NEW STRATUS ENERGY INC.

CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022

NEW STRATUS ENERGY INC.

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Management’s Responsibility for Consolidated Unaudited Financial Statements

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

These consolidated unaudited 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 consolidated unaudited financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated unaudited 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)	(signed)
Jose Francisco Arata	Mario A. Miranda
President and Chief Executive Officer	Chief Financial Officer

Toronto, Canada
May 30, 2023

Notice of Disclosure of Non-auditor Review of Condensed Interim Financial Statements

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the unaudited condensed interim financial statements, they must be accompanied by a notice indicating that the condensed interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company for the interim periods ended March 31, 2023 and 2022 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) accounting principles and are the responsibility of the Company’s management.

The Company’s independent auditors, Deloitte LLP, have not performed a review of these condensed interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of financial statements by an entity’s auditor.

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

	Note	March 31, 2023	December 31, 2022
ASSETS			
Current assets			
Cash and cash equivalents	5	**$17,765,367**	$20,650,172
Restricted cash		**510,539**	510,539
Trade and other receivables	6	**224,611**	9,332,452
Accounts receivable from consortium partners	7	**3,528,206**	6,892,209
Recoverable taxes	8	**9,683,175**	13,039,665
Prepaid and advances payments		**1,763,140**	1,742,658
Other assets		**414,637**	414,950
		33,889,675	52,582,645
Non-current assets			
Property, plant, and equipment	9	**899,502**	1,024,856
Recoverable taxes	8	**16,619,381**	16,619,381
		17,518,883	17,644,237
Total assets		**$51,408,558**	$70,226,882
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	11	**12,689,900**	24,237,373
Taxes payable		**141,564**	3,106,552
Employee benefit obligation	13	**100,600**	1,076,723
Asset retirement obligation	14	**5,742,376**	5,751,312
		18,674,440	34,171,960
Non-current liabilities			
Other liabilities	15	**334,882**	335,154
		334,882	335,154
Total liabilities		**19,009,322**	34,507,114
Shareholders' equity			
Share capital	12	**31,227,085**	31,227,085
Warrants	12	**1,260,010**	1,260,010
Contributed surplus		**4,316,215**	4,316,215
Cumulative translation adjustment		**1,228,646**	1,315,932
Deficit		**(5,632,718)**	(2,399,474)
Total equity		**32,399,236**	35,719,768
Total liabilities and equity		**$51,408,558**	$70,226,882

Commitments and Contingencies (Note 25)
Subsequent Event (Note 28)

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 unaudited financial statements

NEW STRATUS ENERGY INC.

CONSOLIDATED UNADITED STATEMENT OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME

(in Canadian dollars)

For the three months ended March 31,	Note	2023	2022
Income			
Services Revenue	16	**$ -**	$ 24,832,270
Operator fees		-	150,089
Technical Services		-	729,748
		-	25,712,107
Operating cost and expenses:			
Operating expenses	17	-	10,712,403
Depletion and depreciation		-	7,750,320
Gross (loss) profit		-	7,249,384
General and administrative	18	**3,103,708**	1,647,286
Financial income	20	-	(167,436)
Stock-based compensation	12	-	36,825
Foreign exchange loss (gain)		**360,994**	(44,987)
Acquisition cost	4	-	2,956,360
Gain on acquisition	4	-	(18,010,552)
Other income	19	**(234,649)**	(268,942)
Net (loss) income before income taxes		**(3,230,053)**	21,100,830
Current income tax expense		**(3,191)**	(2,983,560)
Total income tax expense		**(3,191)**	(2,983,560)
Net (loss) income		**$ (3,233,244)**	$ 18,117,270
Other comprehensive (loss) income:			
Translation reserve		**(87,289)**	370,143
Net income and comprehensive (loss) income		**$ (3,320,533)**	$ 18,487,413
Net (loss) income per share			
Basic	21	**$(0.03)**	$0.18
Diluted	21	**$(0.03)**	$0.15

See accompanying notes to the consolidated unaudited financial statements

NEW STRATUS ENERGY INC.
CONSOLIDATED UNAUDITED STATEMENTS OF CHANGES IN EQUITY

(in Canadian dollars)

