SINTANA ENERGY INC.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

(EXPRESSED IN CANADIAN DOLLARS, UNLESS OTHERWISE STATED)

Independent Auditor's Report

To the Shareholders of Sintana Energy Inc.:

Opinion

We have audited the consolidated financial statements of Sintana Energy Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and December 31, 2018, and the consolidated statements of loss and comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in shareholders' deficiency for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019 and December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates for the year ended December 31, 2019, the Company incurred a loss of $1,323,698 and had an accumulated deficit of $88,828,046. The Company had a working capital deficit of $5,124,320 at December 31, 2019. As stated in Note 1, this indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Isabella Lee.

MNP LLP

Mississauga, Ontario

Chartered Professional Accountants

March 10, 2020

Licensed Public Accountants

MNP

Sintana Energy Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars, Unless Otherwise Stated)

As at December 31,		2019		2018
ASSETS				
Current assets				
Cash	**$**	**173,975**	$	517,379
Accounts receivable and other assets (note 6)		**30,152**		43,153
Total assets	**$**	**204,127**	$	560,532
DEFICIT AND LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities (notes 7 and 18)	**$**	**553,423**	$	700,487
Deferred compensation (note 18)		**4,672,712**		3,777,189
Asset retirement obligation (note 9)		**102,312**		102,312
Total current liabilities		**5,328,447**		4,579,988
Non-current liabilities				
Convertible debentures (note 8)		**74,385**		396,203
Total liabilities		**5,402,832**		4,976,191
Shareholders' deficiency		**(5,198,705)**		(4,415,659)
Total shareholders' deficiency and liabilities	**$**	**204,127**	$	560,532

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

Nature of operations and going concern (note 1)
Contingency (note 20)
Subsequent events (note 21)

Approved on behalf of the Board:
(signed) "Douglas G. Manner", Director
(signed) "Bruno C. Maruzzo", Director

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

Year Ended December 31,	**2019**	**2018**
Operating expenses		
Exploration and evaluation expenditures (note 15)	**$ 61,863**	$ 109,948
General and administrative (notes 16 and 18)	**1,555,349**	1,548,481
Finance interest expense (note 8)	**53,099**	33,122
Foreign exchange (gain) loss	**(256,782)**	277,453
Net loss before gain of accounts payable	**(1,413,529)**	(1,969,004)
Gain of accounts payable (note 7)	**89,831**	63,650
Net loss and comprehensive loss for the year	**$ (1,323,698)**	$ (1,905,354)
Loss per share - basic and diluted (note 14)	**$ (0.01)**	$ (0.02)
Weighted average number of common shares outstanding - basic and diluted (note 14)	**121,901,116**	117,410,472

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,	2019	2018
Operating activities		
Net loss for the year	**$ (1,323,698)**	$ (1,905,354)
Adjustment for:		
Accretion on convertible debentures (note 8)	**18,706**	10,132
Accrued interest on convertible debentures (note 8)	**34,393**	22,990
Share-based compensation (notes 12 and 13)	**165,735**	90,990
Gain of accounts payable (note 7)	**(89,831)**	(63,650)
Non-cash working capital items:		
Accounts receivable and other assets	**13,001**	3,155
Accounts payable and accrued liabilities	**(57,233)**	68,101
Deferred compensation	**895,523**	1,331,311
Net cash used in operating activities	**(343,404)**	(442,325)
Financing activities		
Proceeds from convertible debentures (note 8)	**-**	650,000
Share issue costs (note 8)	**-**	(25,896)
Net cash provided by financing activities	**-**	624,104
Net change in cash	**(343,404)**	181,779
Cash, beginning of year	**517,379**	335,600
Cash, end of year	**$ 173,975**	$ 517,379
Non-cash transactions		
Issuance of shares as settlement of debt (note 10(b(i))	**$ -**	$ 25,000
Issuance of shares for conversion of convertible debentures (note 8)	**$ 374,917**	$ -

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

Sintana Energy Inc.
Consolidated Statements of Changes in Shareholders' Deficiency
(Expressed in Canadian Dollars, Unless Otherwise Stated)

