NEW STRATUS ENERGY INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

NEW STRATUS ENERGY INC.

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Management's Responsibility for Financial Statements

The accompanying financial statements of New Stratus Energy Inc. Inc. (the "Company") are the responsibility of the Board of Directors.

These financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the end of the reporting period. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

Management has established processes, which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the financial statements and (ii) the financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the financial statements.

The Board of Directors is responsible for reviewing and approving the financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(signed)
Jose Francisco Arata
President and Chief Executive Officer

(signed)
Mario A. Miranda
Chief Financial Officer

Toronto, Canada
July 29, 2022

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Independent Auditor's Report

To the Shareholders and the Board of Directors of
New Stratus Energy Inc.

Opinion

We have audited the consolidated financial statements of New Stratus Energy Inc. (the " Company"), which comprise the consolidated statements of financial position as at March 31, 2022 and 2021, and the consolidated statements of operations and comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the 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.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, 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 in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 GAAS 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 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 financial statements, including the disclosures, and whether the 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 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 audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is David Langlois.

/s/ Deloitte LLP

Chartered Professional Accountants
Calgary, Alberta
July 29, 2022

NEW STRATUS ENERGY INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in Canadian dollars)

	Note	March 31, 2022	March 31, 2021
ASSETS			
Current assets			
Cash and cash equivalents	5	**$15,474,166**	$867,392
Restricted cash		**510,745**	-
Trade and other receivables	6	**9,064,348**	41,579
Accounts receivable from consortium partners	7	**37,285,277**	-
Recoverable taxes		**6,963,940**	-
Inventory	8	**2,921,023**	-
Prepaid and advances payments		**2,665,056**	4,794
Property, plant, and equipment	9	**26,652,038**	-
		101,536,593	913,765
Non-current assets			
Exploration and evaluation assets	10	**2,240,368**	1,140,788
Other assets		**400,902**	1,150
		2,641,270	1,141,938
Total assets		**$104,177,863**	$2,055,703
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	11	**27,702,752**	721,367
Taxes payable		**1,340,422**	-
Employee benefit obligation	13	**2,031,940**	-
Defined benefit obligation	14	**30,468,079**	-
Asset retirement obligation	15	**10,847,772**	-
Due to related parties	24	**-**	138,640
		72,390,965	860,007
Non-current liabilities			
Trade and other payables	11	**2,999,609**	-
Other liabilities	16	**498,185**	-
		3,497,794	-
Total liabilities		**75,888,759**	860,007
Shareholders' equity			
Share capital	12	**29,153,448**	18,473,981
Warrants	12	**2,789,704**	1,635,594
Contributed surplus		**1,476,133**	684,920
Cumulative translation adjustment		**(371,073)**	(930)
Deficit		**(4,759,108)**	(19,597,869)
Total equity		**28,289,104**	1,195,696
Total liabilities and equity		**$104,177,863**	$2,055,703

Commitments and Contingencies (Note 28) and Subsequent Events (Note 30)

Approved by the Board of Directors

(Signed) Wade Felesky
Wade Felesky, Director

(Signed) Jose Francisco Arata
Jose Francisco Arata, Director

See accompanying notes to the consolidated financial statements

NEW STRATUS ENERGY INC.
CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(in Canadian dollars)

For the years ended March 31,	Note	2022	2021
Income			
Services Revenue	17	**$ 24,832,270**	$ -
Operator fees	17	**150,089**	-
Other	17	**729,748**	-
		25,712,107	-
Operating cost and expenses:			
Operating expenses	18	**10,712,403**	-
Depletion and depreciation	9	**7,750,320**	-
Gross profit		**7,249,384**	-
General and administrative	19	**4,215,798**	1,140,409
Financial (income) cost, net	21	**(167,621)**	22,438
Stock-based compensation	12	**767,899**	22,832
Foreign exchange gain		**(65,879)**	(94,691)
Acquisition cost	4	**2,956,360**	-
Gain on acquisition	4	**(18,010,552)**	-
Other income, net	20	**(268,942)**	-
Net income (loss) before income taxes		**17,822,321**	(1,090,988)
Current income tax	26	**(2,983,560)**	-
Deferred income tax	26	**-**	-
Total income tax expense		**(2,983,560)**	-
Net income (loss)		**$ 14,838,761**	$ (1,090,988)
Other comprehensive income (loss):			
Translation reserve		**370,143**	(7,173)
Net income (loss) and comprehensive income (loss)		**$ 15,208,904**	$ (1,098,161)
Net income (loss) per share			
Basic	22	**$0.17**	($0.02)
Diluted	22	**$0.14**	($0.02)

See accompanying notes to the consolidated financial statements

NEW STRATUS ENERGY INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in Canadian dollars)

As at March 31,	**Notes**	**2022**	2021
Share capital			
Balance, beginning of the year		**$ 18,473,981**	$ 16,220,361
Compensation shares	12	**371,309**	53,724
Issued warrants	12	**(1,443,449)**	(964,885)
Shares issued on exercise of warrants	12	**3,221,834**	-
Shares issued on exercise of options	12	**29,262**	1,500
Shares issued on private placement	12	**9,285,916**	3,223,286
Share issue cost	12	**(785,405)**	(60,005)
Balance, end of the year		**29,153,448**	18,473,981
Warrants			
Balance, beginning of the year		**1,635,594**	670,709
Warrants issued on private placement	12	**1,443,449**	964,885
Fair value of warrants exercised	12	**(256,763)**	-
Warrants expired	12	**(32,576)**	-
Balance, end of the year		**2,789,704**	1,635,594
Contributed surplus			
Balance, beginning of the year		**684,920**	662,088
Warrants expired	12	**32,576**	-
Fair value of options exercised	12	**(9,262)**	-
Stock-based compensation	12	**767,899**	22,832
Balance, end of the year		**1,476,133**	684,920
Cumulative translation adjustment			
Balance, beginning of the year		**(930)**	(8,103)
Translation reserve		**(370,143)**	7,173
Balance, end of the year		**(371,073)**	(930)
Accumulated deficit			
Balance, beginning of the year		**(19,597,869)**	(18,506,881)
Net income (loss) for the year		**14,838,761**	(1,090,988)
Balance, end of the year		**(4,759,108)**	(19,597,869)
Total shareholders' equity		**$ 28,289,104**	$ 1,195,696

See accompanying notes to the consolidated financial statements

NEW STRATUS ENERGY INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in Canadian dollars)

For the years ended March 31,	Note	2022	2021
Operating activities			
Net income (loss)		**$ 14,838,761**	$ (1,090,988)
Adjustment for non-cash items:			
Depletion and depreciation	9 and 4	**7,750,320**	-
Gain on acquisition	4	**(18,010,552)**	-
Compensation shares issued	13	**371,309**	53,724
Interest on shareholders and term loans		**-**	22,438
Share issue cost	12	**(785,405)**	(60,005)
Stock based compensation	12	**767,899**	22,832
Foreign currency exchange		**(65,880)**	-
Net change in non-cash working capital items:	27	**(6,671,058)**	(449,395)
		(1,804,606)	($1,501,394)
Investing activities			
Non-cash working capital account payables related to exploration and evaluation		**-**	95,117
Cash acquired through business combination		**809,088**	-
Change in non-cash working capital	4	**(959,692)**	-
Purchase of property, plant and equipment	9	**(78,531)**	-
Cash consideration from business combination		**6,166,000**	-
Investment in exploration and evaluation assets		**(1,124,717)**	(482,101)
		4,812,148	(386,984)
Financing activities			
Warrants exercised	12	**2,965,071**	-
Issuance of common shares and warrants	12	**9,285,916**	3,223,286
Stock based compensation exercised	12	**20,000**	1,500
Repayment of short term loan		**-**	(120,364)
Repayment of shareholders' loans		**-**	(608,690)
		12,270,987	2,495,732
Net change in cash and restricted cash		**15,278,529**	607,354
Impact of foreign exchange on foreign currency-denominated cash balances		**(161,010)**	7,173
Cash and restricted cash, beginning of the year		**867,392**	252,865
Cash and restricted cash, end of the year		**$ 15,984,911**	$ 867,392

See accompanying notes to the consolidated financial statements

NOTE 1 – REPORTING ENTITY

New Stratus Energy Inc. ("**New Stratus**" or the "**Company**"), is a publicly traded company domiciled in Canada. The Company was incorporated on April 12, 2015, pursuant to the Business Corporations' Act (Alberta). The Company's registered office is 1500, 850 2nd Street S.W., Calgary, Alberta, Canada.

The Company's operations involve the acquisition, exploration, and development of oil and gas properties, and, since January 14, 2022, the operation and production of oil and gas deposits. These type of operations are subject to risks and challenges similar to companies in a comparable stage. These risks include, but are not limited to, the challenges of securing adequate capital; exploration, development and operational risks inherent in the oil and gas industry; changes in government policies and regulations; the ability to obtain the necessary environmental permitting; challengesin profitable production or, New Stratus' ability to dispose of its interest on an advantageous basis; as well as global economic and commodity price volatility; all of which are uncertain.

The underlying value of the oil and gas properties is dependent upon the existence and economic recovery of oil and gas reserves and is subject to, but not limited to, the risks and challenges identified above. Changes in future conditions could require material impairment of the carrying value of oil and gas properties and deferred exploration activities.

On January 14, 2022, the Company acquired 100% of the shares in Repsol Ecuador S.A., a Spanish incorporated company (see Note 4). Repsol Ecuador S.A. operates Blocks 16 and 67 Oil Consortiums under Service Contract agreements in Ecuador through its branch, Repsol Ecuador S.A. (the "Branch").

Subsequent to year end, on June 8, 2022, Repsol Ecuador S.A. completed a corporate name change to, and also changed the name of the Branch to, Petrolia Ecuador S.A.

