b>	<b>\$ -</b>	<b>\$(84,734,621)</b>	<b>\$ (2,124,025)</b>

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

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# Sintana Energy Inc.

## Notes to Consolidated Financial Statements

Years Ended December 31, 2016 and 2015

(Expressed in Canadian Dollars, Unless Otherwise Stated)

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### 1. Nature of operations and going concern

Sintana Energy Inc. (formerly Mobius Resources Inc.) ("Sintana" or the "Company") is a public Canadian oil and gas exploration company listed on the TSX Venture Exchange ("TSXV"), with offices in Toronto, Canada; Plano, Texas; and Bogota, Colombia. The trading symbol of the Company changed from SNN to SEI effective August 10, 2015, subsequent to the Business Combination (as defined below). The Company is targeting assets in Colombia's Magdalena Basin. The Company's exploration strategy is to acquire, explore, develop and produce superior quality assets with significant reserve potential. The primary office of the Company is located at 82 Richmond Street East, Toronto, Ontario, Canada, M5C 1P1.

On August 6, 2015, Sintana completed a business combination (the "Business Combination") with Sintana Holdings Corp. (formerly Sintana Energy Inc.) ("Sintana Holdings"). The Business Combination was treated as a reverse acquisition where Sintana Holdings acquired Sintana. All per share information has been retrospectively adjusted to give effect to the exchange ratio as part of the reverse takeover transaction.

Sintana is at an early stage of development and as is common with similar exploration companies, it raises financing for its property acquisition and exploration activities. Sintana has incurred losses in the current and prior years. For the year ended December 31, 2016, the Company incurred a loss of \$2,372,262 and had an accumulated deficit of \$84,734,621. Results for the year ended December 31, 2016 are not necessarily indicative of future results. Sintana had a working capital deficit of \$2,124,025 at December 31, 2016 (December 31, 2015 - working capital of \$192,561). As a result of the close of the Business Combination, Sintana funded its exploration and operating expenses from its available cash in 2016.

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

### 2. Significant accounting policies

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

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC"), effective for the Company's reporting for the year ended December 31, 2016. The policies set out below are based on IFRS issued and outstanding as of April 27, 2017, the date the Board of Directors approved these consolidated financial statements.

#### (b) *Basis of presentation*

These consolidated financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

In the preparation of these consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of expenses during the period. Actual results could materially differ from these estimates.

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# Sintana Energy Inc.

## Notes to Consolidated Financial Statements

Years Ended December 31, 2016 and 2015

(Expressed in Canadian Dollars, Unless Otherwise Stated)

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### 2. Significant accounting policies (continued)

#### (c) Basis of consolidation

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

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

#### (d) Financial assets and liabilities

Sintana's financial instruments consist of the following:

<b>Financial assets:</b>	<b>Classification:</b>
Cash and cash equivalents	Fair value through profit and loss ("FVTPL")
Accounts receivable and other assets	Loans and receivables
Deposits	Loans and receivables

  

<b>Financial liabilities:</b>	<b>Classification:</b>
Accounts payable and other liabilities	Other financial liabilities

FVTPL:

Financial assets are classified as FVTPL when acquired principally for the purpose of trading, if so designated by management (fair value option), or if they are derivative assets that are not part of an effective and designated hedging relationship. Financial assets classified as FVTPL are measured at fair value, with changes recognized in profit or loss.

Loans and receivables:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

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# Sintana Energy Inc.

## Notes to Consolidated Financial Statements

Years Ended December 31, 2016 and 2015

(Expressed in Canadian Dollars, Unless Otherwise Stated)

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### 2. Significant accounting policies (continued)

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

Other financial liabilities:

Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the instrument or (where appropriate) a shorter period to the net carrying amount on initial recognition.

Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

Impairment of financial assets:

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted. Evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- the likelihood that the borrower will enter bankruptcy or financial re-organization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial instruments recorded at fair value:

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As of December 31, 2016 and 2015, except for cash and cash equivalents – which are Level 1 financial instruments, none of Sintana's financial instruments are recorded at fair value in the consolidated statements of financial position.

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# Sintana Energy Inc.

## Notes to Consolidated Financial Statements

Years Ended December 31, 2016 and 2015

(Expressed in Canadian Dollars, Unless Otherwise Stated)

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### 2. Significant accounting policies (continued)

#### (e) *Impairment of non-financial assets*

At the end of each reporting period, Sintana reviews the carrying amounts of its non-financial assets with finite lives to determine whether there are any indications that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use, which is determined using discounted estimated future net cash flows. In addition, long-lived assets that are not amortized are subject to an annual impairment assessment.