For the three months ended March 31,	Notes	2023	2022
Share capital			
Balance, beginning of the period		**$ 31,227,085**	$ 26,040,248
Shares issued on exercise of warrants	12	**-**	3,113,200
Balance, end of the period		**31,227,085**	29,153,448
Warrants			
Balance, beginning of the period		**1,260,010**	3,060,580
Fair value of warrants exercised	12	**-**	(238,300)
Warrants expired	12	**-**	(32,576)
Balance, end of the period		**1,260,010**	2,789,704
Contributed surplus			
Balance, beginning of the period		**4,316,215**	1,406,732
Warrants expired	12	**-**	32,576
Stock-based compensation	12	**-**	36,825
Balance, end of the period		**4,316,215**	1,476,133
Cumulative translation adjustment			
Balance, beginning of the period		**1,315,932**	(930)
Translation reserve		**(87,288)**	(370,143)
Balance, end of the period		**1,228,646**	(371,073)
Accumulated deficit			
Balance, beginning of the period		**(2,399,474)**	(22,876,376)
Net (loss) income for the period		**(3,233,244)**	18,117,270
Balance, end of the period		**(5,632,718)**	(4,759,106)
Total shareholders' equity		**$ 32,399,236**	$ 29,289,106

See accompanying notes to the consolidated unaudited financial statements

NEW STRATUS ENERGY INC.
CONSOLIDATED UNAUDITED STATEMENTS OF CASH FLOWS

(in Canadian dollars)

For the three months ended March 31,	Note	2023	2022
Operating activities			
Net (loss) income for the period		**$ (3,233,244)**	$ 18,117,270
Adjustment for non-cash items:			
Depletion and depreciation		**109,192**	7,750,320
Stock based compensation	12	**-**	36,825
Foreign currency exchange		**360,994**	(44,987)
Gain on acquisition	4	**-**	(18,010,552)
Payments of employee benefit obligations	13	**(1,162,334)**	-
Net change in non-cash working capital items:	25	**10,086,691**	68,412412
		6,161,299	7,917,288
Investing activities			
Cash acquired through business combination		**-**	809,088
Change in non-cash working capital		**-**	(959,692)
Disposition (purchase) of property, plant and equipment	9	**16,162**	(78,531)
Cash consideration from business combination	11	**(3,386,000)**	-
Payment to Repsol -others	11	**(5,227,984)**	-
		(8,597,822)	(229,135)
Financing activities			
Warrants exercised	12	**-**	2,874,900
		-	2,874,900
Net change in cash and restricted cash		**(2,436,523)**	10,563,053
Impact of foreign exchange on foreign currency-denominated cash balances		**(448,282)**	(44,987)
Cash and restricted cash, beginning of the period		**21,160,711**	5,466,845
Cash and restricted cash, end of the period		**$ 18,275,906**	$ 15,984,911

See accompanying notes to the consolidated unaudited 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; challenges in 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").

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.

NOTE 2 - BASIS OF PREPARATION

The financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") and approved by the Company's Board of Directors on May 30, 2023

Statement of compliance and authorization
The condensed interim consolidated financial statements have been prepared by management in accordance with International Accounting Standard 34, "Interim Financial Reporting". These financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2022. These financial statements have been prepared using the same accounting policies as the Company's audited financial statements for the year ended December 31, 2022

Basis of Measurement
These financial statements have been prepared on a going concern basis under the historical cost method 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, 2023 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.

Change in year-end.
The fiscal year end of the Company was changed from March 31 to December 31 in order to align the Company's year-end with that of comparative companies and its subsidiaries, which operate on a calendar fiscal year end. Accordingly, the current consolidated financial statements are prepared for the three months ended March 31, 2023 and compared to the three months ended March 31, 2022.

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.

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:

- Fair values;
- Property, plant and equipment;
- Exploration and evaluation assets;
- Share capital;
- Defined benefit obligation;
- 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.

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.

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 January 1, 2023: 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 impact, if any, on the consolidated financial statements and does not expect a significant impact.

IAS 1 – Presentation of Financial Statements
Effective January 1, 2024, 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.

(in Canadian dollars except as otherwise noted)

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 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 as of March 31, 2022.

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 from the closing of the transaction compared to those 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 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.

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 16.

(in Canadian dollars except as otherwise noted)

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).

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.

