



Management's discussion and analysis

For the three and six months ended June 30, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of Santa Maria Petroleum Inc. ("Santa Maria" or the "Company") is dated August 21, 2015 and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2014 and the related notes and the unaudited interim condensed consolidated financial statements for the six months ended June 30, 2015.

This MD&A provides management's view of the financial condition of the company and the results of its operations for the reporting periods indicated. All amounts are in US dollars unless otherwise stated. Dollar amounts preceded by \$C are in Canadian dollars.

This MD&A was authorized for issue by the Board of Directors on August 26, 2015.

Additional information related to Santa Maria is available in the Information Circular of Santa Maria Petroleum Inc. filed on the Canadian Securities Administrators website at www.sedar.com "Sedar".

ADVISORY ON FORWARD LOOKING STATEMENTS

Certain information in this report, including the letter to shareholders, contains "forward-looking statements". Forward-looking statements are frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate", "forecast" or other similar words, or statements that certain events or conditions "may" or "will" occur. Forward-looking statements are not based on historical facts but rather on the expectations of management of the Company ("Management") regarding the Company's future growth, results of operations, production, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, plans for and results of drilling activity, environmental matters, business prospects and opportunities. Such forward-looking statements reflect management's current beliefs and assumptions and are based on information currently available to management. Forward-looking statements involve significant known and unknown risks and uncertainties.

A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including the risks associated with negotiating with foreign governments as well as country risk associated with conducting international activities, competition, the ability to generate revenue and exploit operating margins, capital resources, the use of certain technologies and materials, annual impairment tests, labour relations, insurance, damage from weather and other disasters, operating and maintenance risks and environmental risks, new information regarding reserves, changes in demand for and volatility of commodity prices of oil and natural gas, legislative, regulatory and political changes and other factors, many of which are beyond the control of the Company. The risks outlined should not be construed as exhaustive. Although the forward-looking statements contained in this document are based upon assumptions which management believes to be reasonable, the Company cannot assure users of this MD&A that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date hereof, and the Company assumes no obligation to update or revise them to reflect new events or circumstances, except as required by law.

Management has included the above summary of assumptions and risks to forward-looking information provided in this MD&A in order to provide shareholders with a more complete perspective on the Company's current and future operations and such information may not be appropriate for other purposes. The Company's actual performance may differ materially from those expressed in, or implied by, these forward looking statements. In particular, forward-looking statements included in this MD&A include, but are not limited to, the

ability of the Company to finance the Company's exploration commitments and the timing and estimated cost of those exploration commitments.

DESCRIPTION OF BUSINESS AND POSITION OF THE COMPANY AS AT JUNE 30, 2015

Santa Maria is an oil and gas exploration and development company. It was incorporated under the laws of the Province of Ontario on October 15, 2004. Pursuant to a resolution passed by shareholders on May 30, 2012, the Company changed its name from Quetzal Energy Ltd. to Santa Maria Petroleum Inc.

During the year ended December 31, 2013, the Company sold or withdrew from three of its working interests in Colombia and on January 31, 2014 it sold substantially all of its remaining assets and liabilities. As a result, it does not have an operating business as of the date of this MD&A.

On May 22, 2014, Mr. Ronald MacMicken resigned from the position of President and Chief Executive Officer, Mr. Cameron Dow resigned from the position of Chief Financial Officer and Mr. Gerald Feldman resigned from Board of Directors. Mr. VanSickle and Mr. Manner resigned from the Board of Directors on January 31, 2014.

On May 22, 2014 Mr. Andrew DeFrancesco assumed the position of President and Chief Executive Officer, Mr. Mike Dai assumed the position of Chief Financial Officer and Mr. Michael Galloro was appointed to the Board of Directors. The new management and Board of Directors are reviewing the options for developing a business plan for the future of the Company.

The common shares of the Company traded on the TSX Venture Exchange under the symbol "SMQ" until February 5, 2014 when its listing was transferred to the NEX board of the TSXV under the symbol SMQ.H. The address of the registered office is c/o Torys, Suite 4600, Eighth Avenue Place East, 525 - 8th Avenue S.W., Calgary, Alberta, T2P 1G1, Canada.