#### (f) *Cash and cash equivalents*

Cash and cash equivalents in the consolidated statements of financial position comprise cash at banks and on hand, and guaranteed investment certificates with an original maturity of three months or less, and which are readily convertible into a known amount of cash. Sintana does not invest in any asset-backed deposits/investments.

#### (g) *Compound instruments*

Compound instruments are separated into their liability and equity components using the residual method. The Company values the liability component at its fair value and the residual value is assigned to equity. The liability component accretes up to the principal balance at maturity using the effective interest rate method. The equity component will be reclassified to share capital on conversion. Any balance in equity that remains after the settlement of the liability is transferred to contributed surplus.

#### (h) *Foreign currency*

The Company's functional and presentation currency is the Canadian dollar. Transactions in foreign currencies are translated to Canadian dollars at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the period end exchange rate. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognized in profit or loss.

#### (i) *Provisions*

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

A provision for onerous contracts is recognized when the expected benefits to be derived by Sintana from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Sintana had no material provisions at December 31, 2016 and 2015 other than the asset retirement obligation.

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# Sintana Energy Inc.

## Notes to Consolidated Financial Statements

Years Ended December 31, 2016 and 2015

(Expressed in Canadian Dollars, Unless Otherwise Stated)

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### 2. Significant accounting policies (continued)

#### (j) *Restoration, rehabilitation and environmental obligations*

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of an oil and gas property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized to the carrying amount of the asset, as soon as the obligation to incur such costs arises, whether at the start of each project or on an ongoing basis during production. Discount rates using a pretax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit of production or the straight-line method as appropriate under IFRS. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

#### (k) *Exploration and evaluation expenditures*

Sintana expenses exploration and evaluation expenditures as incurred for oil and gas prospects not commercially viable and financially feasible. Exploration and evaluation expenditures include acquisition costs of oil and gas prospects, property option payments and evaluation activities.

Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized. This includes costs incurred in preparing the site for production operations. Capitalization ceases when the oil and natural gas reserves are capable of commercial production, with the exception of development costs that give rise to a future benefit.

Exploration and evaluation expenditures are capitalized if Sintana can demonstrate that these expenditures meet the criteria of an identifiable intangible asset. To date, no such exploration and evaluation expenditures have been identified and capitalized.

#### (l) *Share-based payment transactions*

The fair value of share options granted to employees is recognized as an expense over the vesting period with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of Sintana.

The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. Share-based payments to non-employees are measured at fair value of services provided, measured on the service date and recorded over the service period. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

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# Sintana Energy Inc.

## Notes to Consolidated Financial Statements

Years Ended December 31, 2016 and 2015

(Expressed in Canadian Dollars, Unless Otherwise Stated)

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### 2. Significant accounting policies (continued)

#### (m) *Income taxes*

Income tax on the profit or loss for the years presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for: goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that Sintana does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess.

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

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

#### (o) *Business combinations*

Acquisitions of subsidiaries are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given up, liabilities incurred or assumed, and equity instruments issued by Sintana in exchange for control of the subsidiary. Acquisition related costs are recognized in profit or loss as incurred.

#### (p) *Joint arrangements*

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

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# Sintana Energy Inc.

## Notes to Consolidated Financial Statements

Years Ended December 31, 2016 and 2015

(Expressed in Canadian Dollars, Unless Otherwise Stated)

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### 2. Significant accounting policies (continued)

#### (q) Segment reporting

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

#### (r) Recent accounting pronouncements

(i) IFRS 9 – Financial Instruments ("IFRS 9") was initially issued by the IASB in November 2009 and issued in its completed version in July 2014 and will replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 will be effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Company will adopt the standard on its effective date and is currently assessing the impact of this pronouncement.

(ii) IFRS 16 - Leases ("IFRS 16") was issued on January 13, 2016 to require lessees to recognize assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17 - Leases. The IASB issued its standard as part of a joint project with the Financial Accounting Standards Board ("FASB"). The FASB has not yet issued its new standard, but it is also expected to require lessees to recognize most leases on their statement of financial position. The new standard will be effective for annual periods beginning on or after January 1, 2019. Early application is permitted, provided the new revenue standard, IFRS 15 - Revenue from Contract with Customers, has been applied, or is applied at the same date as IFRS 16.