Extension of service contract agreement – Blocks 16 and 67 – Ecuador

On December 5, 2022 the Company announced that following a meeting in Quito, Ecuador among the Corporation and the President of Ecuador and Minister of Energy, the Government of Ecuador informed the Corporation that it does not intend to extend nor migrate the service contracts for Blocks 16 & 67. Government of Ecuador decided that Company shall revert the blocks to the Ministry of Energy and Mines without starting any negotiation with the Company.

As a direct result of the decision made by the Government of Ecuador, the Company has announced a formal claim through international arbitration under the terms contemplated in the service contract agreements.

Termination of the Service Contracts

Due to the event described above, on December 31, 2022, the Company transferred to the Ministry of Energy and Mines - at no cost and in good operational conditions- all the facilities and infrastructure of Blocks 16 & 67, in accordance with the Hydrocarbons Law and regulations. On the service contract termination date the Company has terminated its contracts with all of its employees, paying their severance as per the labor law and terminated all suppliers' contracts.

The hydrocarbon regulations stipulate that a minute (the "Minute") shall be executed between the Ministry of Energy and the Company, reflecting the actual transfer of the operation of the Blocks and the delivery of all the facilities on the service contract termination date. This Minute shall also address the reversion process that was led by the hydrocarbons authorities and will summarize the activities carried out by five (5) commissions that were designated for technical, social - environmental, assets, legal and economic issues. All individual commissions have already signed off and no significant concern remains unsolved. However, the final Minute remains unsigned by the Ministry. The Company estimates the Minute will be executed in the first half of 2023.

The Company has concluded all the audits required for environmental purposes under the law and the service contracts, including a specific environmental reversion audit. None of these audits have indicated the existence of any environmental liability. The Company is working with the environmental authorities in order to conclude certain minor administrative matters.

During the entire calendar year 2022 the Company executed a portion of its Asset Retirement Obligation. As of March 31, 2023, some of these obligations and related activities remain outstanding. The Company expects these activities will be executed during 2023.

(in Canadian dollars except as otherwise noted)

The costs estimated for these remaining obligations have been fully reflected in the Company's balance sheet as of March 31, 2023. The Company considers the provision recorded, based on best industry standards, and complies with all the Ecuadorian hydrocarbons regulations.

NOTE 5 – CASH AND CASH EQUIVALENTS

	March 31, 2023	December 31, 2022
Cash and banks	**$ 17,251,125**	$ 20,135,513
Short-term investments (1)	**514,242**	514,659
	$ 17,765,367	$ 20,650,172

(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

	March 31, 2023	**December 31, 2022**
Trade receivables (1)	**$ -**	$ 9,125,873
Other receivables	**224,611**	206,579
	$ 224,611	$ 9,332,452

(1) Trade receivables consist of receivables for the provision of services to the Ministry of Energy and Non-Renewable Natural Resources of $nil (December 31, 2022 - $2,831,733), and accruals for services not yet invoiced $nil (December 31, 2022 - $6,294,140).

NOTE 7 – ACCOUNTS RECEIVABLE FROM CONSORTIUM PARTNERS

	March 31, 2023	**December 31, 2022**
Block 16 & Block 67 Consortiums (1)	**$ 828,841**	$ 829,514
Technical assistance Block 16 Consortium (2)	**2,699,365**	6,062,695
	$ 3,528,206	$ 6,892,209

(1) Corresponds mainly to reimbursements of expenses incurred by the Branch on behalf of the Consortiums and provisions for Employee Benefits.

(2) Corresponds to the Service Agreement executed on January 14, 2022 with Consortium Block 16 through which the Company provides assistance and managerial support. During the three months ended March 31, 2023, $5,175,028 ($3,823,509 USD) was collected in relation to the Service Agreement.

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.

(in Canadian dollars except as otherwise noted)

NOTE 8 – RECOVARABLE TAXES

	March 31, 2023	December 31, 2022
Current portion (1)	**$ 9,683,175**	$ 13,039,665
Non-current portion (2)	**16,619,381**	16,619,381
Recoverable Taxes - Total	**$ 26,302,556**	$ 29,659,046

(1) As at March 31, 2023, the current portion of recoverable taxes include $4.4M of Ecuadorian VAT tax credit and $5.3 million of Ecuadorian Withholding Income Tax for fiscal year 2021. (December 31, 2022, $7.6 million VAT tax credit, 5.3M Withholding Income Tax).

(2) As at March 31, 2023 and December 31, 2022, non-current recoverable taxes include $6.6M of Ecuadorian Withholding Income Tax for fiscal year 2022 and $9.9 million Spanish Income Tax credit for 2022 which are recoverable from Spanish Tax administration.