GOING CONCERN

During the latter part of 2013, Santa Maria's management concluded that the Company did not have and could not raise the funding required to continue with plans to further explore and develop its resource properties in Colombia. Accordingly, it began a program to dispose of its assets so as to be able to meet all of its obligations. Santa Maria disposed of three of its resource properties during the year ended December 31, 2013. On January 22, 2014, the Company's shareholders voted to accept the disposition of the final property.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. These financial statements do not reflect the adjustments that would be necessary if the going concern assumption were considered to be inappropriate.

At June 30, 2015, the Company had a working capital deficiency of \$1,217,862 (2014 – \$1,239,050), and has an accumulated deficit of \$84,413,310 (2014 – \$84,337,432) and has no operations.

The Company's continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate the acquisition of assets or a business. Should the Company be unable to complete such a transaction, its ability to raise sufficient financing to maintain operations and complete an acquisition, may be impaired and accordingly, the Company may be unable to realize on the carrying value of its net assets.

RESULTS OF OPERATIONS

	2015		2014				2013	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	116	-	(27,335)	-	480	27,456	(15,605)	3,151
Net income (loss)	(66,272)	(9,606)	(37,115)	55,238	(36,255)	(33,119)	(2,278,395)	(7,460,373)
Net income (loss) per share (basic and diluted)	(0.00)	(0.00)	(0.00)	0.00	(0.00)	(0.00)	(0.04)	(0.12)
Total assets	25,977	43,758	50,761	186,281	194,709	371,002	3,417,161	6,470,149
Total shareholders' equity	(1,217,862)	(1,142,516)	(1,239,050)	(1,235,594)	(1,290,832)	(1,254,577)	(1,216,507)	3,669,928

OUTSTANDING SHARE DATA

	August 21, 2015	June 30, 2015	December 31, 2014
Common Shares	60,076,447	60,076,447	60,076,447
Incentive stock options	100,000	100,000	100,000

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2015 the Company's working capital deficiency was \$1,217,862 (2014 – \$1,239,050). Included in the accounts payable is an accrual of \$1,110,355 as a provision for a payment under the shares for services agreements, described below.

GENERAL AND ADMINISTRATIVE

	Three months ended		Six months ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Personnel costs	54,954	25,421	60,642	94,619
Professional and consulting fees	-	50,190	(1,503)	38,501
Travel and promotion	-	4,751	-	15,289
Office	11,434	(88,841)	16,855	(74,388)
	66,388	(8,479)	75,994	74,021

General and administrative costs for six months ended June 30, 2015 were consistent with the comparative period in 2014, on aggregate. Highlights are as follow:

- Personnel costs for the six months ended June 30, 2015 were lower year over year, reflecting a closure of all operations and resignation of prior management in Q1 2014.
- Office costs were higher in the both the three and six month periods on a year over year basis, as recoveries were realized in the comparative periods with respect to accrued costs of terminating operations and office closures.
- No travel and promotion expenses were incurred in Q1 2015.

Transactions with related parties

Key management personnel of the Company consist of its directors and executive officers. In addition to the directors' fees and salaries paid to the directors and officers, respectively, the directors and officers participate in the Stock Option Plan. The compensation relating to key management personnel for the six months ended June 30, 2015 recorded as general and administrative expenses was \$54,604 (2014 - \$256,706), including share-based compensation costs of \$1,251 (2014 – \$nil). Unpaid compensation as at June 30, 2015 was \$125,000 (2014 – \$75,000).

Shares for services agreements

Effective March 1, 2012, the Company entered into management agreements with two of its senior executives and their companies for their services in performing the functions of President and Chief Executive Officer and Executive chairman, respectively. For these services, each is entitled to compensation comprised of, among other things, such number of common shares (collectively, the "Shares for Services") of the Company equal to \$1,000,000 divided by the Discounted Market Price (as such term is defined in the TSX Venture Exchange Corporate manual) on the date after certain company milestones have been reached and services have been provided. The issuance of the Shares for Service is subject to approval by the TSX Venture Exchange, who has further required that the shares be approved by shareholders.