### 3. Reverse takeover transaction

On August 6, 2015, the Company announced the completion of the Business Combination with Sintana Holdings. In connection with the Business Combination, Sintana acquired all of the issued and outstanding common shares of Sintana Holdings ("Sintana Holdings Shares") from the existing holders thereof in consideration of the issuance of 0.26316 of one common share of Sintana (each whole such common shares, a "Sintana Share") for each Sintana Holdings Share so held (the "Exchange Ratio") pursuant to a three-cornered amalgamation effected by way of a plan of arrangement in which Sintana Holdings amalgamated with a wholly-owned subsidiary of Sintana. Also in connection with the Business Combination, (i) the Company changed its name to "Sintana Energy Inc." (the "Name Change"); (ii) each outstanding share purchase warrant of Sintana Holdings (each, a "Sintana Holdings Warrant") became exercisable to acquire Sintana Shares in lieu of Sintana Holdings Shares subject to adjustment in number and exercise price to give effect to the Exchange Ratio; and (iii) each stock option of Sintana Holdings was exchanged for an equivalent stock option of Sintana, subject to adjustment in number and exercise price to give effect to the Exchange Ratio.

# Sintana Energy Inc.

## Notes to Consolidated Financial Statements

Years Ended December 31, 2016 and 2015

(Expressed in Canadian Dollars, Unless Otherwise Stated)

### 3. Reverse takeover transaction (continued)

Each stock option of Sintana outstanding immediately prior to the effective date of the Business Combination vested and will remain outstanding until the earlier of: (A) the original expiration date thereof; and (B) the date that is the later of: (i) December 31, 2016, and (ii) the latest date provided for pursuant to the Sintana stock option plan.

On August 6, 2015, in connection with the Business Combination, Sintana Holdings and 1935370 Ontario Inc. amalgamated to continue as one corporation under the name "Sintana Holdings Corp."

The shares of the combined company after giving effect to the Business Combination and the Name Change to "Sintana Energy Inc." commenced trading on the TSXV under the symbol "SEI" effective as of the market open on August 10, 2015.

In connection with the Business Combination, all of the existing stock options and the stock option plan of Sintana Holdings were cancelled, and Sintana issued an aggregate of 5,419,777 stock options to certain directors, officers, employees and consultants, each exercisable to acquire one Sintana Share at an exercise price range of \$0.51 and \$1.86. Immediately following the closing of the Business Combination, an aggregate of 116,866,714 Sintana Shares were issued and outstanding, of which 88,427,906 Sintana Shares were held by former Sintana Holdings shareholders and 28,438,808 Sintana Shares were held by Sintana shareholders existing immediately prior to closing. Furthermore, an additional 3,621,632 Sintana Shares were reserved for issuance upon the closing of the Business Combination pursuant to pre-existing share purchase warrants of Sintana Holdings and 98,385 Sintana Shares were reserved for issuance upon the closing of the Business Combination pursuant to pre-existing share purchase warrants of Sintana.

This transaction was accounted for as an issuance of shares, warrants and options by Sintana Holdings for net assets of Mobius Resources Inc. followed by a recapitalization of Sintana Holdings. For accounting purposes, Sintana Holdings was deemed to be the acquirer. The gain on Business Combination amounted to \$591,446. Sintana Holdings acquired the assets and liabilities of Sintana as follows:

#### Purchase Price Consideration

28,438,808 common shares of Sintana <sup>(a)</sup>	\$ 3,128,269
98,385 warrants of Sintana <sup>(b)</sup>	-
1,930,002 stock options of Sintana <sup>(c)</sup>	161,766
	<b>\$ 3,290,035</b>

#### Net Assets Acquired (Fair Value)

Cash and cash equivalents	\$ 966,269
Accounts receivable and other assets <sup>(d)</sup>	2,682,309
Convertible debentures receivable <sup>(e)</sup>	1,009,863
Deposits	51,708
Accounts payable and other liabilities	(406,005)
Asset retirement obligation	(422,663)
<b>Total net assets</b>	<b>3,881,481</b>

**Excess of the fair value of net assets acquired over purchase price (gain) \$ (591,446)**

The consolidated financial statements reflect the assets, liabilities and results of operations of Sintana Holdings for the full year, and Mobius from the transaction date. The comparative information throughout the consolidated financial statements represent that of Sintana Holdings.

<sup>(a)</sup> For the purpose of determining the value of the purchase price consideration, the 28,438,808 Sintana Shares were valued at \$0.11 per share based on Sintana close price as of August 6, 2015.

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# Sintana Energy Inc.

## Notes to Consolidated Financial Statements

Years Ended December 31, 2016 and 2015

(Expressed in Canadian Dollars, Unless Otherwise Stated)

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### 3. Reverse takeover transaction (continued)

- (b) The fair value of the Sintana warrants was estimated to be \$nil due to the limited remaining life of the warrants.
- (c) The fair value of the Sintana stock options was estimated using the Black-Scholes option pricing model based on the following assumptions: volatility - 80% to 112%, risk-free interest rate - 0.43% to 0.55%, expected life - 1.41 to 4.38 years, share price - \$0.11 and dividend yield - nil%.
- (d) Includes an intercompany balance of \$2,555,337 receivable from Sintana Holdings that was eliminated upon consolidation.
- (e) The convertible debentures receivable was receivable from Sintana Holdings. Refer to note 10.