NOTE 9 – PROPERTY, PLANT AND EQUIPMENT

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

Cost	**Oil and gas production investments**	**Furniture fixtures & Other Equipment**	**Total property plant & equipment**
Balance at December 31, 2022	$ 29,423,598	$ 1,158,689	$ 30,582,287
Disposition	-	(16,162)	(16,162)
Balance at March 31, 2023	**$ 29,423,598**	**$ 1,142,527**	**$ 30,566,125**

Accumulated depletion and depreciation			
Balance at December 31, 2022	$ (29,423,598)	$ (133,833)	$ (29,557,431)
Additions	-	(109,192)	(109,192)
Balance at March 31, 2023	**$ (29,423,598)**	**$ (243,025)**	**$ (29,666,623)**

Cost	**Oil and gas production investments**	**Furniture fixtures & Other Equipment**	**Total property plant & equipment**
Carrying amounts as at:			
December 31, 2022	$ -	$ 1,024,856	$ 1,024,856
March 31, 2023	**$ -**	**$ 899,502**	**$ 899,502**

(in Canadian dollars except as otherwise noted)

Cost	Oil and gas production investments	Furniture fixtures & Other Equipment	Total property plant & equipment
Balance at March 31, 2022	$ 34,341,677	$ 60,681	$ 34,402,358
Additions	-	1,098,008	1,098,008
Asset Retirement Obligation (Note 15)	(4,918,079)	-	(4,918,079)
Balance at December 31, 2022	**$ 29,423,598**	**$ 1,158,689**	**$ 30,582,287**
Accumulated depletion and depreciation			
Balance at March 31, 2022	$ (7,750,093)	$ (227)	$ (7,750,320)
Additions	(21,673,505)	(133,606)	(21,807,111)
Balance at December 31, 2022	**$ (29,423,598)**	**$ (133,833)**	**$(29,557,431)**

Cost	Oil and gas production investments	Furniture fixtures & Other Equipment	Total property plant & equipment
Carrying amounts as at:			
March 31, 2022	$ 26,591,584	$ 60,454	$ 26,652,038
December 31, 2022	**$ -**	**$ 1,024,856**	**$ 1,024,856**

There were no impairment indicators present as at March 31, 2023.

As at December 31, 2022 date in which the Service Contract was terminated, all these investments were depleted and depreciated, except for Other Equipment representing information systems that remained with the Company.

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, if 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.

(in Canadian dollars except as otherwise noted)

The initiation of exploratory well work was 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. New Stratus received the approval of the Environmental Impact Study on August 24, and the corresponding issuance of the Environmental License by the ANLA however with stringent limits in the exploration area, which considered that 97.53% of the project occurs in a highly sensitive geographical area and 2.47% in a sensitive area. The results therefore limited the Company to such a small area of exploration that continuing with the project would not be technically viable nor profitable.

All activities that NSE committed were completed except for the drilling of the exploratory well.

As the exploration area granted to the Company limits materially the feasibility of the project, both financially and operational, on September 26, 2022, the Company presented to ANH a request to enter into a mutual agreement among the parties to terminate the E&P Contract for Block VMM-18. Following this communication, the ANH has requested confirmation of restrictions imposed by ANLA, to which the Company provided detailed documentation on March 9, 2023. The Company is currently awaiting a reply from the ANH on its application. (See also Note 25- Commitments and Contingencies).

At March 31, 2023 the Company has written off the total balance of $2,240,368, written-off during the year ended December 31, 2022.

NOTE 11 – TRADE AND OTHER PAYABLES

Trade and other payable includes the following.:

	March 31, 2022	December 31, 2022
Trade payables	$ 7,159,409	$ 9,975,475
Purchase price obligation	3,386,000	6,772,000
Accrued liabilities (1)	2,144,49	7,489,898
Current portion trade and other payable	**$ 12,689,900**	$ 24,237,373

(1) Included in accrued liabilities is a payable to REPSOL S.A. for $2.0 million (USD $1.4 million) (December 31, 2022 - $7.1 million (USD $5.2 million).