	Number of common shares #	Share capital	Warrants	Contributed surplus	Conversion feature and convertible debt	Deficit	Total
Balance, December 31, 2017	**117,227,824**	**$ 77,644,457**	**$ -**	**$ 5,092,219**	**$ -**	**$ (85,598,994)**	**$ (2,862,318)**
Shares issued (note 10(b)(i))	416,666	25,000	-	-	-	-	25,000
Convertible debentures (note 8)	-	-	74,233	-	161,790	-	236,023
Share-based compensation (note 12)	-	-	-	90,990	-	-	90,990
Net loss and comprehensive loss for the year	-	-	-	-	-	(1,905,354)	(1,905,354)
Balance, December 31, 2018	**117,644,490**	**77,669,457**	**74,233**	**5,183,209**	**161,790**	**(87,504,348)**	**(4,415,659)**
Restricted shares vested and converted to common shares (note 10(b)(ii))	400,000	36,000	-	(36,000)	-	-	-
Conversion of convertible debentures (note 8)	8,428,807	511,816	-	-	(136,899)	-	374,917
Share-based compensation (notes 12 and 13)	-	-	-	165,735	-	-	165,735
Net loss and comprehensive loss for the year	-	-	-	-	-	(1,323,698)	(1,323,698)
Balance, December 31, 2019	**126,473,297**	**$ 78,217,273**	**$ 74,233**	**$ 5,312,944**	**$ 24,891**	**$ (88,828,046)**	**$ (5,198,705)**

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

1. Nature of operations and going concern

Sintana Energy Inc. ("Sintana" or the "Company") is a public Canadian oil and gas exploration company listed on the TSX Venture Exchange ("TSXV"), with offices in Toronto, Canada; and Dallas, Texas. The trading symbol of the Company is SEI. The Company is targeting assets in Colombia's Magdalena Basin. The Company's exploration strategy is to acquire, explore, develop and produce superior quality assets with significant reserve potential. The primary office of the Company is located at The Canadian Venture Building, 82 Richmond Street East, Toronto, Ontario, Canada, M5C 1P1.

Sintana is at an early stage of development and as is common with similar exploration companies, it raises financing for its property acquisition and exploration activities. Sintana has not incurred any operating income in the current and prior periods. For the year ended December 31, 2019, the Company incurred a loss of $1,323,698 (year ended December 31, 2018 - $1,905,354) and had an accumulated deficit of $88,828,046. Sintana had a working capital deficit of $5,124,320 at December 31, 2019 (December 31, 2018 - working capital deficit of $4,019,456).

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 material uncertainties cast significant doubt on 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, 2019. The policies set out below are based on IFRS issued and outstanding as of March 10, 2020, 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.

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) two direct subsidiaries, being (i) Sintana Resources Corp., which exists under the laws of Ontario; and (ii) Mobius Resources Corp., which exists under the laws of Alberta; (B) nine indirect subsidiaries which are direct subsidiaries of Sintana Resources Corp. and Mobius Resources Corp., being: (i) 1873520 Ontario Inc., which exists under the laws of Ontario; (ii) Sintana Energy Finance Inc., which exists under the laws of Ontario; (iii) Sintana Energy Exploration and Production Inc., which exists under the laws of Texas; (iv) Northbrook Oil and Gas LLC which exists under the laws of Texas; (v) Patriot Energy Oil and Gas Inc. ("Patriot Energy"), which exists under the laws of Panama; (vi) Patriot Energy Services LLC Corp. ("Patriot"), which exists under the laws of Panama; (vii) Zodiac USA Corp., which exists under the laws of Nevada; (viii) Zodiac Montana LLC, which exists under the laws of Nevada; and (ix) Zodiac Energy LLC, which exist under the laws of Nevada; and (C) one branch, being (i) 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

IFRS 9 - Financial Instruments ("IFRS 9") includes finalized guidance on the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured either at amortized cost, fair value through other comprehensive income (“FVOCI”) or fair value through profit or loss (“FVTPL”) based on the business model in which they are held and the characteristics of their contractual cash flows.

All financial assets not classified at amortized cost or FVOCI are measured at FVTPL. On initial recognition, the Company can irrevocably designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss;
- Its contractual terms give rise to cash flows that are solely payments of principal and interest.

All financial instruments are initially recognized at fair value on the consolidated statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in the consolidated statement of loss and comprehensive loss for the period. Financial assets classified at amortized cost and financial liabilities are measured at amortized cost using the effective interest method.