### 4. Capital risk management

Sintana manages its capital with the following objectives:

- ensure sufficient financial flexibility to achieve its ongoing business objectives;
- maintain a balanced portfolio of various participation interests, with a focus on conventional and unconventional opportunities in the Magdalena Basin, Colombia; and
- maximize shareholder value.

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

Sintana considers its financial capital to be a deficit, which comprises share capital, warrants, contributed surplus (which includes stock options) and a deficit, which at December 31, 2016, totaled a deficit of \$2,124,025 (December 31, 2015 - deficit of \$161,599).

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

Sintana's capital management objectives, policies and processes have remained unchanged during the year ended December 31, 2016. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than Policy 2.5 of the TSXV which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of December 31, 2016, the Company is not compliant with Policy 2.5. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

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# Sintana Energy Inc.

## Notes to Consolidated Financial Statements

Years Ended December 31, 2016 and 2015

(Expressed in Canadian Dollars, Unless Otherwise Stated)

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### 5. Financial risk management

#### Financial risk

Sintana'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.

#### (i) Credit risk

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

#### (ii) Liquidity risk

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

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

#### (iii) Market risk

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

##### (a) Interest rate risk

The Company's current policy is to invest excess cash in short-term guaranteed investment certificates or money market funds of major Canadian chartered banks.

##### (b) Foreign currency risk

As of December 31, 2016, the Company funds certain operations, exploration and administrative expenses in Colombia on a cash call basis using United States Dollars ("USD") currency and Colombian Pesos. The Company maintains USD bank accounts in Canada, Colombia, Panama and the United States. The Company maintains two Colombian Peso bank accounts in Colombia. The Company is subject to gains and losses from fluctuations in the Canadian Dollar, Colombian Peso and the USD. The Company does not use currency derivative instruments to manage its exposure to foreign currency fluctuations.

# Sintana Energy Inc.

## Notes to Consolidated Financial Statements

Years Ended December 31, 2016 and 2015

(Expressed in Canadian Dollars, Unless Otherwise Stated)

### 5. Financial risk management (continued)

Financial risk (continued)

(iii) Market risk (continued)

(b) Foreign currency risk (continued)

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

	<b>December 31, 2016</b>	
Cash and cash equivalents	\$	336,860
Accounts receivable and other assets	\$	30,740
Accounts payable and other liabilities	\$	(1,886,029)

### Sensitivity analysis

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

(i) Sintana holds balances in foreign currencies which could give rise to exposure to foreign exchange risk. As at December 31, 2016, a plus or minus 10% change in the Colombian Peso and USD foreign exchange rates against the Canadian dollar, with all other variables held constant, would have affected the reported loss and comprehensive loss by approximately \$152,000.

### 6. Fair value measurements of financial instruments

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

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

	Quoted prices in active markets for identical assets (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)	Aggregate fair value
<b>As at December 31, 2016</b>				
Cash and cash equivalents	\$ 387,576	\$ -	\$ -	\$ 387,576
<b>As at December 31, 2015</b>				
Cash and cash equivalents	\$ 2,147,770	\$ -	\$ -	\$ 2,147,770

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## Sintana Energy Inc.

### Notes to Consolidated Financial Statements

Years Ended December 31, 2016 and 2015

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#### 6. Fair value measurements of financial instruments (continued)

(b) Categories of financial instruments

As at December 31,	2016	2015
<b>Financial assets:</b>		
FVTPL		
Cash and cash equivalents	\$ 387,576	\$ 2,147,770
Loans and receivables		
Accounts receivable	\$ 32,527	\$ 158,904
Deposits	9,261	48,640
<b>Financial liabilities:</b>		
Other financial liabilities		
Accounts payable and other liabilities	\$ 2,502,694	\$ 2,286,292

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The Company has not offset financial assets with financial liabilities.

The carrying value of the Company's accounts receivable, deposits and accounts payable and other liabilities is close to fair value due to their short-term maturity.

#### 7. Cash and cash equivalents

As at December 31,	2016	2015
Cash	\$ 381,182	\$ 2,141,415
Cash equivalents - certificate of deposit	6,394	6,355
	\$ 387,576	\$ 2,147,770

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#### 8. Accounts receivable and other assets

As at December 31,	2016	2015
Accounts receivable	\$ 32,527	\$ 158,904
Prepays and other advances	51,617	81,019
Exploration advances	-	91,160
	\$ 84,144	\$ 331,083

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## Sintana Energy Inc.