On February 23, 2023, the Company enter into agreement with REPSOL to settle certain matters and differences in connection with the Purchase Agreement of the Shares of Petrolia Ecuador S.A. The Company agreed to:

a) Pay the amount of $5,227,984 (US$3,860,000) by March 31, 2023, related to some recoverable taxes in Ecuador that originally were contingent payments to Repsol upon collection.

b) Perform the Benefit Payment of $1,911,058 (US$1,411,000) by May 31, 2023 and

c) Pay the second installment of the Purchase price of $3,386,000 (US$2,500,000), which was originally due on January 14, 2024, by May 31, 2023.

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, 2022	103,342,265	$ 29,153,448
Stock based compensation exercised	3,225,000	471,852
Warrants exercised	18,500,658	2,275,438
Warrants exercised FV allocation	-	1,342,918
Shares repurchase	(2,154,400)	(2,016,571)
Balance at December 31, 2022 and March 31, 2023	**122,913,523**	**$ 31,227,085**

(in Canadian dollars except as otherwise noted)

Warrants:

.The following schedule describes the warrants transactions since March 31, 2022:

	Exercise price	Number of warrants	Amount
Balance at March 31, 2022	$ 0.35	37,099,304	$ 2,789,704
Warrants exercised	0.30 – 0.45	(21,411,449)	(1,342,918)
Warrants expired	0.55	(1,637,500)	(186,776)
Balance at December 31, 2022 and March 31, 2023	**$ 0.45**	**14,050,355**	**$ 1,260,010**

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 April 28, 2022 the Company granted an aggregate of 2,340,000 stock options to employees of its subsidiaries, pursuant to the Company's Plan. The options vested on granting and are exercisable at $0.65 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 2.66%; and an expected average life of 5 years. The fair value of all these options was estimated at $904,568.

On October 4, 2022 the Company granted an aggregate of 3,550,000 stock options to employees of its subsidiaries, pursuant to the Company's Plan. The options are exercisable at a price of $0.85 for a five-years period and fully vested on the issuance dated. 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 3.38%; and an expected average life of 5 years. The fair value of all these options was estimated at $1,788,845.

The following schedule describes the stock-based compensation transactions since March 31, 2022:

	Number of Stock Options	Exercise value Price	Fair
Balance at March 31, 2022	9,390,000	$ 0.21	$ 1,065,948
Option granted	2,340,000	0.65	904,568
Options granted	3,550,000	0.50	1,788,845
Options cancelled	(3,225,000)	0.10	(149,353)
Balance at December 31, 2022	12,055,000	$ 0.42	$ 3,610,008
Options cancelled	(265,000)	0.10	(90,992)
Balance at March 31, 2023	**11,790,000**	**$ 0.42**	**$ 3,519,716**

The following schedules describe the stock options available and their remaining contractual life at March 31, 2023 and December 31, 2022:

	Number of Stock Options	Remaining life (yrs.)	Exercise Price
Granted on July 7, 2020	800,000	2.27	0.05
Granted on November 16, 2020	75,000	0.54	0.47
Granted on April 13, 2021	1,290,000	3.04	0.24
Granted on October 1, 2021	3,500,000	3.50	0.30
Granted on December 6, 2021	50,000	3.68	0.56
Granted on January 13, 2022	330,000	3.79	0.50
Granted on April 28, 2022	2,195,000	4.08	0.65
Granted on October 4, 2022	3,550,000	4.52	0.50
Balance at March 31, 2023	**11,790,000**	**3.17**	**$0.42**

(in Canadian dollars except as otherwise noted)

	Number of Stock Options	Remaining life (yrs.)	Exercise Price
Granted on July 7, 2020	800,000	2.52	0.05
Granted on November 16, 2020	75,000	0.79	0.47
Granted on April 13, 2021	1,290,000	3.28	0.24
Granted on October 1, 2021	3,500,000	3.75	0.30
Granted on December 6, 2021	50,000	3.93	0.56
Granted on January 13, 2022	450,000	4.04	0.50
Granted on April 28, 2022	2,340,000	4.33	0.65
Granted on October 4, 2022	3,550,000	4.76	0.50
Balance at December 31, 2022	**12,055,000**	**3.42**	**$0.42**

During the three months ended March 31, 2023 and 2022, $nil and $36,825, respectively, were charged as stock-based compensation in the consolidated unaudited statements of operations and comprehensive (loss) income.

See also Subsequent Event: (Note 28).