The milestone for granting of the Shares for Services was achieved on May 31, 2012 with the successful drilling of the Flami-1 well. However, as the requisite shareholder approval has not been obtained, these individuals agreed to defer their rights under their respective management agreements until a later date.

In the event of a change of control or a transaction that prevents the President and Chief Executive Officer or the Executive Chairman from performing their contractual duties, options shall immediately vest and become exercisable, and the respective individual would be paid a bonus of \$C500,000 receive an additional cash payment of \$C1,000,000 in lieu of receipt of the shares for services.

On January 31, 2014, the President and Chief Executive Officer waived his rights to the compensation otherwise provided by the share for services agreement. As at June 30, 2015, included in accounts payable and accrued liabilities is a provision for \$USD 1,110,355 (2014 – \$1,193,870) for this change of control bonus.

Commitments and contingencies

In the normal conduct of operations, there are other pending claims by and against the Company. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. In the opinion of management, based on the advice and information provided by its legal counsel, the final determination of these other litigations will not materially affect the Company's financial position or results of operations.

Segmented information

The Company operates in one segment, the oil and gas business, and has operations in Colombia with its head office in Canada. The geographical segmentation of the Company's assets and revenues are as follows:

	As at June 30, 2015			As at December 31, 2014		
	Canada	Colombia	Total	Canada	Colombia	Total
Total assets	25,977	-	25,977	50,761	-	50,761
Total liabilities	1,243,839	-	1,243,839	1,289,811	-	1,289,811
	Six months ended June 30, 2015			Six months ended June 30, 2014		
	Canada	Colombia	Total	Canada	Colombia	Total
Revenue	116	-	116	602	27,334	27,936
Net income (loss) attributable to the common shareholders	(75,878)	-	(75,878)	36,911	(106,285)	(69,374)
	Three months ended June 30, 2015			Three months ended June 30, 2014		
	Canada	Colombia	Total	Canada	Colombia	Total
Revenue	116	-	116	480	-	480
Net income (loss) attributable to the common shareholders	(66,272)	-	(66,272)	(36,255)	-	(36,255)

Capital management

There were no changes in the Company's approach to capital management during the three months ended June 30, 2015. The Company's capital includes equity comprised of share capital, contributed surplus, accumulated other comprehensive income, and deficit.

Investor Relations

During the three months ended June 30, 2015, Santa Maria's management handled the Company's investor relations activities.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the audited consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the audited consolidated financial statements and reported amounts of revenues and expenses during the reporting period. The estimates and judgments are continuously reviewed by management and revisions to the estimates and judgement are recognized in the period of the revisions. By their nature, the estimates and judgements are subject to measurement uncertainty and the impact on the consolidated financial statements of future periods could be material.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the audited consolidated financial statements are:

SIGNIFICANT JUDGEMENTS

Significant estimates and assumptions

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit (“CGU”) exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The allocation of assets into CGUs requires significant judgement and interpretations with respect to the integration between assets, the existence of active markets, similar exposure to market risks, shared infrastructures, and the way in which management monitors the operations.

The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm’s length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows from reserves and the growth rate used for extrapolation purposes.

Share-based payment transactions

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, forfeitures and dividend yield of the share option.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

Useful lives of property and equipment

The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of property and equipment are based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property and equipment would increase the recorded expenses and decrease the non-current assets.

Fair value of financial instruments

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

Taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

RECENT ACCOUNTING PRONOUNCEMENTS ISSUED

The Company will be required to adopt the following applicable new standards and amendments as issued by the IASB. The Company is currently evaluating the impact on the consolidated financial statements as discussed below.