### Notes to Consolidated Financial Statements

Years Ended December 31, 2016 and 2015

(Expressed in Canadian Dollars, Unless Otherwise Stated)

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#### 9. Accounts payable and other liabilities

Accounts payable and other liabilities of the Company are principally comprised of amounts outstanding relating to exploration and evaluation expenditures and general operating and administrative activities:

<b>As at December 31,</b>	<b>2016</b>	<b>2015</b>
Accounts payable	\$ 730,598	\$ 1,209,675
Accrued liabilities	1,772,096	1,076,617
	<b>\$ 2,502,694</b>	<b>\$ 2,286,292</b>

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

<b>As at December 31,</b>	<b>2016</b>	<b>2015</b>
Less than 1 month	\$ 215,863	\$ 1,200,071
1 to 3 months	158,763	267,786
Greater than 3 months	2,128,068	818,435
	<b>\$ 2,502,694</b>	<b>\$ 2,286,292</b>

#### 10. Convertible debentures

On May 26, 2015, Sintana Holdings, now Sintana, completed a private placement of secured convertible debentures in the aggregate principal amount of \$1,000,000 (the "Debentures") to Sintana, formerly Mobius Resources Inc. The Debentures bore a one year term and were subject to a 5% interest rate, accruing annually. The debentures would have been convertible at the option of the holder into common shares of the Company at any time following the termination of the Business Combination until maturity. The Debentures were cancelled as part of the closing process of the Business Combination (see note 3) and all income and expense amounts related to the Debentures eliminated upon consolidation.

#### 11. Asset retirement obligation

As at December 31, 2016, the Company has estimated the net present value of its total asset retirement obligation ("ARO") to be \$102,312 (December 31, 2015 - \$402,800). The settlement period has been estimated to occur within the next twelve months. The ARO was acquired upon completion of the Business Combination for the Windsor Basin in Nova Scotia and for the Duvernay formation in Alberta. In June 2016, management determined that the liability relating to its Nova Scotia ARO was \$nil and as such the ARO was reversed (refer to note 21(b)).

## Sintana Energy Inc.

### Notes to Consolidated Financial Statements

Years Ended December 31, 2016 and 2015

(Expressed in Canadian Dollars, Unless Otherwise Stated)

#### 12. Share capital

a) Authorized share capital:

At December 31, 2016, the authorized share capital consisted of an unlimited number of common shares.

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

b) Common shares issued:

At December 31, 2016, the issued share capital amounted to \$77,644,457. The change in issued share capital for the years presented was as follows:

	Number of common shares	Amount
<b>Balance, December 31, 2014</b>	<b>88,427,906</b>	<b>\$ 74,483,688</b>
Common shares of Sintana issued and outstanding at date of Business Combination (August 6, 2015) (note 3)	28,438,808	3,128,269
<b>Balance, December 31, 2015</b>	<b>116,866,714</b>	<b>77,611,957</b>
Shares issued as settlement of debt (i)	361,110	32,500
<b>Balance, December 31, 2016</b>	<b>117,227,824</b>	<b>\$ 77,644,457</b>

(i) On January 27, 2016, the Company settled debt of \$65,000 through the issuance of an aggregate of 361,110 common shares, in partial consideration of the past services provided to Sintana by five officers of the Company (the "Recipients"), in lieu of cash compensation previously earned by such Recipients but not paid. During the year ended December 31, 2016, the Company recorded in the consolidated statements of loss and comprehensive loss a gain on settlement of debt of \$32,500 (year ended December 31, 2015 - \$nil).

#### 13. Warrants

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

	Number of warrants	Weighted average exercise price (\$)
<b>Balance, December 31, 2014</b>	<b>3,621,632</b>	<b>\$ 0.46</b>
Warrants of Sintana issued in exchange for Sintana Holdings securities (note 3)	98,385	4.50
Expired	(3,713,350)	0.55
<b>Balance, December 31, 2015</b>	<b>6,667</b>	<b>4.50</b>
Expired	(6,667)	4.50
<b>Balance, December 31, 2016</b>	<b>-</b>	<b>\$ -</b>

There were no warrants issued and outstanding as of December 31, 2016.