NOTE 13 – EMPLOYEE BENEFIT OBLIGATION

The employee benefits obligations are summarized as follow:

	Amount
Balance at March 31, 2022	$ 2,031,940
Increases	8,131,975
Payments	(9,087,192)
Balance at December 31, 2022	$ 1,076,723
Increases	186,211
Payments	(1,162,334)
Balance at March 31, 2023	**$ 100,600**

As at March 31, 2023, the employee benefits includes mainly obligations payable to employees for vacations, thirteenth and fourteenth salary, reserved fund, and bonuses for management compliance and are note related to the Company's defined benefits obligations described in Note 13.

NOTE 14 – ASSET RETIREMENT OBLIGATION

The movement in the asset retirement obligation is as follows:

Balances at March 31, 2022	$ 10,847,772
Change in estimate	(4,918,079)
Payments/uses	(544,901)
Other	366,520
Balances at December 31, 2022	$ 5,751,312
Other	(8,936)
Balances at March 31, 2023	**$ 5,742,376**

At March 31, 2023, the estimated total amount required to settle the asset retirement obligation was $5,742,376 (December 31, 2022 – $5,751,312).

During the period ended December 31, 2022, the Company reduced by $4.9 million its ARO estimate provision. The change in estimates, associated with the expiration of the Service Contract announced on December 5, 2022, relates to abandonment costs, reclaim wells and well sites as well as environmental liabilities. The total amount was recognized within Properties, Plant and Equipment (Note 8).

(in Canadian dollars except as otherwise noted)

NOTE 15 – OTHER LIABILITIES

	March 31, 2023	December 31, 2022
Cash collateral partners (1)	**$ 334,882**	$ 335,154
	$ 334,882	$ 335,154

(1) As of March 31, 2023 and December 31, 2022, the cash collateral partners correspond to funds received from the partners of Oil Consortium Block 16 and Oil Consortium Block Tivacuno.

NOTE 16 – REVENUE

The following schedule describes the revenues obtained during the three months ended March 31, 2023 and 2022:

	March 31, 2023	March 31, 2022
Services revenue (1)	$ -	$ 17,045,072
Carryforward recovery (2)	-	7,787,198
	$ -	$ 24,832,270

(1) Income from services rendered: Available income to cover the Service Contract tariffs will be determined as follows: from 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 three months ended March 31, 2023, the Company has recognized $nil (March 31, 2022 - $17.0 million) 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.

(2) Carryforward recovery: In the event the available income is not sufficient to cover the payment of the tariff, the monthly shortfall is 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.

During the three months ended March 31, 2023, the Company was able to recover prior years carryforward balances on Block 16 Service Contract of $nil (March 31, 2022 - $7.8 million). As the Service Contract expired on December 31, 2022, the carryforward has extinguished and there is no remaining obligation from the Ministry of Energy and Mines.

(in Canadian dollars except as otherwise noted)

NOTE 17 – OPERATING EXPENSES

The following schedule describes the operating expenses incurred during the three months ended March 31, 2023 and 2022:

	March 31, 2023	March 31, 2022
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
Contribution and other taxes	-	606,578
Office and administration	-	631,758
Services received, rental of machinery and vehicles	-	2,013,779
	$ -	$ 10,712,403

NOTE 18 – GENERAL AND ADMINISTRATIVE

The following schedule describes the general and administrative expenses incurred during the three months ended March 31, 2023 and 2022:

	March 31, 2023	March 31, 2022
Insurances	**$ 100,749**	$ 2,500
Legal and accounting	**42,165**	-
Management fees and salaries	**1,010,636**	698,851
Professional fees	**1,009,664**	732,304
Office and administration	**239,184**	191,837
Shareholders information and investor relations	**21,276**	21,794
Other purchase and services	**498,370**	-
Depletion and depreciation	**109,192**	
Taxes	**72,472**	-
	$ 3,103,708	$ 1,647,286

NOTE 19 – OTHER INCOME

The following schedule describes other income incurred during the three months ended March 31, 2023 and 2022:

	March 31, 2023	March 31, 2022
Trading operations (1)	**$ (234,649)**	$ (375,232)
Settlement of time sheets	-	201,843
Discount rate	-	(95,553)
	$ (234,649)	$ (268,942)

(1) Corresponds to additional revenue obtained from oil marketer (RTSA) on each barrel lifted.