The Service Contract agreements signed between Repsol Ecuador S.A., the other companies making up the Consortiums and the Ecuador Ministry of Energy is a Service Oil Contract where the Company is entitled to collect a fixed service tariff for each delivered barrel. The Company will receive the total service tariff when the Available Income is equal or higher than the Tariff; otherwise, the Contractor is entitled to collect only the available income. In this case, this difference "carryforward", could be collected, depending on oil prices, until contract termination. See Note 17.

The main activity of Petrolia Ecuador S.A. is the production of hydrocarbons (crude oil, gas and other liquids) directly or through its participation in "associations or consortiums", through which it can manage in different locations one or several contractual areas within the territory of the Republic of Ecuador, with each "association or consortium" having the material and human resources (its own or third parties). The Branch has been operating in the country since 2001, the year in which it signed the acquisition of the participation rights in the oil associations or consortiums for the management of Block 14, Block 16 and Tivacuno Area (herein after Block 67).

Currently, after several assignments of rights and obligations, the companies that signed the Service Contract agreements, among them Petrolia Ecuador S.A. (then Repsol Ecuador S.A.), formed the Block 16 Oil Consortium and the Tivacuno Block Oil Consortium or Block 67, which are structured as follows:

	Shares of Stock
Petrolia Ecuador S.A.	35%
Overseas Petroleum and Investment Corp.	31%
Amodaimi – Oil Company, S.L.	20%
CRS Resources Ecuador LDC.	14%

Joint operation agreement

By means of a joint operating agreement, the members of the Consortia appointed YPF Ecuador Inc. Branch Ecuador as operator for the exploration and exploitation of Block 16 and the Block 67. The operations of Block 16 and Block 67 were assigned to the Branch.

This agreement establishes that the members of the Consortia maintain the right over the assets, the obligation over the liabilities, the benefit of the revenues and the responsibility for the costs and expenses of the joint operation in accordance with their portion of participating interest.

NOTE 2 - BASIS OF PREPARATION

The financial statements have been prepared by management in accordance with International Financial Reporting Standards (“IFRS”).

Statement of compliance and authorization
These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The Company has consistently applied the same accounting policies throughout all years presented.

The financial statements were authorized for issue by the Company’s Board of Directors on July 29, 2022.

Basis of Measurement
These financial statements have been prepared on a historical cost basis except for where the Company’s accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on financial instruments accounting policy. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The financial statements consolidate the accounts of New Stratus Energy Inc. and its subsidiaries. Subsidiaries are those entities (including special purpose entities) which the Company controls by having the power to govern the financial and operating policies. Subsidiaries are fully consolidated from the date on which control is obtained by New Stratus and are de-consolidated from the date that control ceases. Intercompany transactions, balances, income and expenses, and profits and losses are eliminated.

The consolidated financial statements of the Company at March 31, 2022 include the Company and its subsidiaries, Petrolia SARL, New Stratus Minerals Inc., Petrolia Ecuador, S.A. and its Branch, New Stratus Latin America and New Stratus Power Inc. The Company is primarily in the business of acquiring, exploring, and developing oil and gas properties, for the purpose of producing oil and gas, principally in South America.

Functional and presentation currency:
These financial statements are presented in Canadian dollars, which is the Company’s functional currency.

The items in the Company's financial statements are expressed, unless otherwise indicated, in Canadian dollars.

Transactions in foreign currencies are translated into the functional currency using the exchange rates in effect at the dates of the transactions. Exchange gains and losses resulting from the settlement of such transactions are recognized in the statement of income, except when they are deferred in equity in transactions that qualify as cash flow hedges.

Cash and cash equivalents
Includes cash on hand, demand deposits in banks, other highly liquid equivalents that can be accessed within 12 months. The fair value of cash and cash equivalents approximated their carrying value due to their liquidity and relatively short terms to maturity, respectively.

Restricted cash
Restricted cash includes a line of credit for USD$ 325,000 related to the Company’s performance warrantee in Colombia and $100,000 deposit on credit cards.

Shares in net assets and results of the joint operation
In Ecuador, the Company’s interest in the net assets and results of the joint operation of Oil Consortium Block 16 and Oil Consortium Block 67 are accounted for using the proportional consolidation method. Under this method, the Company's interest in the revenues, costs and expenses, assets, liabilities and cash flows derived from the joint operation of such Consortium are recognized line by line in the Company’s financial statements.

Inventories
Inventories of spare parts, materials and others are valued at the lower of acquisition cost or net realizable value. The cost is determined by the weighted average method for the allocation of inventory issues.

Imports in transit are stated at invoice cost plus other import-related charges. Inventories include an allowance for obsolescence losses, which is determined based on an analysis of the actual possibility of utilization.

Property, plant and equipment
The Company classifies its property, plant and equipment in the following categories: "Exploration and production investments", "Work in progress" and "Fixed assets". Management determines the aforementioned classification at the date of initial recognition and its allocation depends on the function for which it was acquired, considering that it is probable that future economic benefits will be derived from these costs and the cost of the items can be measured reliably.

International Financial Reporting Standards (IFRS) do not establish specific criteria for hydrocarbon development and production activities. In relation to the exploration and evaluation stage, IFRS 6 "Exploration and evaluation of mineral resources" establishes that the effective date for its application is from annual periods beginning on January 1, 2006.

The main characteristics by category are described below:

Exploration and production investments and works in progress
Exploration and production operations are recorded using accounting policies based mainly on the successful efforts method. In accordance with these policies, the accounting treatment of the different costs incurred is as follows:

Costs originated in the acquisition of interests in areas with proved reserves are capitalized when incurred.

Drilling costs for wells that have resulted in a positive discovery of commercially exploitable reserves are capitalized. Wells qualify as "commercially exploitable" only if they are expected to generate a volume of reserves that justifies their commercial development considering the conditions existing at the time of recognition.

Development costs incurred to extract proved reserves and for treatment, transportation and storage of crude oil are capitalized.

The costs related to the retirement of assets originate from Management's best estimate of the costs at present value to be incurred to restore at the end of the contracts and the operating and/or environmental conditions that may have been caused in the Blocks during the development of hydrocarbon exploitation activities. This estimate is reviewed periodically and is amortized by units of production following the guidelines established for exploration and production investments.

Investments capitalized according to the above criteria are amortized in accordance with the following methods:

Investments corresponding to the acquisition of total proved and probable reserves are amortized over the estimated commercial life of the field based on the relationship between the production of the period and the total proved and probable reserves of the field at the beginning of the amortization period certified by Ministry of Energy and an independent professional.

Investments in productive wells are amortized over the estimated commercial life of the field based on the relationship between production for the period and the proved developed and probable reserves updated at the beginning of each quarter. Investments in facilities (platforms, transportation facilities, separation, measurement and storage plants, among others) are amortized over the estimated commercial life of the field based on the relationship between production for the period and the total proved reserves of the field at the beginning of the amortization period. Changes in reserve estimates are updated quarterly for the amortization calculation.

The unit of production criterion used for the calculation of amortization and for the evaluation of the recoverability of investments, considers the total amount of reserves expected to be produced with the investments made (proved plus probable reserves or proved plus probable developed reserves). Management believes that this amortization ratio provides a better reflection of the pattern of consumption of the economic benefits of this asset class.

Fixed assets
Fixed assets are recorded at historical cost, less accumulated depreciation and impairment losses, if any. Cost includes expenditures directly attributable to the acquisition or construction of the asset. Post- purchase or post-acquisition expenditures are capitalized only when it is probable that future economic benefits associated with the investment will flow to the Branch and the costs can be reasonably measured. Other subsequent expenditures for repairs or maintenance are expensed as incurred. Depreciation of fixed assets is calculated on a straight-line basis based on the estimated useful lives of the assets or significant identifiable components that have different useful lives and does not consider residual values, since it is estimated that the realizable value of its fixed assets at the end of their useful lives will be immaterial. Estimates of useful lives and residual values of property, plant and equipment are reviewed and adjusted if necessary, at each balance sheet date. Depreciation of assets is charged to operations for the year.

The estimated useful lives of fixed assets are as follows:

Asset	Method	Depreciation Period
Vehicles	Straight-line	5 years
Furniture and equipment	Straight-line	10 years
Office equipment	Straight-line	10 years
Computer equipment	Straight-line	3 years

Stock options and warrants:
The fair values of stock options and warrants are measured based on a Level 2 fair value measurement using a Black Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, forfeiture rate, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on government bonds).

Use of estimates and judgments:
The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis.
Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected. Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

- Note 3 - Fair values;
- Note 9 - Property, plant and equipment;
- Note 10 - Exploration and evaluation assets;
- Note 12 - Share capital;
- Note 13 - Defined benefit obligation;
- Note 26 - Income taxes.

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimates, which may have the most significant effect on the amounts recognized in the financial statements.

Impairment indicators and calculation of impairment:
At each reporting date, the Company assesses whether or not there are circumstances that indicate a possibility that there are indicators of impairment in the property, plant and equipment as well as in exploration and evaluation assets. Such circumstances include incidents of physical damage, deterioration of commodity prices, changes in the regulatory environment, or increases in estimates of costs required to reach technical feasibility and related estimates of proved and probable reserves.

Asset retirement obligation
In accordance with the provisions of the amending contracts and the Cost Accounting Regulations applicable to Service Contracts, the Contractors must make the necessary provisions for the closure, termination or partial or total abandonment of operations and for the environmental remediation of the areas affected by the hydrocarbon activity.

The present value of the costs for these obligations is capitalized together with the assets that gave rise to them (exploration and production investments) and amortized in the same manner. As a counterpart, a liability is recognized for such concept considering an estimate made by Management based on a study carried out by internal technical specialists. The aforementioned liability will decrease to the extent that the costs of restructuring the Blocks are incurred, until the date of termination of the contracts. If an adjustment to the estimate results in the accumulated amortization exceeding the asset, the difference is recorded affecting the productive asset that generated the provision.