2. Significant accounting policies (continued)

(d) Financial assets and liabilities (continued)

Financial assets

Financial assets are classified as either financial assets at FVTPL, amortized cost, or FVTOCI. The Company determines the classification of its financial assets at initial recognition.

i. Financial assets recorded at FVTPL

Financial assets are classified as FVTPL if they do not meet the criteria of amortized cost or FVTOCI. Gains or losses on these items are recognized in profit or loss.

ii. Amortized cost

Financial assets classified as amortized cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

The Company's cash and accounts receivable, excluding HST, are classified as financial assets measured at amortized cost.

iii. Financial assets recorded at FVTOCI

Financial assets are recorded at FVTOCI when the change in fair value is attributable to changes in the Company's credit risk.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

i. Amortized cost

Financial liabilities are measured at amortized cost, include borrowings, are initially measured at fair value, net of transaction cost. They are subsequently measured at amortized cost using the effective interest method, with interest recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest 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 financial liability or to the next carrying amount or initial recognition.

The Company's accounts payable and accrued liabilities, deferred compensation and convertible debentures do not fall into any of the exemptions and are therefore classified as measured at amortized cost.

ii. Financial liabilities recorded FVTPL

Financial liabilities are classified as FVTPL if they fall into amortized cost detailed above.

2. Significant accounting policies (continued)

(d) Financial assets and liabilities (continued)

Transaction costs

Transaction costs associated with financial instruments, carried at FVTPL, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

Subsequent measurement

Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss. Instruments classified as amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVOCI are measured at fair value with unrealized gains and losses recognized in other comprehensive income.

Derecognition

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Expected credit loss impairment model

Financial assets not measured at FVTPL 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 initial recognition of the financial assets, the estimated future cash flows of the financial asset has been negatively impacted.

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

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, 2019 and 2018, none of Sintana's financial instruments are recorded at fair value in the consolidated statements of financial position.

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 equivalents

Cash equivalents comprise 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. As at December 31, 2019 and 2018, the Company did not have any cash equivalents.

(g) Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars, which is the parent Company's presentation and functional currency.

Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). 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.

Assets and liabilities of entities with functional currencies other than Canadian dollar are translated at the year-end closing rate of exchange, and the results of their operations are translated at average rates of exchange for the period unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case the results of their operations are translated at the rate prevailing on the dates of the transactions. The resulting translation adjustments are recognized as a separate component of equity.

(h) 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.

Sintana had no material provisions at December 31, 2019 and 2018 other than the asset retirement obligation and provision (included in accounts payable and accrued liabilities).

2. Significant accounting policies (continued)

(i) Asset retirement obligations ("ARO")

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.

(j) 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.

(k) 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.

(l) Restricted share units ("RSUs")

Under the RSUs Plan, employees are granted RSUs where each RSU has a value equal to one Sintana common share. RSUs are measured at fair value on the grant date. The fair value of RSUs are recognized as a charge to share-based compensation as a general and administrative expense over the vesting period with a corresponding increase in equity. RSUs expected to settle in cash are reclassified as a liability and valued at market.

2. Significant accounting policies (continued)

(m) Income taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

(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 using the treasury stock method by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares.

(o) 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.

(p) 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.

2. Significant accounting policies (continued)

(q) Leases

IFRS 16 – Leases ("IFRS 16") was issued in January 2016 and replaced IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Management early adopted this Standard on January 1, 2018 which resulted in no material impact on the consolidated financial statements.

(r) Compound instruments

The component parts of compound instruments (e.g., debt issued with a conversion feature along with convertible securities) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option and warrants that will be settled by the exchange of a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar debt without conversion features and warrants. This amount is recorded as a liability on the amortized cost basis using the effective interest method until extinguished or at the instrument's maturity date.

The conversion features and convertible securities classified as equity are determined by deducting the amount of the liability component from the fair value of the instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, conversion features and convertible securities classified as equity will remain in equity until the conversion option or warrants are exercised, in which case the balance recognized in equity will be transferred to common shares within equity. When the conversion feature and warrants remain unexercised at their maturity date, the balance recognized in equity will be transferred to retained earnings or deficit. No gain or loss is recognized in profit or loss upon conversion or expiration of the convertible securities.

Transaction costs that relate to the issue of the instruments are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the life of the debt using the effective interest method.