# Sintana Energy Inc.

## Notes to Consolidated Financial Statements

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### 14. Stock options

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

	Number of stock options	Weighted average exercise price (\$)
<b>Balance, December 31, 2014</b>	<b>5,603,989</b>	<b>0.99</b>
Cancelled before Business Combination (note 3)	(184,212)	0.20
Stock options of Sintana issued and outstanding at date of Business Combination (August 6, 2015) (note 3)	1,930,002	0.32
Expired	(13,158)	0.51
Cancelled	(112,282)	3.19
Granted (ii)	4,375,000	0.18
<b>Balance, December 31, 2015</b>	<b>11,599,339</b>	<b>0.55</b>
Expired	(6,075,645)	0.77
Granted (iii)	2,400,000	0.10
<b>Balance, December 31, 2016</b>	<b>7,923,694</b>	<b>0.25</b>

(i) Share-based compensation included in salaries and benefits expense includes \$nil (year ended December 31, 2015 - \$17,439) relating to stock options granted in previous years in accordance with their respective vesting terms, during the year ended December 31, 2016.

(ii) On November 5, 2015, the Company granted a total of 4,375,000 stock options to several directors, officers and consultants of the Company. The options have an exercise price of \$0.175, vest in three equal tranches over the next 24 months and expire on November 5, 2020. 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 341.77%; risk-free interest rate of 0.97%; and an expected average life of 5 years. The options were valued at \$765,625. \$290,772 (year ended December 31, 2015 - \$313,941) was expensed to salaries and benefits (share-based compensation) and as an addition to contributed surplus during the year ended December 31, 2016.

(iii) On July 19, 2016, the Company granted a total of 2,400,000 stock options to directors, officers and consultants of the Company. The options have an exercise price of \$0.10, vest in three equal tranches over the next 24 months and expire on July 19, 2021. 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 249.60%; risk-free interest rate of 0.63%; and an expected average life of 5 years. The options were valued at \$155,040. \$86,564 (year ended December 31, 2015 - \$nil) was expensed to salaries and benefits (share-based compensation) and as an addition to contributed surplus during the year ended December 31, 2016.

# Sintana Energy Inc.

## Notes to Consolidated Financial Statements

Years Ended December 31, 2016 and 2015

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### 14. Stock options (continued)

The following table reflects the actual stock options issued and outstanding as of December 31, 2016:

Expiry date	Exercise price (\$)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)	Number of options unvested
February 28, 2017	0.15	0.16	200,000	200,000	-
February 28, 2017	0.18	0.16	250,000	166,667	83,333
February 28, 2017	0.10	0.16	200,000	66,667	133,333
March 2, 2017	1.03	0.17	7,894	7,894	-
April 25, 2017	1.03	0.32	78,948	78,948	-
November 28, 2017	0.76	0.91	342,108	342,108	-
April 29, 2018	0.76	1.33	894,744	894,744	-
December 21, 2019	0.15	2.97	200,000	200,000	-
November 5, 2020	0.18	3.85	3,550,000	2,366,667	1,183,333
July 19, 2021	0.10	4.55	2,200,000	733,333	1,466,667
		<b>3.27</b>	<b>7,923,694</b>	<b>5,057,028</b>	<b>2,866,666</b>

### 15. Net loss per share

The calculation of basic and diluted loss per share for the year ended December 31, 2016 was based on the loss attributable to common shareholders of \$2,372,262 (year ended December 31, 2015 - \$4,826,232) and the weighted average number of common shares outstanding of 117,202,101 (year ended December 31, 2015 - 91,441,992). Diluted loss per share did not include the effect of options and warrants for the year ended December 31, 2016 and 2015 as they are anti-dilutive.

### 16. Exploration and evaluation expenditures

Year Ended December 31,	2016	2015
<b>Magdalena Basin, Colombia (i)</b>		
Salaries and benefits (note 19)	\$ -	\$ 997,015
Administrative and general	15,611	320,012
Consulting fees	145,141	264,265
Professional fees	156,528	155,537
Office rent	30,161	146,049
Drilling	-	137,858
Travel expenses	(331)	97,691
Other	151,776	193,177
	<b>\$ 498,886</b>	<b>\$ 2,311,604</b>
<b>Sechura Basin, Peru</b>		
Professional fees	\$ -	\$ 10,825
<b>Duvernay formation, Alberta</b>		
Well abandonment and site cleanup expenses (note 11)	\$ 59,664	\$ 50,000
<b>Nova Scotia properties, Nova Scotia</b>		
Well abandonment and site cleanup (reversal) expenses (ii) (note 11)	\$ (827,814)	\$ 215,701
	<b>\$ (269,264)</b>	<b>\$ 2,588,130</b>

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### 16. Exploration and evaluation expenditures (continued)

(i) On March 20, 2015, Canacol Energy Inc. advised the Company that it was taking the position that it has the right to terminate Farmout Agreements for each of the COR-11 and COR-39 Blocks. Management is currently evaluating this matter and, together with legal counsel and other experts, assessing its potential options and alternatives with respect to these property interests and any consequences relating to the termination of same.