Based on technological changes and variations in the recovery costs necessary to protect the environment, the Branch has considered it appropriate to periodically reassess the future costs of the asset retirement obligation.

Employee benefits
Current benefits: These are recorded under employee benefits in the consolidated statement of financial position and correspond mainly to:

I. Employee profit sharing: The Branch maintains the labor relationship with the employees who render their services for the performance of the Service Contracts.

   Employee profit sharing is calculated at the rate of 15% of taxable profits in accordance with legal provisions. On July 27, 2010, the Law Reforming the Hydrocarbons Law and the Internal Tax Regime Law came into effect, published in Official Gazette No. 244, which, among other matters, establishes that workers related to the hydrocarbons activity will receive 3% of the profits and the remaining 12% will be paid to the Ecuadorian State as a contribution.

II. Additional salaries (denominated 13th and 14th salaries) and reserve funds: These are provided for and paid in accordance with current Ecuadorian legislation.

III. Management bonus for commitments: The Company recognizes a liability and a bonus expense for commitment management which consists of a people management model focused on accountability, development and recognition. Performance is evaluated annually based on unit objectives and individual commitments

Non-current benefits:
Obligation for defined benefits: Includes employer retirement pension, bonus for severance and bonus for termination, regulated and required by Ecuadorian labor laws.

In cases of termination of the employment relationship due to severance requested by the employer or by the worker, the employer will reward the worker with twenty-five percent of the equivalent to the last monthly remuneration for each one of the years of services provided to the same company or employer.

The termination bonus represents the provision for the payment of labor compensation to employees when the Branch ends the term of the Service Contracts agreements and considers that they will not be renewed or extended.

They are determined annually based on actuarial studies carried out by an independent professional and are reserved against the comprehensive results of the year, applying the Projected Unit Credit Costing method and represent the present value of the obligations at the date of the statement of financial position, which is obtained by discounting the cash outflows at a rate of 0.95% for 2022, which was determined by applying the rate of high-quality US corporate bonds, which are denominated in the same currency in which the benefits will be paid and have terms that approximate the terms of the pension obligations until maturity.

The actuarial hypotheses include variables such as, in addition to the discount rate, mortality rate, age, gender, years of service, remuneration, future increases in remuneration, turnover rate, among others.

Actuarial gains and losses arising from adjustments based on experience and changes in actuarial assumptions are charged to equity as other comprehensive income in the period in which they arise.

Management updated its provisions for compensation for severance and employer retirement pension, considering all workers who will generate a liability for the Branch until 2022.

Other liabilities
The Company records provisions when: (i) it has a present obligation, whether legal or implicit, as a result of past events, (ii) it is probable that an outflow of resources will be necessary to settle the obligation and, the amount has been reliably estimated. The amounts recognized as a provision are Management's best estimate at the closing date of the financial statements, of the disbursements necessary to settle the obligation.

Revenue recognition
Revenue is recognized when the amount can be measured reliably, it is probable that future economic benefits will flow to the Company and the specific criteria for each type of revenue are met, as described below. The amount of revenue cannot be measured reliably until all contingencies related to the provision of the service have been resolved. The Company bases its estimates on historical results, considering the type of client, transaction and specific conditions of each agreement.

Stock-based Compensation:
The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date they are granted. Estimating the fair value requires the determination of the most appropriate valuation model for a grant, which is dependent on the terms and conditions of the grant. This also requires the determination of the most appropriate inputs to the valuation model including the expected life of the option, risk free interest rates, volatility and dividend yield.

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.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by the Company.

Non-derivative financial instruments:
Non-derivative financial instruments are comprised of cash, other receivables, prepaid expenses, trade and other payables, short- term loan, due to shareholders. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below:

Financial assets at fair value through profit or loss
An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred.
Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. The Company has classified cash as amortized cost.

Other
Other non-derivative financial instruments, such as other receivables, prepaid expenses, trade and other payables, short term loan and due to shareholders are measured at amortized cost using the effective interest method, less any impairment losses. Due to the short-term nature of other receivables, prepaid expenses and accounts payable, their carrying values approximate fair value.

Derivative financial instruments:
The Company has not entered into any financial derivative contracts.

Share capital:
Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Exploration and evaluation assets:
Exploration and evaluation assets include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the acquisition date fair value of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized as exploration and evaluation ("E&E") assets. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in the consolidated statements of operations and comprehensive loss.

Acquisition costs, including general and administrative costs, are only capitalized to the extent that these costs can be related directly to operational activities in the relevant area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

Where the Company's exploration commitments for an oil and gas property are performed under option agreements with a third party, the proceeds of option payments under such agreements are applied to the property to the extent costs are incurred. The excess, if any, is recorded to the statement of loss.

Impairment:
E&E assets are assessed for impairment only when facts and circumstances suggest that the carrying amount of an E&E asset may exceed its recoverable amount. Industry specific indicators for an impairment review arise typically when one of the following circumstances applies:

- Substantive expenditure on further E&E activities is neither budgeted nor planned;
- Title to the asset is compromised;
- Adverse changes in the taxation and regulatory environment; and
- Adverse changes in variations in commodity prices and markets.

Once the technical feasibility and commercial viability of the extraction of mineral resources and oil and gas properties in an area of interest are demonstrable, E&E assets attributable to that area of interest are first tested for impairment and then reclassified to oil and gas property and development assets within property and equipment. To date, none of the Company's oil and gas properties has demonstrated technical feasibility and commercial viability.

Recoverability of the carrying amount of any E&E assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Business Combination
The Company accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Parent. In determining whether a particular set of activities and assets is a business, the Company assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any gain on a bargain purchase is recognized in the consolidated statement of income immediately. Transaction costs are expenses as incurred, except if related to the issue of debt or equity securities.

Fair value
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.

Fair value measurement for invested assets are categorized into levels within a fair value hierarchy based on the nature of the valuation inputs (Levels 1, 2 or 3). The three levels are defined based on the observability of significant inputs to the measurement, as follows;

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3: unobservable inputs for the asset or liability

When one is available, the Company measured the fair value of an instrument using the quoted price in an active market for that instrument.

A market is regarded as "active" if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

Financial Instruments

The following table summarizes the classification of the Company's financial instruments under IFRS 9 Financial Instruments ("IFRS 9"):

Financial Instrument	Classification under IFRS 9
Cash and cash equivalent	Amortized cost
Restricted cash	Amortized cost
Trade and other receivables	Amortized cost
Other accounts receivable from consortium partners and others	Amortized cost
Recoverable taxes	Amortized cost
Prepaid and advances payments	Amortized cost
Other assets	Amortized cost
Trade and other payables	Amortized cost
Taxes payable	Amortized cost
Employee benefit obligation	Amortized cost
Defined benefit obligation	FVTPL
Asset retirement obligation	FVTPL
Due to related parties	Amortized cost
Other liabilities	Amortized cost

Financial assets

The classification of financial assets is based on the Company's assessment of its business model for holding financial assets and the contractual terms of the cash flows. The classification categories are as follows:

- Financial assets measured at amortized cost: assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- Financial assets at fair value through other comprehensive income ("FVOCI"): assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- Financial assets at fair value through profit or loss ("FVTPL"): assets that do not meet the criteria for amortized cost or FVOCI.

Financial assets are initially recognized at fair value and subsequently measured at amortized cost.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred. Cash and other receivables have been classified as amortized cost.

Financial liabilities

The classification of financial liabilities is determined by the Company at initial recognition. The classification categories are as follows:

- Financial liabilities measured at amortized cost: financial liabilities initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. Interest expense is recognized in the consolidated statement of income (loss) and comprehensive loss.

- Financial liabilities measured at fair value through profit or loss: financial liabilities measured at fair value with changes in fair value and interest expense recognized in the consolidated statement of income (loss) and comprehensive loss and the total gain or loss attributed to the change of the Company's credit risk, recorded in the consolidated statement of other comprehensive income (loss).

- Financial liabilities are derecognized when the obligation in discharged, cancelled or expired.

- A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the consolidated statements of income (loss) and comprehensive income (loss).

Modification/Extinguishment
The impact of amendments to terms of financial instruments such as loans payable are assessed to determine if the change is a modification or an extinguishment. The Company reviews both quantitative and qualitative factors in determining whether the changes in terms are substantial and extinguishment accounting is required.

Qualitative factors involve assessing whether the amendments represent a significant change in the terms and conditions of the instruments, including changes in conversion price, settlement options or introducing variability in such terms such that the accounting treatment of the instrument changes. A gain or a loss is recorded in the consolidated statement of income (loss) and comprehensive income related to the modification or extinguishment. Under extinguishment accounting, the old instrument is derecognized and the amended instruments are recognized at the estimated fair value of the date the amendment was substantially effective.

Impairment of financial assets carried at amortized cost - expected credit loss allowances
At each reporting date, the Company assesses whether a financial asset or group of financial assets is impaired under the expected credit loss ("ECL") model. Loss allowances are measured based on (i) ECLs that result from possible default events within the 12 months after the reporting date ("12-month ECL"), or (ii) ECLs that result from all possible default events over the expected life of a financial instrument ("lifetime ECLs"). At March 31, 2022, the Company assessed its financial assets for impairment and recorded an ECL of $40.0 thousand.

The amortized cost of the financial asset is reduced by impairment losses at an amount equal to the lifetime expected credit losses. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amounts of the assets and the loss is recognized in the consolidated statements of income (loss) and comprehensive income (loss). When a trade receivable is uncollectible, it is written off against the allowance for doubtful accounts.

Non-financial assets:
The carrying amounts of the Company's non-financial assets, other than E&E assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The Company does not have any other non-financial assets.

Stock based compensation:
As the fair value of the services rendered cannot be estimated reliably, the Black-Scholes option valuation model has been used to estimate the fair value of equity instruments granted. The grant date fair value of options granted to employees, warrants, and non-employees is recognized as compensation expense, within general and administrative expenses, with a corresponding increase in contributed surplus over the vesting period.