(s) New standard adopted during the period

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

2. Significant accounting policies (continued)

(t) Significant accounting judgments and estimates

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- The recoverability of trade accounts receivable are included in the consolidated statements of financial position.
- ARO has been created based on the estimated settlement amounts. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed quarterly and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to liability on a quarterly basis. Actual rehabilitation costs will ultimately depend on actual future settlement amount for the rehabilitation costs which will reflect the market condition at the time of the rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for.
- Management determines the fair value of warrants and stock options using the Black-Scholes option pricing model.
- Provision (included in accounts payable and accrued liabilities): Management estimates the probability each year for the likelihood of the provision.
- Convertible instruments: Convertible debentures are compound financial instruments which are accounted for separately by their components: liabilities, equity and warrants. The identification of convertible debenture components is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management. The separation of components affect the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest or liability component. The determination of the fair value of the liability is also based on a number of assumptions including contractual future cash flows, discount rates, and presence of liabilities. The fair value of the equity component (conversion option or warrant feature) was determined at the time of issue as the difference between the face value of the convertible debentures and the fair value of the liability component. Changes in the input assumptions can materially affect the fair value estimates and the Company’s classification between debt and equity components.

Critical accounting judgments

- Income taxes and recovery of deferred tax assets: The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretations and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements.

3. Capital risk management

Sintana manages its capital with the following objectives:

- ensure sufficient financial flexibility to achieve its ongoing business objectives;
- maintain its private participation interests in the potential conventional and unconventional opportunities in Block VMM-37 in Colombia's Magdalena Basin; 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 RSU), conversion feature of convertible debentures and a deficit, which at December 31, 2019, totaled a shareholders' deficiency of $5,198,705 (December 31, 2018 - shareholders' deficiency of $4,415,659).

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 remained unchanged during the year ended December 31, 2019. 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, 2019, the Company was compliant with Policy 2.5.

4. Financial risk management

Financial risk

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

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 accounts receivable excluding HST. 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.

(Expressed in Canadian Dollars, Unless Otherwise Stated)

4. Financial risk management (continued)

Financial risk (continued)

(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. 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. The Company's convertible debentures are at fixed interest rates. Accordingly, the Company has no material interest rate risk.

(b) Foreign currency risk

As of December 31, 2019, the Company funds certain operations, exploration and administrative expenses in Colombia on a cash call basis using US Dollar currency and Colombian Peso. The Company maintains US bank accounts in Canada, Colombia, Panama and the United States. The Company maintains one Colombian Peso bank accounts in Colombia. The Company is subject to gains and losses from fluctuations in the Canadian Dollar, Colombian Peso and US 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:

December 31,		**2019**		**2018**
Cash	$	87,814	$	479,780
Provision (included in accounts payable and accrued liabilities)	$	(424,197)	$	(673,002)
Deferred compensation	$	(4,555,779)	$	(3,703,371)

Sensitivity analysis

Based on management's knowledge of and experience with 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, 2019, a plus or minus 10% change in the Colombian Peso and US Dollar foreign exchange rates against the Canadian Dollar, with all other variables held constant, would have affected the reported loss and comprehensive loss by approximately $491,000 (December 31, 2018 - $390,000).

(Expressed in Canadian Dollars, Unless Otherwise Stated)

5. 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.

The Company has not offset financial assets with financial liabilities.

The carrying value of the Company's cash, accounts receivable excluding HST, accounts payable and accrued liabilities and deferred compensation is close to fair value due to their short-term maturity except convertible debentures.

6. Accounts receivable and other assets

	As at December 31, 2019	As at December 31, 2018
Accounts receivable	**$ 4,275**	$ 15,193
Prepaids and other advances	**25,877**	27,960
	$ 30,152	$ 43,153

7. Accounts payable and accrued liabilities

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

	As at December 31, 2019	As at December 31, 2018
Accounts payable	**$ 31,922**	$ 12,114
Accrued liabilities	**521,501**	688,373
	$ 553,423	$ 700,487

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

	As at December 31, 2019	As at December 31, 2018
Less than 1 month	**$ 105,601**	$ 82,698
1 to 3 months	**-**	-
Greater than 3 months	**447,822**	617,789
	$ 553,423	$ 700,487

7. Accounts payable and accrued liabilities (continued)

A provision (refer to note 15(i)) is included in accounts payable and accrued liabilities. The Company assesses the probability each year for the likelihood of the provision being paid. Management estimates that the probability of paying the alledged liability will decrease by 15% of the original accrued amount each year.