(in Canadian dollars except as otherwise noted)

NOTE 20 – FINANCIAL COST (INCOME)

The following schedule describes the financial cost (income), net incurred during the three months ended March 31, 2023 and 2022:

	March 31, 2023	March 31, 2022
Financial update on asset retirement	$ -	$ 48,820
Recovery interest on foreign tax	-	(198,823)
Other	-	(17,433)
	$ -	$ (167,436)

NOTE 21 – NET INCOME PER SHARE

Basic and diluted net income per share is calculated as follows during the three months ended March 31, 2023 and 2022:

	March 31, 2023	March 31, 2022
Net (loss) income	**$ (3,233,244)**	$ 18,117,270
Weighted-average common share adjustments:		
Weighted-average common shares outstanding, basic	**122,913,523**	100,767,021
Effect of stock options & warrants	**1,001,148**	22,840,876
Weighted-average common shares outstanding, diluted	**123,914,671**	123,607,896
Basic and diluted income per share	**$ (0.03)**	$ 0.18
Fully diluted income per share	**$ (0.03)**	$ 0.15

For the three months ended March 31, 2023 and 2022 stock options and warrants were dilutive.

NOTE 22 – 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, 2023 and December 31, 2022, given the short-term nature of these financial instruments. The Company's financial instruments have been assessed on the fair value hierarchy. Cash is classified as Level 1. There has been no reclassification of financial instruments into or out of each fair value hierarchy during the three months ended March 31, 2023 and 2022. 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 three months ended March 31, 2023 and 2022.

(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, 2023, the Colombian peso to the Canadian dollar exchange rate was 3,425:1 (December 31, 2022 – 3,585:1) and the United States dollar to Canadian dollar exchange rate was 0.7383:1 (December 31, 2022 – 0.7383:1). Cash held in US dollars at March 31, 2023 was USD $17,167,580 and a change of 1% in the exchange rate would have impacted the Canadian dollar equivalent by +/- CAD $171,676. The Company had no forward exchange rate contracts in place as at or during the three months ended March 31, 2023. Accounts payable in USD balance as of March 31, 2023 was $10,423,578 and a change of 1% in the exchange rate would have impacted the Canadian dollar equivalent by +/- CAD $104,235.

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 23 – RELATED PARTY TRANSACTIONS

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

	March 31, 2023	March 31, 2022
Officers and management fees	**$ 495,022**	$ 1,719,996
Consulting fees paid to a director	**40,510**	-
Share based payments	**-**	509,411
Total	**$ 535,532**	$ 2,229,407

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 24 – CAPITAL MANAGEMENT

The Company's objective when managing capital is to ensure that it has sufficient cash resources to maintain financial liquidity and flexibility in order to provide returns for shareholders and benefits for other stakeholders and deploy capital to further exploration on its properties.

The Company's financial strategy is designed to maintain a flexible capital structure consistent with the objectives stated above and to respond to business growth opportunities and changes in economic conditions. In order to maintain or adjust its capital structure, the Company may, from time to time, issue new shares, issue new debt (secured, unsecured, convertible and/or other types of debt instruments), acquire or dispose of assets or adjust its capital spending to manage its ability to continue as a going concern.

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 three months ended March 31, 2023.

(in Canadian dollars except as otherwise noted)

NOTE 25 – SUPLEMENTAL CASH FLOW INFORMATON

Change in non-cash working capital are as follows:

	March 31, 2023	March 31, 2022
Trade and other receivable	**$ 9,107,841**	$ 2,473,086
Accounts receivable from consortium partners	**3,364,003**	(20,149,819)
Recoverable taxes	**3,356,490**	(4,202,494)
Inventory	**-**	(19,878)
Advances to suppliers and others	**(20,482)**	(1,121,454)
Other asset	**313**	(378,182)
Trade and other payables	**(2,933,489)**	21,338,084
Taxes payables	**(2,964,988)**	1,340,422
Employee benefit obligation	**186,211**	476,400
Due to related parties	**-**	(15,081)
Other liability	**(272)**	498,185
Defined benefit obligations	**-**	(164,219)
Decommissioning obligation	**(8,936)**	(6,638)
Total net change in non-cash working capital	**$ 10,086,691**	$ 68,412

NOTE 26 – COMMITMENTS AND CONTINGENCIES

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 a drill an exploration well valued at $4,063,200 (US$3,000,000). The Company is awaiting a response from the ANH with respect to the Company's request to enter into a mutual agreement among the parties to terminate the E&P Contract for Block VMM-18 as well as the reassessment by the ANH of the area restrictions imposed during the environmental assessment by the ANLA. (See also Note 9 - Exploration and Evaluation Assets) and avoid the potential liability related with the company's obligation to drill an exploration well.