A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest.

Income tax:
Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Net income (loss) per share amounts

The Company presents basic and diluted earnings per share data for its common shares. Earnings per share are calculated by dividing the net earnings attributable to equity holders of the Company by the weighted average number of common shares outstanding.

Diluted earnings per share is determined by adjusting the net earnings attributable to equity holders of the Company and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares. The calculation of diluted earnings per share assumes that outstanding options which are dilutive to earnings per share are exercised and the proceeds are used to repurchase shares of the Company at the average market price of the shares for the period. The effect is to increase the number of shares used to calculate diluted earnings per share.

Segment reporting:

As at March 31, 2022, the Company operated in two reportable operating segments – the exploration and evaluation of oil and gas properties in Ecuador and Colombia. Operating segments are defined as components of an enterprise for which separate financial information is available. Such financial information is evaluated regularly by the Chief Executive Officer, who is responsible for deciding how to allocate resources and in assessing performance.

Significant accounting estimates:

The preparation of financial statements requires Management to make estimates and use assumptions that affect the amounts included in these financial statements and their related notes. The estimates made and assumptions used by the Company are based on historical experience, changes in the industry and information provided by qualified external sources. However, final results could differ from estimates under certain conditions.

Significant accounting estimates and policies are defined as those that are important to accurately reflect the financial situation and results of the Branch and/or those that require a high degree of judgment on the part of Management.

The main estimates and applications of professional criteria are related to the following concepts:

- Impairment of financial instruments: the Company applies the simplified approach of IFRS 9 to measure expected credit losses, which uses an expected loss allowance over the life of the instrument for all accounts receivable. The Branch recognizes an allowance for such losses at each reporting date.

The allowance for impairment of accounts receivable is charged to income for the year and recoveries of provisioned accounts are credited to other income.

- Crude oil reserves: Proved and probable reserves are estimated quantities of crude oil determined based on studies performed by independent professionals. Proved plus probable developed reserves are those that can be recovered through existing wells with existing equipment and operating methods. Estimates of oil reserves are not exact and are subject to future revision. Accordingly, financial accounting estimates (such as the standard estimate of discounted cash flows and amortization of exploration and production assets) that are based on proved and probable reserves and proved and probable developed reserves are also subject to change.

The estimation of reserves is a key decision-making process for the Company. Changes in reserve volumes could have a significant impact on the Company's results.

- Obligation for removal of assets: Management evaluates the costs for removal of assets at least once a year, and represents the best estimate of the present value of the costs of removal of assets. Final withdrawal costs are uncertain and estimates may vary in response to various factors. Consequently, there could be adjustments to the established provisions which could affect future financial results.

- Useful lives and residual value of fixed assets: The determination of the useful lives and residual value that are evaluated at the end of each year.

- *Impairment Testing and Recoverability of Assets:* The Company has multiple cash-generating units and reviews the recoverable amount compared to the carrying value both in total and for each of the individual assets. The recoverable amount of the cash-generating units was estimated based on fair value less costs of disposal using an income approach. The approach uses a discounted cash flow to determine the recoverable amount.

- *Business Combinations:* In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. One of the most significant estimates relates to the determination of the fair value of these assets and liabilities.

For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied.

- Defined benefit obligations: The hypotheses used in the actuarial calculations, for which it uses actuarial studies carried out by independent professionals.

New standards and interpretations not yet adopted:

Recent accounting pronouncements

The following standards are not yet effective on April 1, 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

It is not expected the standards above will have a material impact, if any, on the Company's consolidated financial statements.

Future accounting pronouncements
The following are future accounting pronouncements issued and not yet effective as at March 31, 2022. The Company intends to adopt these standards as they become effective and is evaluating the impacts, if any, on the consolidated financial statements and does not expect a significant impact.

IAS 1 – Presentation of Financial Statements
Effective January 1, 2023, amendments to the classification of liabilities as non-current include the requirement that a right to defer settlement must have substance and exist at the end of the reporting period.

IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors
Effective January 1, 2023, amendments to IAS 8 include additional clarification on the determination of changes in accounting policies from changes in accounting estimates. The development of accounting estimates includes selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique.

IAS 16 – Property, plant, and equipment
Effective January 1, 2022, proceeds from selling items before property, plant and equipment is available for use is recognized in profit or loss, together with the cost of producing those items.

IAS 37 – Provisions, Contingent Liabilities and Contingent Assets
Effective January 1, 2022, IAS 37 requires the recognition of onerous contracts when the unavoidable costs of meeting obligations under a contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation of penalties arising from the failure to fulfill it. Amendments include clarification on incremental costs and the allocation of other direct costs as costs included of fulfilling a contract.

NOTE 4 – BUSINESS COMBINATION

Petrolia Ecuador S.A.

On January 14, 2022, the Company acquired 100 percent of the shares of Petrolia Ecuador S.A. for $7.2 million (USD $5.0 million) (the "Petrolia Acquisition"), comprised of a $6.2 million (USD $5.0 million) purchase price payable in two equal instalments of $3.1 million (USD $2.5 million) on the first and second anniversary dates of the closing of the transactions, respectively, and a preliminary closing adjustment of $1.0 million (USD $0.8 million.) This purchase price obligation has been discounted in the consolidated financial statements to its net present value.

Acquisition costs incurred for the Petrolia Acquisition were $3.0 million during the year ended March 31, 2022. The Petrolia Acquisition resulted in a bargain purchase gain of $18.0 million that is mainly attributed to an increase in the valuation of proven and probable oil reserves established in an independent reserves valuation effective November 30, 2021.

The Petrolia Acquisition has been accounted for as a business combination under IFRS, using the acquisition method based on net asset and liability fair values as follows using discount rates based on what a market participant would have paid. The amounts below are estimates which were made by management at the time of the preparation of these consolidated financial statements based on information then available. Amendments may be made to these amounts as values subject to estimate are finalized for a period of up to one year. The preliminary purchase price allocation is:

	January 14, 2022
Cash purchase price consideration as per purchase and sale agreement (USD $5 million)	6,166,000
Total cash consideration (1)	6,166,000
Preliminary closing adjustments (USD $765K)	959,692
	7,125,692
Fair value of net identifiable assets acquired:	
Cash	6,975,087
Working capital (2)	25,324,038
Property, plant, and equipment (3)	34,323,827
Asset retirement obligations (Note 15)	(10,854,410)
Defined benefit obligation (Note 14)	(30,632,298)
	25,136,244
Bargain purchase gain	**(18,010,552)**
Total	**7,125,692**

(1) Purchase Price consideration has been discounted to its net present value considering a 1.13% and 1.15% discount rate for the installments due 12 and 24 months from closing, respectively.

(2) Working capital mainly included inventory, trade receivable and other, recoverable taxes, offsetting by trade and other payables, employee benefit obligation payable, taxes payable among others.

(3) As a result of the Petrolia Acquisition the Company performed an analysis on the fair value of the Property, Plant and Equipment. The Company evaluated the cash flows to be generated by Block 16 and Block 67 until December 31, 2022, as this is the end of the contractual period. The Company considered for this analysis: the reserves to be extracted from Block 16 and 67; a Sproule Price WTI Forecast @12/31 of $73/bbl; a discount factor of 20.0%; and an estimation of operational costs and taxes to be incurred in 2022.

From January 14, 2022 to March 31, 2022, the Petrolia Ecuador S.A. assets contributed $23.9 million of revenue and $13.8 million of net income before tax to the Company. Had the business combination occurred on April 1, 2021, revenue contributed by the Petrolia assets would have been $96.71 million and net income before tax would have been $56.46 million for the period April 1, 2021 to March 31, 2022. The pro forma information disclosed is not necessarily indicative of the actual results that would have been achieved had the Petrolia Acquisition closed on April 1, 2021.

NOTE 5 – CASH AND CASH EQUIVALENTS

As at March 31,	2022	2021
Cash and banks	**$ 14,454,576**	$ 867,392
Short-term investments (1)	**1,019,590**	-
	$ 15,474,166	$ 867,392

(1) The Company's subsidiary has short-term investments held in financial institutions and all these investments are accessible to the Company within 12 months.

NOTE 6 – TRADE AND OTHER RECEIVABLES

As at March 31,	2022	2021
Customer (1)	**$ 9,064,348**	$ -
Other	**-**	41,579
	$ 9,064,348	$ 41,579

(1) Contains both outstanding invoices from the Ministry of Energy and Non-Renewable Natural Resources for the provision of services for $2,117,552; and accrual for services not yet invoiced $6,903,459.

NOTE 7 – ACCOUNTS RECEIVABLE FROM CONSORTIUM PARTNERS

As at March 31,	2022	2021
Block 16 & Block 67 Consortiums (1)	**$ 18,664,772**	$ -
Account receivable – RTSA (2)	**18,620,505**	-
	$ 37,285,277	$ -

(1) Corresponds mainly to reimbursements of expenses incurred by the Branch on behalf of the Consortiums and provisions for Employee Defined Benefits.
(2) Outstanding balances receivable for crude oil shipments. In accordance with the terms of the contracts signed with the Ecuadorian State, Repsol Trading y Transporte S.A ("RTSA"). RTSA was designated as the third-party beneficiary to receive the crude oil corresponding to the payment in kind for the service performed, in accordance with the terms of the amendment contracts described in Note 1.

Except as mentioned in the preceding paragraphs, balances receivable from and payable to consortium partners and others do not accrue interest and do not have defined collection and/or payment terms.

NOTE 8 – INVENTORY

The consumption of materials and spare parts recognized in the results for the period of January 14, 2022 – March 31, 2022 was approximately $2.3 million (USD $1.8 million).