- i) IFRS 9, Financial Instruments establishes principles for the disclosure of financial assets and financial liabilities that will present information that is useful for the assessment of the amounts, timing and uncertainty of an entity's future cash flows. The IFRS is applicable to all items that fall within the scope of IAS 39, "Financial Instruments: Recognition and Measurement". This IFRS is effective for annual periods commencing on or after January 1, 2018 and is to be applied retrospectively. The Corporation intends to adopt IFRS 9 in its financial statements for the annual period beginning January 1, 2018.
- ii) In May 2014, the IASB issued IFRS 15 "Revenue from Contracts with Customers," which replaces IAS 18 "Revenue," IAS 11 "Construction Contracts," and related interpretations. The standard is required to be adopted either retrospectively or using a modified transition approach for fiscal years beginning on or after January 1, 2017, with earlier adoption permitted. IFRS 15 will be applied by the Company on January 1, 2017.

The Company has not applied any of these new standards as of June 30, 2015. The Company is currently evaluating the extent of the impact that adoption will have on the consolidated financial statements.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company did not utilize financial instruments such as hedges or swaps in the period from its in Company to year-to-date.

MANAGEMENT REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In connection with NI 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings) adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis.

The Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

BUSINESS ENVIRONMENT AND RISKS

Santa Maria is exposed to a variety of risks including, but not limited to operational, financial, competitive, political and environmental risks.

Santa Maria is focused on international oil and natural gas activities, currently with interests in Colombia. As such, the Company is subject to political risks such as price controls, renegotiation of land tenure agreements, nationalization, different legal systems, complex regulatory regimes, insurgency and foreign language risks.

The Company focuses its foreign operations in countries where Management has prior experience and/or engages local in-country staff as soon as possible. The Company engages local legal, accounting and tax professionals. The Company may also, from time to time, arrange for insurance to mitigate specific risks. The oil and natural gas industry is subject to extensive and varying environmental regulations imposed by governments

in all countries in which Santa Maria operates. The Company adopts prudent and industry-recommended field operating procedures in all of its operations, as well as maintaining a Health, Safety and Environment program.

As a participant in the oil and natural gas industry, Santa Maria is exposed to operational risks such as unsuccessful exploration and exploitation activities, the inability to find new reserves that are commercially and economically feasible, premature declines of reservoirs, blow-outs and other operating hazards and lack of infrastructure to access markets. The Company works to mitigate these risks by employing highly skilled personnel and utilizing available technology. The Company also maintains a corporate insurance program consistent with industry practices to protect against insurable losses.

The Company is exposed to normal financial risks inherent within the oil and natural gas industry, including commodity price risk, exchange rate risk, interest rate risk and credit risk. From time to time, the Company may have to raise additional financing to finance business development activities, however, depending on market conditions at the time there can be no assurance that the Company will be able to arrange debt or equity financing on satisfactory terms.

The Company continuously monitors opportunities to use financial instruments to manage exposure to fluctuations in commodity prices, foreign currency rates and interest rates. Santa Maria operates all of its principal properties and, therefore, has control over the timing, direction and costs related to exploration and development opportunities.

The oil and natural gas industry is intensely competitive, with Santa Maria competing against companies that may have larger technical and financial resources. There is competition for new exploration and development properties, for drilling and other specialized technical equipment and for experienced key human resources. To the extent possible, Santa Maria seeks to enter into joint venture arrangements with large and/or experienced industry players in each country to improve its access to resources.

Since inception and typical of development-stage companies as defined in CICA AcG-11, the Company has incurred losses from operations and negative cash flows from operating activities. The ability of the Company to carry out its business plan beyond exploration is largely dependent on the continued support of its stakeholders, the discovery of commercially recoverable hydrocarbons and obtaining financing to develop reserves.

SANTA MARIA PETROLEUM INC.

DIRECTORS

Andrew DeFrancesco, Chairman
Mike Dai
Michael Galloro

MEMBERS OF THE AUDIT COMMITTEE

Michael Galloro, Chairman
Andrew DeFrancesco
Mike Dai

OFFICERS

Andrew DeFrancesco, Chief Executive Officer
Mike Dai, Chief Financial Officer

INVESTOR RELATIONS

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