During the year ended December 31, 2019, the Company recorded a gain of accounts payable of $89,831 (year ended December 31, 2018 - $63,650) in the consolidated statements of loss and comprehensive loss related to the decrease in probability of the provision being paid.

8. Convertible debentures

On July 24, 2018, the Company closed a financing pursuant to which it issued senior convertible debentures (the "Debentures") in the principal amount of $650,000 plus 5,720,000 warrants to a private investor. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of $0.10 for a period of three years.

The Debentures have a term of five years and an annual interest rate of 8%. The principal amount thereof may be converted into common shares of the Company at the option of the holder at a conversion price of $0.07 per share during the first year following closing and $0.10 thereafter (the "Conversion Prices"). Commencing two years after the date of closing, the Company may elect to redeem part or all of the remaining Debentures balance. The Debentures are also automatically convertible into common shares of the Company at the applicable Conversion Prices in the event the closing price of the common shares exceeds 500% of the then applicable Conversion Prices for 40 of 60 consecutive trading days.

While the Debentures remain outstanding, the holder is entitled to appoint one nominee to the Board of Directors of the Company.

The Debentures net proceeds of $599,103 received were separated into the liability component of $363,080, equity component of $161,790 and warrants of $74,233 using the effective interest rate method with an effective interest rate of 20% per annum. Transaction costs of $50,896 were paid in relation with the Debentures.

The fair value of the 5,720,000 warrants issued with the Debentures was estimated at $74,233 using the Black-Scholes option pricing model based on the following assumptions: volatility - 143% using the historical price history of the Company, risk-free interest rate - 2.04%, expected life - 3 years, share price - $0.10 and dividend yield - nil%.

On July 15, 2019, the Company received a notice of partial conversion (the "Notice") in respect of the Debentures in the principal amount of $650,000 issued on July 24, 2018. Interest is also convertible under the Debentures at the election of the holder, subject to the approval of the TSXV. The Notice provided for conversion of (i) $550,000 of the principal amount of the Debentures at the Conversion Price in exchange for the issuance of 7,857,143 common shares of the Company; and (ii) $42,875 of interest owing under the Debentures at a conversion price of $0.075 per share in exchange for the issuance of 571,664 common shares of the Company. The partial conversion of the Debentures resulted in a decrease of the convertible debentures of $374,917, a decrease of conversion feature and convertible debt of $136,899 and an increase of share capital of $511,816.

During the year ended December 31, 2019, the Company recorded accrued interest of $34,393 (year ended December 31, 2018 - $22,990) and accretion expense of $18,706 (year ended December 31, 2018 - $10,132) which were recorded as finance interest expense in the consolidated statements of loss and comprehensive loss.

(Expressed in Canadian Dollars, Unless Otherwise Stated)

8. Convertible debentures (continued)

Movement in the Debenture was as follows:

		Amount
Balance, December 31, 2017	**$**	**-**
Principal amount		650,000
Fair value of equity component		(161,790)
Fair value of warrants		(74,233)
Transaction costs (note 10(b)(i))		(50,896)
Accrued interest		22,990
Accretion expense		10,132
Balance, December 31, 2018		**396,203**
Conversion to common shares		(374,917)
Accrued interest		34,393
Accretion expense		18,706
Balance, December 31, 2019	**$**	**74,385**

9. Asset retirement obligation

As at December 31, 2019, the Company had estimated the net present value of its total asset retirement obligation ("ARO") to be $102,312 (December 31, 2018 - $102,312). The settlement period is estimated to occur within the next twelve months. The ARO was acquired upon completion of the Mobius Business Combination in August 2015 for a well in the Duvernay formation in Alberta.

10. Share capital

a) Authorized share capital:

At December 31, 2019, the authorized share capital consisted of an unlimited number of common shares.

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

b) Common shares issued:

At December 31, 2019, the issued share capital amounted to $78,217,273. The change in issued share capital for the years presented was as follows:

	Number of common shares	Amount
Balance, December 31, 2017	**117,227,824**	**$ 77,644,457**
Shares issued (i)	416,666	25,000
Balance, December 31, 2018	**117,644,490**	**77,669,457**
Restricted shares vested and converted to common shares (ii)	400,000	36,000
Conversion of convertible debenture (note 8)	8,428,807	511,816
Balance, December 31, 2019	**126,473,297**	**$ 78,217,273**

(i) On July 24, 2018, the Company issued 416,666 common shares at a share price of $0.06 (valued at $25,000) for services received for the Debentures.