As at March 31,	2022	2021
Spare parts	**$ 2,068,011**	$ -
Materials	**1,052,834**	-
	3,120,845	-
Less: impairment allowance and inventory net realizable value (NRV)	**(199,822)**	-
	$ 2,921,023	$ -

The changes in the impairment allowance and NRV of inventories are as follows:

Years ended March 31,	2022	2021
Balance at beginning of year	**$ -**	$ -
Increases	**199,822**	-
Balance at end of year	**$ 199,822**	$ -

NOTE 9 – PROPERTY, PLANT AND EQUIPMENT

Property, plant, and equipment includes Company's Oil and Gas exploration and production investments such as machinery, processing facilities, equipment, vehicles, office equipment, and furnishings, among other things:

All these investments will be depleted and depreciated until December 31, 2022, date in which the Services Contracts will be terminated.

Cost	Oil and gas production investments	Furniture fixtures & Other Equipment	Total property plant & equipment
Balance at March 31, 2021	$ -	$ -	$ -
Acquired in a business combination (note 4)	34,323,827	-	34,323,827
Additions	17,850	60,681	78,531
Balance at March 31, 2022	**$ 34,341,677**	**$ 60,681**	**$ 34,402,358**

Accumulated depletion and depreciation	Oil and gas production investments	Furniture fixtures & Other Equipment	Total property plant & equipment
Balance at March 31, 2021	$ -	$ -	$ -
Depletion and depreciation	(7,750,093)	(227)	(7,750,320)
Balance at March 31, 2022	**$ (7,750,093)**	**$ (227)**	**$ (7,750,320)**

Carrying amounts as at:	Oil and gas production investments	Furniture fixtures & Other Equipment	Total property plant & equipment
March 31, 2021	$ -	$ -	$ -
March 31, 2022	**$ 26,591,584**	**$ 60,454**	**$ 26,652,038**

There were no impairment indicators present as at March 31, 2022.

Oil and gas production investments are subject to review by the Hydrocarbons Regulation and Control Agency (ARCERNNR). If this agency eventually objects to such investments, they may not be part of the amortization accepted for income tax and workers' profit-sharing purposes, in the event that such objections are ratified by the Internal Revenue Service and accepted by the Management of the Consortia (in which the Petrolia's branch participates with 35%).

NOTE 10 – EXPLORATION AND EVALUATION ASSETS

Block VMM-18:
On November 27, 2018 the Company entered into a farm-in agreement (the "Agreement") with Montajes JM ("JM") where NSE has the right to earn up to 100% interest in Montajes' 100% owned Block VMM-18 (the "Project"), located at Cuenca Valle Medio del Magdalena in Colombia. The Project encompasses the exploration and development of hydrocarbons in the above-mentioned area.

The Agreement contemplated the completion of Phase II by August 21, 2019, which was originally deferred due to the delay on the granting of the environmental license by the Agencia Nacional de Hidrocarburos ("ANH"), the Colombian National Hydrocarbons Association, until August 21, 2020. As a condition of the extension of the Agreement, NSE has committed to perform seismic reprocessing valued at USD $250,000, now in progress, and drill an exploration well valued at USD $3 Million by August 21, 2020 as a work commitment under the contract.

Phase II of the exploration program contemplates:

- The reprocessing of 963 kms. of two-dimensional seismic data;
- The reprocessing of 60 square kilometers of three-dimensional seismic data
- The seismic inversion of the 2D and 3D on top of the exploratory prospects
- Drilling one exploratory well.

All activities committed by NSE are now completed except for the drilling of the exploratory well, which is subject only to the approval of the Environmental License outlined above.

NSE has agreed as well to finance all decommissioning costs and payments due to the ANH. . As at March 31, 2022 there are no costs.

The initiation of exploratory well work is subject to the ANH's approval of the environmental license. Once the license is received from the ANH, NSE will become the operator and would have earned-up a 100% interest in the Project.

As part of the Agreement, once production starts, NSE will pay to JM a 5% royalty on production revenue after deducting government royalties, adjusted at wellhead.

JM has the option to repossess its interest in the Project, if NSE does not comply with its payments or work obligations, 30 days after issuing a default notice.

On June 26, 2020, the Company requested from the ANH a one-year time extension for its work commitments invoking Article 2 issued on April 7, 2020, by the Colombian Government related to the state of emergency arising from the COVID 19 pandemic. On February 8, 2021, the Company received an extension from the ANH for Phase 2 of the exploration period of the E&P Contract of Block VMM-18 for 12 months. The extended deadline of completion of this phase was August 21, 2021.

Due to delays in the municipal permits' procurement process, as well as other delays related to COVID 19, including the Colombian government instruction to suspend all activities during December 2020 and January and February 2021, the Company did apply for an additional 1-year extension permit to conclude the required Phase II exploration program.

On July 30 2021, the ANH granted the Company an extension of the deadline for the completion of phase II exploration on Block VMM-18, to February 21, 2022. The Company is waiting for a reply on the additional extension segment requested.

On December 12, 2021, the ANH informed the Company of an extension of additional 86 calendar days, hence May 19, 2022, was established as the revised end date of phase 2.

Subsequent to year end, on April 12, 2022, the Company requested from the ANH to extend phase 2 for a period of 113 calendar days. The ANH has confirmed 75 of these 113 requested days, which, if approved, would extend the deadline to conclude phase 2 until August 2, 2022. The Company is currently in conversations with the ANH on an additional extension.

While the Company believes it will receive approval for the requested extension from the ANH, there is estimation risk that it will not. As of March 31, 2022 the amount capitalized is $2.2 million.

Effectively April 1, 2019, New Stratus begun capitalizing costs that were directly attributable to the project. As of March 31, 2022, there are $2,240,368 (2021 – $1,140,788) capitalized to the project.

Included in trade and other payable are $223,320 (2021- $104,293) payable to the project operator as part of the funding obligation toward the VMM-18 program.

NOTE 11 – TRADE AND OTHER PAYABLES

Trade and other payable are composed by:

Years ended March 31,	2022	2021
Trade payables	**$ 11,508,526**	$ 500,438
Purchase acquisition payable	**7,030,139**	-
Accrued liabilities (1)	**11,081,988**	220,929
Other (2)	**1,081,708**	-
	30,702,361	$ 721,367
Less: Purchase acquisition payable long-term	**(2,999,609)**	-
Current portion trade and other payable	**$ 27,702,752**	$ 721,367

(1) Included as part of the purchase price and as at March 31, 2022, the Company accrued a payable to REPSOL S.A. for $10.6 million (USD $ 8.7 million).

(2) As at March 31, 2022, includes in other accounts payable to the Ministry of Energy and Non-Renewable Natural Resources corresponding to 1% technological contribution for $1.0 million (USD $866 thousand).

NOTE 12 – SHARE CAPITAL

Authorized
The Company is authorized to issue an unlimited number of common shares.

Issued and Outstanding

	Number	Amount
Balance at March 31, 2020	47,980,399	$16,220,361
Shares issued on private placement	12,841,428	3,223,286
Compensation shares issued	268,618	53,724
Stock based compensation exercised	15,000	1,500
Value allocated to warrants	-	(964,885)
Share issue cost	-	(60,005)
Balance at March 31, 2021	61,105,445	$18,473,981
Shares issued on private placement	30,953,053	9,285,916
Compensation shares issued	1,237,698	371,309
Stock based compensation exercised	200,000	29,262
Warrants exercised	9,846,069	2,965,071
Warrants exercised FV allocation	-	256,763
Value allocated to warrants	-	(1,443,449)
Share issue cost	-	(785,405)
Balance at March 31, 2022	**103,342,265**	**$29,153,448**

Private placement:
On December 14, 2020, the Company completed a non-brokered private placement of 3,275,000 units ("Units") at a price of $0.40 per Unit for gross proceeds of $1,310,000 (the "Offering"). Each Unit issued pursuant to the Offering was comprised of one Common Share and one-half warrant, with each warrant entitling the holder to acquire one Common Share at a price of $0.55 per Common Share until December 14, 2022.

On July 30, 2021, NSE announced the closing of a brokered private placement announced on June 3, 2021. The Company issued atotal of 30,953,053 units at $0.30 for gross proceeds of $9,285,916. Each unit is composed by one common share of the Company and half a warrant. Each warrant is exercisable for a period of 24 month at a price of $0.45. The Company incurred $785,405 in costs associated with this financing, including 1,237,698 commission units, valued at $371,309.

Warrants:
On April 22, 2020 the Company announced that it has applied to the TSX Venture Exchange ("TSXV") for an extension of the expiry date of 10,000,000 common share purchase warrants (the "Warrants") exercisable at $0.10 and issued on May 3, 2017. The application, which was approved on April 23, 2020 by the TSX-V, requested the extension of the expiry date from May 3, 2020 to May 3, 2022.

As part of the September 21, 2020, financing the Company issued 9,566,428 warrants valued at $778,109. Each warrant will entitle the holder to purchase one common share at an exercise price of $0.30 until the second anniversary of the issuance of the warrant. The Company uses a Black-Scholes valuation methodology to value the warrants at the date of issuance for accounting purposes. The significant inputs into the model were share price of $0.16, exercise price of $0.30, volatility of 70%, dividend yield of 0%, an expected warrant life of two year and an annual risk-free interest rate of 0.26%. Volatility was estimated based on average volatility of a sample of peer companies with public pricing data available.

As part of the December 14, 2020 financing the Company issued 1,637,500 warrants valued at $186,776. Each warrant will entitle the holder to purchase one common share at an exercise price of $0.55 until the second anniversary of the issuance of the warrant. The Company uses a Black-Scholes valuation methodology to value the warrants at the date of issuance for accounting purposes. The significant inputs into the model were share price of $0.40, exercise price of $0.55, volatility of 70%, dividend yield of 0%, an expected warrant life of two year and an annual risk-free interest rate of 0.25%. Volatility was estimated based on average volatility of a sample of peer companies with public pricing data available.