(ii) The \$827,814 consisted of an amount relating to a previously recorded ARO and an accrual for the well abandonment and site cleanup invoices that is being disputed (note 21(b)).

### 17. General and administrative

Year Ended December 31,	2016	2015
Salaries and benefits (note 14(i)(ii)(iii))	\$ 2,052,939	\$ 1,669,685
Professional fees (note 19)	377,402	895,526
Administrative and general	109,650	538,505
Rent	77,479	-
Reporting issuer costs	17,937	28,403
Travel expenses	37,539	90,623
Interest and other income	(1,181)	(27,433)
	<b>\$ 2,671,765</b>	<b>\$ 3,195,309</b>

### 18. Income taxes

#### Income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% to the effective tax rate of nil, includes significant reconciling items of stock-based compensation \$101,881 (2015 - \$84,764), unrealized foreign exchange \$154,053 (2015 - \$526,479) and deemed interest income \$201,225 (2015 - \$201,225).

#### Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the difference between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences because it is not probable that future taxable profit will be available against which the Company can utilize these benefits:

	2016	2015
Exploration and evaluation assets	\$ 41,982,780	\$ 41,193,730
Share issuance costs	269,740	680,820
Non-capital losses carried forward - Canada	34,004,020	37,713,800
Net operating loss carried forward - Peru	65,700	65,700
Net operating loss - U.S.	9,714,520	6,801,000
Other temporary differences	262,050	198,260

The Canadian non-capital loss carry forwards expire between 2026 and 2036. The U.S. net operating loss carry forwards expire between 2029 and 2036. The Peruvian losses may be carried forward indefinitely but may only be applied against 50% of taxable income in each subsequent year. Share issue and financing costs will be fully amortized in 2018. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

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# Sintana Energy Inc.

## Notes to Consolidated Financial Statements

Years Ended December 31, 2016 and 2015

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### 19. Related party transactions and balances

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

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

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

<b>Year Ended December 31,</b>	<b>2016</b>	<b>2015</b>
Salaries and benefits <sup>(1)(3)</sup>	\$ 1,487,535	\$ 1,877,904
Share-based compensation <sup>(2)</sup>	\$ 282,554	\$ 266,798

<sup>(1)</sup> Salaries and benefits include director fees. During the year ended December 31, 2016, \$nil (year ended December 31, 2015 - \$716,609) of salaries and benefits expenses were included in exploration and evaluation expenditures. Balances for deferred compensation due to directors and key management personnel of \$1,675,477 are included in accounts payable and other liabilities as at December 31, 2016 (December 31, 2015 - \$752,287) and include the retiring allowance payable to Lee A. Pettigrew (refer to note 19(a)<sup>(3)</sup>).

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

<sup>(3)</sup> Effective as of July 31, 2016, the employment by the Company of Lee A. Pettigrew, Vice President - Canadian Operations, ceased. Pursuant to his employment agreement, Mr. Pettigrew is entitled to 12 months base salary (US\$200,000 (CDN\$268,540)) as a retiring allowance. This amount is included as accounts payable and other liabilities.

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

For the year ended December 31, 2016, the Company paid professional fees and disbursements of \$89,489 (year ended December 31, 2015 - \$84,081) to Marrelli Support Services Inc. ("Marrelli Support"), an organization of which Carmelo Marrelli is president. Carmelo Marrelli is the CFO of the Company. These services were incurred in the normal course of operations for general accounting and financial reporting matters. Marrelli Support also provides bookkeeping services to the Company. All services were made on terms equivalent to those that prevail with arm's length transactions. An amount of \$25,806 is included in accounts payable and other liabilities as at December 31, 2016 (December 31, 2015 - \$20,980).

For the year ended December 31, 2016, the Company paid professional fees and disbursements of \$16,990 (year ended December 31, 2015 - \$36,532) to DSA Corporate Services Inc. ("DSA"), an organization which Carmelo Marrelli controls. Carmelo Marrelli is also the corporate secretary and sole director of DSA. These services were incurred in the normal course of operations of corporate secretarial matters. All services were made on terms equivalent to those that prevail with arm's length transactions. As at December 31, 2016, DSA was owed \$1,412 (December 31, 2015 - \$3,104) and this amount is included in accounts payable and other liabilities.