(ii) During the year ended December 31, 2019, 400,000 RSU vested and converted to common shares with a value of $36,000. Refer to note 13.

(Expressed in Canadian Dollars, Unless Otherwise Stated)

11. Warrants

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

	Number of warrants	Weighted average exercise price
Balance, December 31, 2017	**-**	**$ -**
Warrants issued with Debentures (note 8)	5,720,000	0.10
Balance, December 31, 2018 and December 31, 2019	**5,720,000**	**$ 0.10**

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

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

12. Stock options

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

	Number of stock options outstanding	Weighted average exercise price
Balance, December 31, 2017	**6,844,744**	**$ 0.23**
Expired	(944,744)	0.73
Granted (i)(ii)	4,300,000	0.10
Balance, December 31, 2018	**10,200,000**	**0.13**
Expired	(200,000)	0.15
Balance, December 31, 2019	**10,000,000**	**$ 0.13**

(i) On June 8, 2018, the Company granted a total of 450,000 stock options to directors 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 June 8, 2023. 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 125.78%; risk-free interest rate of 2.15%; and an expected average life of 5 years. The options were valued at $21,780. $6,784 (year ended December 31, 2018 - $13,422) was expensed to salaries and benefits (share-based compensation) and as an addition to contributed surplus during the year ended December 31, 2019.

(ii) On December 18, 2018, the Company granted a total of 3,850,000 stock options to officers and directors 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 December 18, 2023. 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 127.32%; risk-free interest rate of 1.94%; and an expected average life of 5 years. The options were valued at $186,189. $91,217 (year ended December 31, 2018 - $65,617) was expensed to salaries and benefits (share-based compensation) and as an addition to contributed surplus during the year ended December 31, 2019.

(Expressed in Canadian Dollars, Unless Otherwise Stated)

12. Stock options (continued)

(iii) Share-based compensation included in salaries and benefits expense includes $nil (year ended December 31, 2018 - $11,951) relating to stock options granted in previous years in accordance with their respective vesting terms, during the year ended December 31, 2019.

The following table reflects the actual stock options issued and outstanding as of December 31, 2019:

Expiry date	Exercise price	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)	Number of options unvested
November 5, 2020	$0.18	0.30	3,550,000	3,550,000	-
July 19, 2021	$0.10	0.33	2,150,000	2,150,000	-
June 4, 2023	$0.10	0.15	450,000	300,000	150,000
December 18, 2023	$0.10	1.53	3,850,000	2,566,667	1,283,333
		2.32	**10,000,000**	**8,566,667**	**1,433,333**

13. Restricted Share Units ("RSUs")

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

During the year ended December 31, 2019, the Company granted 800,000 RSUs to four officers of the Company (December 31, 2018 - nil). These RSUs vest as follows: one-half of the RSUs vest immediately and one-half vest on the first anniversary. In relation to this grant, compensation for the year ended December 31, 2019 was $67,734 (year ended December 31, 2018 - $nil).

During the year ended December 31, 2019, 400,000 RSUs vested and converted to common shares (year ended December 31, 2018 - nil) with a value of $36,000 (year ended December 31, 2018 - $nil).

As of December 31, 2019, there were 400,000 RSUs outstanding (December 31, 2018 - nil). The weighted average fair value of RSUs granted during the year ended December 31, 2019 was $0.09 per unit (year ended December 31, 2018 - $nil).

14. Net loss per share

The calculation of basic and diluted loss per share for the year ended December 31, 2019 was based on the loss attributable to common shareholders of $1,323,698 (year ended December 31, 2018 - loss of $1,905,354) and the weighted average number of common shares outstanding of 121,901,116 (year ended December 31, 2018 - 117,410,472). Diluted loss per share did not include the effect of options, warrants, RSU and Debentures for the year ended December 31, 2019 and 2018 as they were anti-dilutive or not in the money.

(Expressed in Canadian Dollars, Unless Otherwise Stated)

15. Exploration and evaluation expenditures

Year Ended December 31,	**2019**	**2018**
Magdalena Basin, Colombia (i)		
Administrative and general	**$ 46,811**	$ 46,052
Professional fees	**15,052**	63,896
	$ 61,863	$ 109,948

(i) On March 20, 2015, the operator 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.