As part of the July 30, 2021, financing the Company issued 16,095,376 warrants valued at $186,776. Each warrant will entitle theholder to purchase one common share at an exercise price of $0.45 until the second anniversary of the issuance of the warrant. TheCompany uses a Black-Scholes valuation methodology to value the warrants at the date of issuance for accounting purposes. The significant inputs into the model were share price of $0.32, exercise price of $0.45, volatility of 70%, dividend yield of 0%, an expected warrant life of two years and an annual risk-free interest rate of 0.45%. Volatility was estimated based on average volatility of a sample of peer companies with public pricing data available.

The following schedule describes the warrants transactions since March 31, 2020:

	Expiry date	Exercise price	Number of warrants	Amount
Balance at March 31, 2020		0.25	20,956,069	670,709
Issued on private placement	September 21, 2022	0.30	9,566,428	778,109
Issued on private placement	December 14, 2022	0.55	1,637,500	186,776
Balance at March 31, 2021		0.28	32,159,997	$ 1,635,594
Issued on private placement	July 21, 2023	0.45	16,095,376	1,443,449
Warrants exercised		0.30	(9,846,069)	(256,763)
Warrants expired		0.30	(1,310,000)	(32,576)
Balance at March 31, 2022		$ 0.35	**37,099,304**	**$ 2,789,704**

Stock based compensation:
The Company has a stock option plan for employees, officers, directors and consultants (the "Plan"). The Company uses a Black-Scholes valuation methodology to value the stock options at the date of award for accounting purposes. The maximum number of stock options reserved for issuance under the plan may not exceed 10 percent of the number of common shares issued and outstanding.

On July 7, 2020 the Company granted an aggregate of 800,000 stock options to consultants of the Company, pursuant to the Company's Plan. The options vested on granting and are exercisable at $0.05 for a five-years period. The fair value of each option was estimated on the date of the grant using the Black-Scholes option pricing model, with the following assumptions: expected dividend yield of 0%, expected volatility of 70%; risk-free interest rate of 0.43%; and an expected average life of 5 years. The fair value of all these options was estimated at $22,832.

On November 16, 2020 the Company granted an aggregate of 75,000 stock options to consultants of the Company, pursuant to the Company's Plan. The options vested over a period of 12 months, every three months, being the first vesting period 3 months after the granting date and are exercisable at $0.47 for a three-year period. The fair value of each option was estimated on the date of the grant using the Black-Scholes option pricing model, with the following assumptions: expected dividend yield of 0%, expected volatility of 70%; risk-free interest rate of 0.19%; and an expected average life of 3 years. The fair value of all these options was estimated at $17,218.

On January 5, 2021, 15,000 stock options were exercised at a price of $0.10 each.

On April 13, 2021 the Company granted an aggregate of 1,290,000 stock options to consultants of the Company, pursuant to the Company's Plan. The options vested on granting and are exercisable at $0.24 for a five-years period. The fair value of each option was estimated on the date of the grant using the Black-Scholes option pricing model, with the following assumptions: expected dividend yield of 0%, expected volatility of 70%; risk-free interest rate of 0.94%; and an expected average life of 5 years. The fair value of all these options was estimated at $178,427.

In August 2021, 200,000 options exercisable at $0.10 and expiring June 7, 2022 were exercised and 60,000 options of this same denomination were cancelled.

On October 1, 2021 the Company granted an aggregate of 3,500,000 stock options to directors, officers and consultants of the Company, pursuant to the Company's Plan. The options vested on granting and are exercisable at $0.30 for a five-years period. The fair value of each option was estimated on the date of the grant using the Black-Scholes option pricing model, with the following assumptions: expected dividend yield of 0%, expected volatility of 70%; risk-free interest rate of 1.07%; and an expected average life of 5 years. The fair value of all these options was estimated at $551,532.

On December 6, 2021 the Company granted an aggregate of 50,000 stock options to a consultant of the Company, pursuant to the Company's Plan. The options are vested over a year from the grant date and are exercisable at $0.56 for a five-years period. The fair value of each option was estimated on the date of the grant using the Black-Scholes option pricing model, with the following assumptions: expected dividend yield of 0%, expected volatility of 70%; risk-free interest rate of 1.41%; and an expected average life of 5 years. The fair value of all these options was estimated at $16,278.

On January 13, 2022 the Company granted an aggregate of 450,000 stock options to employees of its subsidiaries, pursuant to the Company's Plan. The options are vested over a year from the grant date and are exercisable at $0.50 for a five-years period. The options vest over a period of one year, 25% each quarter with the first 25% vesting on April 13, 2022. The fair value of each option was estimated on the date of the grant using the Black-Scholes option pricing model, with the following assumptions: expected dividend yield of 0%, expected volatility of 70%; risk-free interest rate of 1.5%; and an expected average life of 5 years. The fair value of all these options was estimated at $131,025.

The following schedule describes the stock-based compensation transactions since March 31, 2020:

	Number of Stock Options	Exercise Price	Fair value
Balance at March 31, 2020	3,500,000	$ 0.10	$ 161,356
Granted on July 7, 2020	800,000	0.05	22,832
Granted on November 16, 2020	75,000	0.47	17,218
Options exercised	(15,000)	0.10	(692)
Balance at March 31, 2021	4,360,000	$ 0.10	$ 200,714
Option granted	1,290,000	0.24	178,427
Option granted	3,500,000	0.30	551,532
Option granted	50,000	0.56	16,278
Option granted	450,000	0.50	131,025
Options exercised	(200,000)	0.10	(9,262)
Options cancelled	(60,000)	0.10	(2,766)
Balance at March 31, 2022	**9,390,000**	**$ 0.21**	**$1,065,948**

The following schedules describe the stock options available and their remaining contractual life at March 31, 2022 and 2021:

	Number of Stock Options	Remaining life (yrs.)	Exercise Price
Granted on June 7, 2017	3,225,000	0.19	$0.10
Granted on July 7, 2020	800,000	3.27	0.05
Granted on November 16, 2020	75,000	1.54	0.47
Granted on April 13, 2021	1,290,000	4.04	0.24
Granted on October 1, 2021	3,500,000	4.50	0.30
Granted on December 6, 2021	50,000	4.68	0.56
Granted on January 13, 2022	450,000	4.79	0.50
Balance at March 31, 2022	**9,390,000**	**2.84**	**$0.21**

	Number of Stock Options	Remaining life (yrs.)	Exercise Price
Granted on June 7, 2017	3,485,000	1.19	$0.10
Granted on July 7, 2020	800,000	4.27	0.05
Granted on November 16, 2020	75,000	2.54	0.47
Balance at March 31, 2021	**4,360,000**	**1.78**	**$0.10**

During the years ended March 31, 2022 and 2021, $767,899 and $22,832, respectively, were charged as stock-based compensation in the consolidated statements of operations and comprehensive income (loss).

NOTE 13 – EMPLOYEE BENEFIT OBLIGATION

The employee benefits are summarized as follow:

	Amount
Balance at April 1, 2021	$ -
Acquired in a business combination (note 4 – Working capital)	1,555,540
Increases	1,759,848
Payments	(1,283,448)
Balance at March 31, 2022	**$ 2,031,940**

As at March 31, 2022, the employee benefits includes mainly obligations payable to employees for vacations, thirteenth and fourteenth salary, reserved fund, and bonuses for management compliance.

NOTE 14 – DEFINED BENEFIT OBLIGATION

The movement of the provision in liabilities for employer's retirement pension, severance bonus and compensation for untimely dismissal has been as follows:

	Employer retirement pension	Severance	Untimely dismissal	Total
Balance at April 1, 2021	$ -	$ -	$ -	$ -
Acquired in a business combination (note 4)	6,061,868	4,499,598	20,070,832	30,632,298
Benefits paid	(1,348,100)	(595,619)	1,779,500	(164,219)
Balance at March 31, 2022	**$ 4,713,768**	**$ 3,903,979**	**$ 21,850,332**	**$ 30,468,079**

The main actuarial assumptions used were as follows:

	2022
Discount rate (1)	0.95%
Rate of salary increase	1.05%
Mortality and disability rate (2)	IESS- (Ecuadorian Social Security Institute) 2002 MT
Turnover rate	8.93%
Average remaining working life (years)	0.99

(1) The discount rate is consistent with the currency and the estimated payment term of the post-employment benefit obligations.
(2) Corresponds to the mortality tables published by the Ecuadorian Social Security Institute in 2002.

Sensitivity analysis

Reasonably possible changes in the relevant actuarial assumptions at the date of the statement of financial position, provided that the other assumptions were held constant, would have affected the defined benefit obligation ("DBO") by the amounts included in the table below:

	Employer retirement pension	Severance	Untimely Dismissal
Discount rate			
DBO variation (discount rate - 0.5%)	(16,051)	N/A	N/A
DBO impact % (discount rate - 0.5%)	(0.3%)		
DBO Variation (discount rate + 0.5%)	16,211	N/A	N/A
DBO % impact (discount rate + 0.5%)	0.3%		
Rate of salary increase			
DBO Variation (discount rate + 0.5%)	16,115	N/A	N/A
DBO % impact (discount rate + 0.5%)	0.3%		
DBO Variation (discount rate - 0.5%)	(16,115)	N/A	N/A
DBO % impact (discount rate -0.5%)	(0.3%)		
Turnover			
DBO Variation (Turnover +5%)	(158,296)	N/A	N/A
DBO % impact (Turnover +5%)	(3%)		
DBO Variation (Turnover -5%)	158,296	N/A	N/A
DBO % impact (Turnover -5%)	3%		

As per the provisions of the Joint Operation Agreement, the Company has invoiced 100% of the Defined Employee Benefit to Consortium Block 16 and has received billings from the Consortium for its 35% working interest on the same concept.