Consulting agreements

The Company is obligated under a consulting agreement in the amount of $6,772 (US$5,000) per month until May 31, 2026.

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 a change of control. As the triggering event has not occurred, the contingent payment has not been provided for in these consolidated financial statements.

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 $4,081,132 (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 $1,384,241 (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 had to be sent to the District Court of Administrative Disputes in the Metropolitan District of Quito for resolution, however such request was denied. The Company has filed an extraordinary protection action before the Constitutional Court, which has not been admitted yet.

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 $3,492,472 (US$2,578,612) of which $1,222,365 (US$902,514) corresponds to the Company's net share 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 $3,776,620 (US$2,788,408) or which $1,321,817 (US$975,943) corresponds to the Company's net share 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. State Comptroller Office has declined to present its evidence in the trial.

As of the date of issuance of these financial statements, the Entity has not recorded provisions for the aforementioned concepts.

Settlement of payment in respect of Solidarity Contribution on profits

On October 7, 2019, the Internal Revenue Service of Ecuador issued payment liquidations No. 172010906502280204 and 172010906502280280 for the Block 16 and Block 67 Consortiums respectively, for the concept of solidarity contribution on profits created by the Organic Law of Solidarity and Citizen Co-responsibility. The difference assessed by the Internal Revenue Service for solidarity contribution amounts to $2,808,471 (US$2,073,583) plus $561,690 (US$414,715) for surcharge and $1,385,149 (US$1,022,703) for interest for the Oil Consortium Block 16 while for the Oil Consortium Block Tivacuno amounts to $250,166 (US$184,706) plus $50,033 (US$36,941) for surcharge and $156,000 (US$115,180) for interest. (The Company is responsible for 35% of the amounts mentioned above.)

On November 12, 2019, the Consortiums 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. On August 25, 2021, the District Tax Litigation Court ruled in favor of the Block 67 Consortium, however, due to a recourse filed by the Internal Revenue Service the case is being analyzed by the National Court of Justice.

As of the date of issuance of these financial statements, the Entity has not recorded provisions for the aforementioned concepts.

(in Canadian dollars except as otherwise noted)

NOTE 27 – 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 three months ended and as at March 31, 2023 and 2022:

Three months ended March 31, 2023	**Ecuador**	**Colombia**	**Canada**	**Total**
Revenue	**$ -**	**$ -**	**$ -**	**$ -**
Gross loss	**-**	**-**	**-**	**-**
Net loss	**$ (983,324)**	**$ (644,789)**	**$ (1,605,131)**	**$ (3,233,244)**
As at March 31, 2023				
Current assets	**$ 25,596,251**	**$ 305,259**	**$ 7,988,165**	**$ 33,889,675**
Non-current asset	**16,619,381**	**199,404**	**700,098**	**17,518,883**
Total assets	**$ 42,215,632**	**$ 504,663**	**$ 8,688,263**	**$ 51,408,558**
Current liabilities	**$ 12,657,021**	**$ 265,063**	**$ 5,752,356**	**$ 18,674,440**
Non-current liabilities	**334,882**	**-**	**-**	**334,882**
Total liabilities	**$ 12,991,903**	**$ 265,063**	**$ 5,752,356**	**$ 19,009,322**

Three months 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)	$ 5,792,562	$ 18,117,270
As at December 31, 2022				
Current assets	$ 38,167,192	$ 372,415	$ 14,043,038	$ 52,582,645
Non-current asset	16,619,714	262,063	762,460	17,644,237
Total assets	$ 54,786,906	$ 634,478	$ 14,805,498	$ 70,226,882
Current liabilities	$ 18,903,612	$ 375,362	$ 14,892,986	$ 34,171,960
Non-current liabilities	335,154	-	-	335,154
Total liabilities	$ 19,238,766	$ 375,362	$ 14,892,986	$ 34,507,114

NOTE 28 – SUBSEQUENT EVENT

On May 30, 2023, a total of 2,045,021 warrants expiring on July 21, 2023, and exercisable at $0.45 were extended by an additional year to July 22, 2024. All other terms remain unchanged.