16. General and administrative

Year Ended Year Ended	**2019**	**2018**
Salaries and benefits (notes 12, 13 and 18)	**$ 1,277,520**	$ 1,165,013
Professional fees (note 18)	**210,749**	276,819
Administrative and general	**49,996**	58,451
Reporting issuer costs	**14,614**	31,489
Travel expenses	**2,470**	16,786
Interest and other income	**-**	(77)
	$ 1,555,349	$ 1,548,481

17. Income taxes

Income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 27% (2018 - 27%) to the effective tax rates is as follows:

Year Ended December 31,	**2019**	**2018**
Net loss before income taxes	**$ (1,323,698)**	$ (1,905,354)
Expected income tax recovery	**(357,400)**	(514,440)
Effect on income taxes of:		
Difference in foreign tax rates	**65,740**	69,240
Prior period true-up	**-**	(145,820)
Share-based compensation and other non-deductible items	**45,530**	29,350
Foreign exchange translation	**(151,850)**	226,230
Change in tax benefits not recognized	**6,500**	335,440
Imputed income for tax purposes	**391,480**	-
Income tax recovery	**$ -**	$ -

(Expressed in Canadian Dollars, Unless Otherwise Stated)

17. Income taxes (continued)

Deferred tax

The following table summarizes the components of deferred income tax:

Year Ended December 31,	2019	2018
Deferred tax assets		
Non-capital losses carried forward	**$ 186,830**	$ 344,640
Deferred tax liabilities		
Long-term loan	**(176,000)**	(269,910)
Convertible debentures	**(10,830)**	(74,730)
Net deferred tax assets	**$ -**	$ -

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences 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:

	2019	2018
Property, plant and equipment	**$ 170,360**	$ 149,750
Share issuance costs	**30,540**	40,720
Schedule 13 Reserves	**5,096,910**	4,350,050
Non-capital losses carried forward	**27,172,680**	29,980,160
Net operating loss - USA	**6,996,220**	6,779,110
Net operating loss carried forward - Panama	**65,700**	65,700
Resource pools - Mineral properties	**19,155,940**	19,094,080

The Canadian non-capital and U.S. net operating loss carry forwards expire as noted in the table below. Share issue and financing costs will be fully amortized in 2022. 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.

The Company's Canadian non-capital and U.S. net operating income tax losses expire as follows:

	Canada	USA
2031	$ 6,250,830	$ -
2032	9,400,380	726,260
2033	2,103,930	1,545,200
2034	5,226,250	1,518,320
2035	4,380,700	1,618,130
2036	400,320	-
2037	88,790	1,094,530
2038	22,990	276,670
2039	-	217,110
	$ 27,874,190	$ 6,996,220

(Expressed in Canadian Dollars, Unless Otherwise Stated)

18. Related party transactions and balances

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

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

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

Year Ended December 31,	**2019**	**2018**
Salaries and benefits [(1)(3)]	**$ 1,094,982**	$ 1,050,646
Share-based compensation [(2)]	**$ 165,736**	$ 89,270

[(1)] Salaries and benefits include director fees. Balances for deferred compensation due to directors and key management personnel of $4,672,712 are included in deferred compensation as at December 31, 2019 (December 31, 2018 - $3,777,189) and include the retiring allowance payable to Lee A. Pettigrew (refer to note 18(a)[(3)]).

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

[(3)] Effective as of July 31, 2016, the employment by the Company of Lee A. Pettigrew, Vice President - Canadian Operations, ceased. Pursuant to his employment agreement, Mr. Pettigrew is entitled to 12 months base salary ($396,893 (US$305,584)) as a retiring allowance. This amount is included as deferred compensation.

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

For the year ended December 31, 2019, the Company paid professional fees and disbursements of $70,109 (year ended December 31, 2018 - $72,755) to Marrelli Support Services Inc. ("Marrelli Support"), an organization of which Carmelo Marrelli is president. Carmelo Marrelli is the Chief Financial Officer of the Company. These services were incurred in the normal course of operations for general accounting and financial reporting matters. Marrelli Support also provides bookkeeping services to the Company. All services were made on terms equivalent to those that prevail with arm's length transactions. An amount of $14,629 is included in accounts payable and accrued liabilities as at December 31, 2019 (December 31, 2018 - $9,458).