NOTE 15 – ASSET RETIREMENT OBLIGATION

The movement in the asset retirement obligation is as follows

Year ended March 31,	2022	2021
Balances at beginning of year	**$ -**	$ -
Acquired in a business combination (note 4)	**10,854,410**	-
Payments/uses	**(25,876)**	-
Other	**19,238**	-
Balances at the end of the year	**$ 10,847,772**	$ -

At March 31, 2022, the estimated total uninflated and undiscounted amount required to settle the asset retirement obligation was $11,547,590 (March 31, 2021 – nil). This obligation will be settled at the end of the Service Contract Agreements (December 31, 2022). The Company used a 3.98% rate to calculate the present value of this provision.

At the end of the Service Contract Agreement there is also a requirement to obtain an environmental study completed by the Ministry of mines and minerals.

NOTE 16 –OTHER LIABILITIES

The balance is summarized as follows:

As at March 31,	2022	2021
Cash collateral partners (1)	**$ 309,220**	$ -
Temporary equity contribution	**59,744**	-
Other	**129,221**	-
	$ 498,185	$ -

(1) As of March 31, 2022, the cash collateral partners correspond to funds received from the partners of Oil Consortium Block 16 and Oil Consortium Block Tivacuno.

NOTE 17 – REVENUES

The following schedule describes the revenues obtained during the years ended March, 31, 2022 and 2021:

Year ended March 31,	2022	2021
Services revenue (1)	**$17,045,072**	$ -
Carryforward recovery (2)	**7,787,198**	-
	24,832,270	-
Operator fee income (3)	**150,089**	-
Other income (4)	**729,748**	-
	$25,712,107	$ -

(1) Income from services rendered: Available income to cover the Service Contract tariffs will be determined as follows: of the income from the audited production corresponding to the area covered by the contract, the Ecuadorian State reserves 25% as a sovereignty margin. From the remaining value, the transportation and commercialization costs incurred by the State and the taxes corresponding to the Institute for the Ecodevelopment of the Amazon Region and Esmeraldas (ECORAE) and the Law for the Creation of Substitute Income for the provinces of Napo, Esmeraldas and Sucumbios will be covered. Once these deductions have been made, the fee for the provision of services will be covered.

During the last quarter of 2022, the Company has recognized as revenue the entire tariffs related to the execution of the Service Contracts, for each barrel of net crude oil extracted and delivered to the inspection and delivery center. Service Contract tariffs are adjusted annually, considering an operating cost inflation factor established in the Service contracts. For the calendar year 2022, the approved crude oil tariffs have been established at $49.52/bbl for Block 16 and $37.50 $ /bbl for Block 67.

(2) Carryforward recovery: In the event that the available income is not sufficient to cover the payment of the tariff, the monthly shortfall will be accumulated during the relevant month or fiscal year. The difference between the amounts paid for the tariffs and the available income of the same month or fiscal year will be carried forward to the following month or fiscal year, without interest and in case it could not have been covered during the respective or subsequent month or fiscal year it will be accumulated successively during the term of this amendment agreement. Any difference carried forward, originated by insufficiency of available income, which has not been paid by the Ministry at the termination of this amending contract, shall be extinguished and shall not be paid to the Contractor, and the Ministry shall be automatically released from this payment obligation at that time.

Due to high oil prices, during the last quarter of 2022 the Company was able to recover prior years carryforward balances on Block 16 Service Contract of $7.8 million. As of Mar 31, 2022, the carryforward balance is $437 million ($153 million attributable to NSE) only for Block 16.

(3) Operator's fees: Income obtained from the Consortium Agreement entered into between the companies that make up the contractors of the Block 16 and Block 67 Oil Consortiums, whereby the Branch is entitled to an annual fee for the administration of the same.

(4) Other income: Income for services rendered by the Block 16 Consortium to the Block 67 Consortium to execute exploration and exploitation of hydrocarbons activities viable.

NOTE 18 - OPERATING EXPENSES

The following schedule describes the operating expenses incurred during the years ended March 31, 2022 and 2021:

Years ended March 31,	2022	2021
Consumption of inventories and purchases	**$ 2,331,566**	$ -
Employee benefits	**2,482,094**	-
Insurance premium	**393,893**	-
Catering services	**191,115**	-
Cured oil treatment	**346,481**	-
Plant maintenance	**388,981**	-
Short-term leases	**1,326,158**	
Taxes	**606,578**	-
Office and administration	**631,758**	-
Services received, rental of machinery and vehicles	**2,013,779**	-
	$ 10,712,403	$ -

NOTE 19 – GENERAL AND ADMINISTRATIVE

The following schedule describes the general and administrative expenses incurred during the years ended March 31, 2022 and 2021:

For the years ended March 31,	2022	2021
Insurances	**$ 16,056**	$ 9,234
Legal and accounting	**447,684**	706,966
Management fees	**1,938,377**	217,716
Professional fees	**1,367,448**	-
Office and administration	**328,292**	47,586
Shareholders information and investor relations	**117,941**	158,907
	$ 4,215,798	$ 1,140,409

NOTE 20 – OTHER INCOME, NET

The following schedule describes the other income, net incurred during the years ended March 31, 2022 and 2021:

For the years ended March 31,	2022	2021
Trading operations	**$ (375,232)**	$ -
Settlement of time sheets	**201,843**	-
Discount rate	**(95,553)**	-
	$ (268,942)	$ -

NOTE 21 – FINANCIAL (INCOME) COST, NET

Finance costs are comprised of the following:

For the years ended March 31,	2022	2021
Financial update on asset retirement	**$ 48,820**	$ -
Recovery interest on foreign tax	**(198,723)**	-
Other	**(17,718)**	-
	$ (167,621)	$ -

NOTE 22 – NET INCOME (LOSS) PER SHARE

Basic and diluted net income (loss) per share is calculated as follows:

Year ended March 31,	2022	2021
Net income (loss)	**$ 14,838,761**	$ (1,098,161)
Weighted-average common share adjustments:		
Weighted-average common shares outstanding, basic	**85,281,909**	54,090,519
Effect of stock options & warrants	**22,840,876**	-
Weighted-average common shares outstanding, diluted	**108,122,786**	54,090,519
Basic and diluted income (loss) per share	**$ 0.17**	$ (0.02)
Fully diluted income (loss) per share	**$ 0.14**	$ (0.02)

For the year ended March 31, 2022, stock options and warrants were dilutive. For the year ended March 31, 2021, stock options and warrants were anti-dilutive due to the net income (loss).

NOTE 23 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The carrying values and respective fair values of cash, other receivables and trade and other payables approximate their fair values at March 31, 2022 and 2021, given the short-term nature of these financial instruments.

The Company's financial instruments have been assessed on the fair value hierarchy described under Note 3. Cash is classified as Level 1. There has been no reclassification of financial instruments into or out of each fair value hierarchy during the years ended March 31, 2022 or 2021. Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect the placement within the fair value hierarchy level.

Market Risk
Market risk is the risk that changes in market factors, such as commodity prices and foreign exchange rates will affect the Company's cash flows, profit or loss, liquidity or the value of financial instruments. The objective of market risk management is to mitigate market risk exposures were considered appropriate and maximize returns.

(i) Commodity Price Risk

Commodity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in commodity prices. Lower commodity prices can also impact the Company's ability to raise capital. Commodity prices for crude oil is impacted by world economic events that dictate the levels of supply and demand. From time to time the Company may attempt to mitigate commodity price risk through the use of financial derivatives. The Company had no commodity contracts in place during the years ended March 31, 2022 and 2021.

(ii) Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign currency exchange rates. The Company is exposed to foreign currency fluctuations as certain expenditures are denominated in Colombian pesos and US dollars. As at March 31, 2022, the Colombian peso to the Canadian dollar exchange rate was 3,003:1 (March 31, 2021 – 0.7957:1) and the United States dollar to Canadian dollar exchange rate was 0.7888:1 (March 31, 2021 – 0.7957:1). Cash held in US dollars at March 31, 2022 was USD $13,131,067 and a change of 1% in the exchange rate would have impacted the Canadian dollar equivalent by +/- CAD $131,311. The Company had no forward exchange rate contracts in place as at or during the years ended March 31, 2022. Accounts payable in USD balance as of March 31, 2022 was $42,694,379 and a change of 1% in the exchange rate would have impacted the Canadian dollar equivalent by +/- CAD $426,944.

Liquidity Risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure, within reasonable means, sufficient liquidity to meet its liabilities when due, under both normal and unusual conditions, without incurring unacceptable losses or jeopardizing the Company's business objectives.

NOTE 24 – RELATED PARTY TRANSACTIONS

During the year ended March 31, 2022 and 2021, the transaction paid for services provided to directors and officers were as follow:

	2022	2021
Officers	**$ -**	$ 89,565
Directors	**-**	49,058
Total	**$ -**	$ 138,623

As of March 31, 2022 no outstanding balance in account payable.

The Company's key management personnel include its directors and officers. Key management personnel were compensated as follows:

Years ended March 31,	**2022**	2021
Management fees	**$ 700,088**	$ 80,354
Salaries	**1,019,908**	137,363
Director fees	**149,148**	-
Share based payments	**509,411**	5,708
Total	**$ 2,378,555**	$ 223,425

All of the above transactions are in the normal course of operations and are measured at fair value which is the price agreed to by the related parties.

NOTE 25 – CAPITAL MANAGEMENT

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company includes equity, comprised of issued capital stock, warrants, contributed surplus and deficit, in the definition of capital.

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to further exploration on its properties. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity and warrants, or by securing strategic partners.

The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the year ended March 31, 2022.

NOTE 26 – INCOME TAX

The determination of the current income tax for the years ended March 31, is detailed as follows:

	2022	2021
Net income (loss) before income taxes	**$ 17,822,321**	$ (1,090,988)
Expected income tax (recovery)	**4,812,027**	(294,567)
Change in statutory, foreign tax, foreign exchange rates and other	**(2,741,547)**	-
Permanent differences	**(5,442,379)**	6,165
Impact of flow through share	**-**	-
Share issue cost	**(14,541)**	-
Change in unrecognized deductible temporary differences	**6,370,000**	288,402
Total income tax expense (recovery)	**$ 2,983,560**	$ -

The estimated tax expense for the year ended March 31, 2022, is $2,983,560 attributable to Petrolia Ecuador S.A., the enacted tax rate for period Jan 22-Mar 22 is 25%.