# Sintana Energy Inc.

## Notes to Consolidated Financial Statements

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(Expressed in Canadian Dollars, Unless Otherwise Stated)

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

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

- Sean Austin, Vice President of the Company, received 83,333 common shares of the Company in settlement of debt of \$15,000 on January 27, 2016 (note 12(b)(i)).
- David Cherry, President and Chief Operating Officer of the Company, received 83,333 common shares of the Company in settlement of debt of \$15,000 on January 27, 2016 (note 12(b)(i)).
- Douglas Manner, a Director and CEO of the Company, received 83,333 common shares of the Company in settlement of debt of \$15,000 on January 27, 2016 (note 12(b)(i)).
- Lee Pettigrew, then Vice President - Canadian Operations of the Company, received 27,778 common shares of the Company in settlement of debt of \$5,000 on January 27, 2016 (note 12(b)(i)).
- Keith Spickelmier, a Director and Executive Chairman of the Company, received 83,333 common shares of the Company in settlement of debt of \$15,000 on January 27, 2016 (note 12(b)(i)).

### 20. Segmented information

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

<b>December 31, 2016</b>	<b>Canada</b>	<b>United States</b>	<b>Colombia</b>	<b>Total</b>
Cash and cash equivalents	\$ 232,246	\$ 139,518	\$ 15,812	\$ 387,576
Accounts receivable and other assets	53,405	9,260	21,479	84,144
Deposits	9,261	-	-	9,261
<b>Total assets</b>	<b>\$ 294,912</b>	<b>\$ 148,778</b>	<b>\$ 37,291</b>	<b>\$ 480,981</b>

<b>December 31, 2015</b>	<b>Canada</b>	<b>United States</b>	<b>Colombia</b>	<b>Total</b>
Cash and cash equivalents	\$ 1,910,827	\$ 127,874	\$ 109,069	\$ 2,147,770
Accounts receivable and other assets	291,607	17,302	22,174	331,083
<b>Total current asset</b>	<b>2,202,434</b>	<b>145,176</b>	<b>131,243</b>	<b>2,478,853</b>
Deposits	48,640	-	-	48,640
<b>Total assets</b>	<b>\$ 2,251,074</b>	<b>\$ 145,176</b>	<b>\$ 131,243</b>	<b>\$ 2,527,493</b>

### 21. Commitments and contingencies

(a) Office lease agreement

<b>Office lease agreements</b>	<b>2017</b>
(i)	\$ 4,518
(ii)	55,564
	<b>\$ 60,082</b>

(i) A subsidiary of the Company holds an operating lease agreement for office space in Calgary, Alberta commencing on March 1, 2012 and ending on February 28, 2017. The annual average basic rent obligation is approximately \$27,000, payable in monthly installments of approximately \$2,000. In addition to the basic rent, additional rent is payable monthly, and includes the Company's proportionate share of all operating costs and taxes.

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# Sintana Energy Inc.

## Notes to Consolidated Financial Statements

Years Ended December 31, 2016 and 2015

(Expressed in Canadian Dollars, Unless Otherwise Stated)

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### 21. Commitments and contingencies (continued)

(ii) A subsidiary of the Company holds an operating lease agreement for office space in Bakersfield, California commencing July 1, 2012 and ending on June 30, 2017. The annual average basic rent obligation is approximately US\$80,000, payable in average monthly installments of approximately US\$7,000. In addition to the basic rent, additional rent is payable monthly, and includes the Company's proportionate share of all operating costs and taxes. Effective March 1, 2014, the Company entered into an agreement to sublet the office space for approximately US\$4,000 per month for the first year, increasing to US\$5,000 per month after the first year and US\$6,000 after the second year.

(iii) An operating lease agreement for office space in Calgary, Alberta commencing on March 2012 and ending on February 28, 2017 was held by a subsidiary of the Company prior to the Business Combination. The annual average basic rent obligation is approximately \$88,000, payable in monthly installments of approximately \$7,000. Since September 2015 (after the Business Combination), only one payment has been made. The lessor has filed a suit against a subsidiary of the Company seeking full payment of the alleged liability plus reimbursement of the costs incurred to pursue the matter. Management believes that the Company is not liable for this rent and therefore no provision for any potential payments has been recorded.

#### (b) Well abandonment and site cleanup

In June 2016, the Company received a letter from a third party seeking payment of \$1,291,972 for well abandonment and site cleanup of a Nova Scotia property. The third party has filed a suit against a subsidiary of the Company seeking full payment of the alleged liability plus reimbursement of the costs incurred to pursue the matter. Management believes that the Company is not liable for the invoiced costs and therefore no provision for any potential payments has been recorded.

### 22. Subsequent events

(i) On February 28, 2017, the following stock options expired unexercised:

- 200,000 stock options with an exercise price of \$0.145;
- 250,000 stock options with an exercise price of \$0.175; and
- 200,000 stock options with an exercise price of \$0.10.

(ii) On March 2, 2017, 7,894 stock options with an exercise price of \$1.026 expired unexercised.

(iii) On April 25, 2017, 78,948 stock options with an exercise price of \$1.026 expired unexercised.