For the year ended December 31, 2019, the Company paid professional fees and disbursements of $514 (year ended December 31, 2018 - $9,476) 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, 2019, DSA was owed $nil (December 31, 2018 - $2,246) and this amount is included in accounts payable and accrued liabilities.

For the year ended December 31, 2019, the Company paid professional fees and disbursements of $2,813 (year ended December 31, 2018 - $nil) to DSA Filing Services Inc. ("DSA Filing"), an organization which Carmelo Marrelli controls. Carmelo Marrelli is also the corporate secretary and sole director of DSA Filing. 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, 2019, DSA Filling was owed $170 (December 31, 2018 - $nil) and this amount is included in accounts payable and accrued liabilities.

(Expressed in Canadian Dollars, Unless Otherwise Stated)

19. Segmented information

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

December 31, 2019	**Canada**	**United States**	**Colombia**	**Total**
Cash	$ 127,779	$ 33,788	$ 12,408	$ 173,975
Accounts receivable and other assets	30,152	-	-	30,152
Total assets	**$ 157,931**	**$ 33,788**	**$ 12,408**	**$ 204,127**
Accounts payable and accrued liabilities	$ 532,123	$ 17,672	$ 3,628	$ 553,423
Deferred compensation	530,711	4,142,001	-	4,672,712
ARO	102,312	-	-	102,312
Convertible debentures	74,385	-	-	74,385
Total liabilities	**$ 1,239,531**	**$ 4,159,673**	**$ 3,628**	**$ 5,402,832**
Exploration and evaluation expenditures	$ -	$ -	$ 61,863	$ 61,863
General and administrative	479,062	1,076,287	-	1,555,349
Finance interest expense	53,099	-	-	53,099
Foreign exchange loss (gain)	659,384	(914,707)	(1,459)	(256,782)
Gain of accounts payable	(89,831)	-	-	(89,831)
Net loss and comprehensive loss	**$ 1,101,714**	**$ 161,580**	**$ 60,404**	**$ 1,323,698**

December 31, 2018	**Canada**	**United States**	**Colombia**	**Total**
Cash	$ 380,572	$ 135,873	$ 934	$ 517,379
Accounts receivable and other assets	43,153	-	-	43,153
Total assets	$ 423,725	$ 135,873	$ 934	$ 560,532
Accounts payable and accrued liabilities	$ 664,376	$ 28,731	$ 7,380	$ 700,487
Deferred compensation	490,696	3,286,493	-	3,777,189
ARO	102,312	-	-	102,312
Convertible debentures	396,203	-	-	396,203
Total liabilities	**$ 1,653,587**	**$ 3,315,224**	**$ 7,380**	**$ 4,976,191**
Exploration and evaluation expenditures	$ -	$ -	$ 109,948	$ 109,948
General and administrative	420,274	1,128,207	-	1,548,481
Finance interest expense	33,122	-	-	33,122
Foreign exchange loss (gain)	(1,167,954)	1,450,686	(5,279)	277,453
Gain of accounts payable	(63,650)	-	-	(63,650)
Net loss and comprehensive loss	**$ (778,208)**	**$ 2,578,893**	**$ 104,669**	**$ 1,905,354**

20. Contingency

Farmout agreement arbitration

On March 20, 2015, the operator advised the Company that it had exercised its right to terminate the Farmout Agreement for each of the COR-11 and COR-39 Blocks. The Company concurred in writing that the Farmout Agreements had terminated. The operator also contends that it has the right to recover certain historical costs with which the Company disagrees. Management is currently evaluating this matter and, together with legal counsel and other experts, assessing its potential options and alternatives with respect to these costs.

21. Subsequent events

(i) On February 3, 2020, the Company announced that its Board of Directors approved grants of a total of 2,025,000 stock options to several directors and officers of the Company and one consultant. The stock options have an exercise price of $0.145, vest in three equal tranches over the next 24 months and will expire on January 30, 2025.

The Company also approved grants to four officers of an aggregate of 200,000 RSUs that vested on February 11, 2020.

(ii) On February 13, 2020, 3,325,000 warrants with an exercise price of $0.10 and an expiration date of July 24, 2021 were exercised for cash proceeds of $332,500. As a result, 2,395,000 warrants remain outstanding and will expire on July 24, 2021.