At March 31, 2022, the Company had non-capital losses in Canada of approximately $15,896,467 (2021 - $8,054,735) which are available under certain circumstances to reduce future taxable income. These losses expire between 2029 and 2040.

NOTE 27 – SUPLEMENTAL CASH FLOW INFORMATON

Change in non-cash working capital are as follows:

	2022	2021
Trade and other receivable	**$ 2,450,942**	$ (16,610)
Accounts receivable from consortium partners	**(20,149,819)**	-
Recoverable taxes	**(4,202,494)**	-
Inventory	**(19,878)**	-
Advances to suppliers and others	**(1,119,573)**	-
Other asset	**(399,752)**	700
Trade and other payables	**14,764,006**	(572,125)
Taxes payables	**1,340,422**	-
Employee benefit obligation	**476,400**	-
Due to related parties	**(138,640)**	138,640
Other liability	**498,185**	-
Defined benefit obligations	**(164,219)**	-
Decommissioning obligation	**(6,638)**	-
Total net change in non-cash working capital	**$ (6,671,058)**	$ (449,395)

NOTE 28 – COMMITMENTS AND CONTINGENCIES

COMMITMENTS

Block VMM-18

Pursuant to the terms of the agreement executed in respect of the VMM-18 E&P contract, New Stratus should fund an exploration commitment for the second phase of the VMM 18 E&P Contract. As per the contract and a recent extension by ANH, NSE has to perform seismic reprocessing valued at USD $250,000 and drill an exploration well valued at USD $3 Million. The ANH has confirmed the extension until June 18, 2022 and the Company is waiting for a reply on the additional extension segment requested. (See also Note 9 - Exploration and Evaluation Assets).

As part of Phase II of the Project, NSE has agreed to finance the exploratory, including all decommissioning costs and payments due to the Colombian National Hydrocarbons Association ("ANH").

Consulting agreements
The Company is obligated under a consulting agreement in the amount of USD 5,000 per month until May 31, 2026. Also, the Company is obligated to paid $500,000 in three equal installments ($166,667 on closing date, and 6 and 12 months after the closing $166,667 each one) subject to the success of the closing of the transaction with Repsol.

Executive compensation
On July 1, 2021, the Company entered into employment agreements with its senior executives which contain clauses requiring additional payments up to $2,700,000 to be made upon the occurrence of certain events such as change of control. As the triggering event has not occurred, the contingent payment has not been provided for in these consolidated financial statements.

CONTINGENCIES

Novel Coronavirus
The Novel Coronavirus ("COVID-19") pandemic is causing a widespread health crisis that has affected economies and financial markets around the world resulting in an economic downturn. In response to the outbreak, governmental authorities in Canada and internationally have introduced various recommendations and measures to try to limit the pandemic, including travel restrictions, border closures, non-essential business closures, quarantines, self-isolations, shelters-in-place and social distancing. The COVID-19 outbreak and the response of governmental authorities to try to limit it are having a significant impact on the private sector andindividuals, including unprecedented business, employment and economic disruptions. The continued spread of COVID-19 nationally and globally could have an adverse impact on the Company's business, operations and financial results, as well as a deterioration of general economic conditions including a possible national or global recession. Due to the speed with which the COVID-19 situation is developing and the uncertainty of its magnitude, outcome and duration, it is not possible to estimate its impact on the Company's business, operations or financial results, including the Company's ability to secure financing; however, the impact could be material.

State Oil Company of Ecuador Petroecuador EP
Shushufindi Agreement: As recommended by the Comptroller General's Office, within the special examination of the contracting process and development of the mutual cooperation agreement with Petroproduccion to increase crude oil production and reserves in the Shushufindi field, EP Petroecuador issued invoices for US$3,013,240 and initiated a coercive process for collection, proceeding to seize the invoiced amount. The Branch has challenged the procedures initiated by Petroproducción.

Auca Process, Yulebra, Culebra: EP Petroecuador claims payment of US$1,022,033 for information provided to Repsol YPF Ecuador S.A. within a failed bidding process called by EP Petroecuador. Repsol YPF Ecuador S.A. paid the cost of the bidding conditions, which included access to the "data room" and all the information available for this purpose. After several judicial resolutions (both from the Superior Court and the National Court of Justice), the process must be sent to the District Court of Administrative Disputes in the Metropolitan District of Quito for resolution. At the date of issuance of the report, the process has not yet been referred to said court.

Other Special Examination Reports of the Comptroller General's Office
Friction Reducing Chemicals: On May 31, 2005, the Office of the Comptroller General of the State issued audit assessments against the Contractor of the Block 16 Participation Contract for US$2,578,612 (US$902,514 corresponds to the Company) for the purchase and use of friction reducing chemicals. On November 23, 2006, the Branch, on behalf of the Contractor of the Participation Contract of Block 16, filed a challenge before the Contentious Administrative Court.

Topping Plant: The Office of the Comptroller General of the State issued an assessment to the Contractor of the Participation Contract of Block 16 for US$2,788,408 (US$975,943 corresponds to the Company) for alleged damages caused by the deterioration of the quality of the crude oil in Block 16. On June 6, 2005, the Operator on behalf of the Contractor of the Participation Contract of Block 16 filed a lawsuit before the Contentious Administrative Court.

As of the date of issuance of these financial statements, the Entity has not recorded provisions for the aforementioned concepts because Management, in consultation with its legal advisors, has determined that it is not probable that a future event will occur that a liability could be reasonably estimated

Settlement of payment in respect of Solidarity Contribution on profits
On October 7, 2019, the Internal Revenue Service issued payment liquidations No. 172010906502280204 and

172010906502280280 for the Block 16 and Tivacuno Block Petroleum Consortia respectively, for the concept of solidarity contribution on profits created by the Organic Law of Solidarity and Citizen Co-responsibility as a result of the income tax assessment report for the 2015 fiscal year of the Block 16 Petroleum Consortium as well as the substitute return filed by the Tivacuno Block Petroleum Consortium. The difference determined by the Internal Revenue Service for solidarity contribution amounts to US$2,073,583 plus US$414,715 for surcharge and US$1,022,703 for interest for the Oil Consortium Block 16 while for the Oil Consortium Block Tivacuno amounts to US$184,706 plus US$36,941 for surcharge and US$115,180 for interest. (The Company is responsible for 35% of the amounts mentioned above.)

On November 12, 2019, the Consortia filed administrative claims before the Internal Revenue Service, however, the same were denied on August 17, 2020. On November 11, 2020, both Consortiums filed the respective claims before the District Tax Litigation Court.

The Entity has not recorded provisions for the aforementioned concepts because the Administration, in consultation with its legal advisors, considers that the possibilities of success of the actions and defenses raised by the Consortia are not probable and cannot be reasonably estimated.

NOTE 29 – SEGMENTED INFORMATION

The Company has three reportable operating segments: Ecuador, Colombia and Canada. The Company, through its operating segments, is engaged primarily in oil exploration, development and production, and the acquisition of oil and gas properties. The Canadian segment is also considered the corporate segment. The following tables show information regarding the Company's segments for the years ended and as at March 31:

Year ended March 31, 2022	Ecuador	Colombia	Canada	Total
Revenue	$ 25,712,107	$ -	$ -	$ 25,712,107
Gross profit (loss)	$ 15,213,945	$ (214,241)	$ (7,750,320)	$ 7,249,384
Net income (loss)	$ 12,557,999	$ (233,291)	$ 2,514,053	$ 14,838,761
As at March 31, 2022				
Current asset	$ 70,659,165	$ 455,430	$ 30,421,998	$ 101,536,593
Non-current asset	378,182	-	2,263,088	2,641,270
Total assets	$ 71,037,347	$ 455,430	$ 32,685,086	$ 104,177,863
Current liabilities	$ 56,609,523	$ 114,207	$ 15,667,235	$ 72,390,965
Non-current liabilities	498,185	-	2,999,609	3,497,794
Total liabilities	$ 57,107,708	$ 114,207	$ 18,666,844	$ 75,888,759

Year ended March 31, 2021	Ecuador	Colombia	Canada	Total
Revenue	$ -	$ -	$ -	$ -
Gross profit (loss)	$ -	$ -	$ -	$ -
Net income (loss)	$ -	$ -	$ (1,090,988)	$ (1,090,988)
As at March 31, 2021				
Current asset	$ -	$ -	$ 913,765	$ 913,765
Non-current asset	-	-	1,141,938	1,141,938
Total assets	$ -	$ -	$ 2,055,703	$ 2,055,703
Current liabilities	$ -	$ -	$ 860,007	$ 860,007
Non-current liabilities	-	-	-	-
Total liabilities	$ -	$ -	$ 860,007	$ 860,007

NOTE 30 - SUBSEQUENT EVENTS

Subsequent to March 31, 2022, 13,763,740 common shares were issued on the exercise of warrants out of which 6,011,718 were paid by cancelling 1,113,282 warrants exercisable at $0.10 each, and 7,752,022 were exercised for cash proceeds of $1,965,410.

On April 27,2022, a $956,352 (USD 765,327) disbursement on the Petrolia Acquisition was done to reflect and adjustment to purchase price due to variations in working capital.

On April 29, 2022, the Company granted an aggregate of 2,340,000 stock options employees, directors and consultant of the Company, pursuant to the Company's Plan. The options are vested over a year from the grant date and are exercisable at $0.65 for a five-year period. The fair value of each option was estimated on the date of the grant using the Black-Scholes option pricing model, with the following assumptions: expected dividend yield of 0%, expected volatility of 70%; risk-free interest rate of 2.66%; and an expected average life of 5 years. The fair value of all these options was estimated at $904,568.