NEW STRATUS ENERGY INC.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

Management's Responsibility for Condensed Consolidated Unaudited Financial Statements

The accompanying condensed 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
November 29, 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 September 30, 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, BDO Canada 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.
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Unaudited; Expressed in Canadian dollars)

	Note	September 30, 2023	December 31, 2022
ASSETS			
Current assets			
Cash and cash equivalents	5	**$29,883,574**	$20,650,172
Restricted cash	5	**510,539**	510,539
Trade and other receivables	6	**21,293**	9,332,452
Accounts receivable from consortium partners	7	**-**	6,892,209
Recoverable taxes	8	**21,179,415**	13,039,665
Prepaid and advance payments		**1,666,098**	1,742,658
Other assets		**345,210**	-
		53,606,129	52,167,695
Non-current assets			
Property, plant, and equipment	9	**646,576**	1,024,856
Recoverable taxes	8	**-**	16,619,381
Other assets		**-**	414,950
		646,576	18,059,187
Total assets		**$54,252,705**	$70,226,882
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	11	**2,644,671**	24,237,373
Taxes payable		**38,429**	3,106,552
Employee benefit obligation	13	**562,601**	1,076,723
Asset retirement obligation	14	**5,497,320**	5,751,312
		8,743,021	34,171,960
Non-current liabilities			
Other liabilities	15	**20,725,841**	335,154
		20,725,841	335,154
Total liabilities		**29,468,862**	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		**608,356**	1,315,932
Deficit		**(12,627,823)**	(2,399,474)
Total equity		**24,783,843**	35,719,768
Total liabilities and equity		**$54,252,705**	$70,226,882

Commitments and Contingencies (Note 26

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 interim condensed consolidated unaudited financial statements.

NEW STRATUS ENERGY INC.
INTERIM CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME

(Unaudited; Expressed in Canadian dollars)

		Three months		Nine months	
Periods ended September 30,	**Notes**	**2023**	**2022**	**2023**	**2022**
Income					
Services Revenue	16	**$ -**	$ 27,966,546	**$ -**	$ 84,991,006
Operator fees		**-**	139,602	**-**	397,807
Technical Services		**-**	1,386,251	**-**	3,042,093
		-	29,492,399	**-**	88,430,906
Operating cost and expenses:					
Operating expenses	17	**-**	16,095,221	**-**	38,348,005
Depletion and depreciation		**-**	8,981,343	**-**	25,869,994
Gross profit		**-**	4,415,835	**-**	24,212,907
General and administrative	18	**4,590,711**	2,908,817	**10,979,348**	6,559,885
Financial cost	20	**435,674**	297,801	**202,607**	246,657
Stock-based compensation	12	**-**	715,251	**-**	1,015,044
Write-off of exploration assets	10	**-**	1,952,358	**-**	1,952,358
Foreign exchange loss		**269,087**	716,799	**259,338**	1,203,556
Acquisition cost	4	**-**	-	**-**	2,956,360
Gain on acquisition	4	**-**	-	**-**	(18,010,552)
Other income	19	**(1,030,455)**	(342,996)	**(1,221,755)**	(741,508)
Net (loss) income before income taxes		**(4,265,017)**	(1,832,195)	**(10,219,538)**	29,031,107
Current income tax (expense) recovery		**3,632**	(1,924,516)	**(8,811)**	(658,194)
Total income tax expense		**3,632**	(1,924,516)	**(8,811)**	(658,194)
Net (loss) income		**$ (4,261,385)**	$ (3,756,711)	**$ (10,228,349)**	$ 28,372,913
Other comprehensive (loss) income:					
Translation reserve		**488,095**	517,750	**(707,576)**	(2,240,956)
Net (loss) income and comprehensive (loss) income		**$ (3,773,290)**	$ (3,238,961)	**$ (10,935,925)**	$ 26,131,957
Net (loss) income per share					
Basic	21	**$(0.03)**	$(0.03)	**$(0.08)**	$0.25
Diluted	21	**$(0.03)**	$(0.03)	**$(0.08)**	$0.22

See accompanying notes to the interim condensed consolidated unaudited financial statements.

NEW STRATUS ENERGY INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited; Expressed in Canadian dollars)

Nine months periods ended September 30,	Notes	2023	2022
Share capital			
Balance, beginning of the period		**$ 31,227,085**	$ 26,040,248
Shares repurchase		-	(1,558,488)
Shares issued on exercise of warrants	12	-	6,118,061
Shares issued on exercise of options	12	-	471,853
Balance, end of the period		**31,227,085**	31,071,674
Warrants			
Balance, beginning of the period		**1,260,010**	3,060,581
Fair value of warrants exercised	12	**-**	(1,023,876)
Warrants expired			(32,576)
Balance, end of the period		**1,260,010**	2,004,129
Contributed surplus			
Balance, beginning of the period		**4,316,215**	1,406,732
Warrants expired			32,576
Fair value of options exercised	12	**-**	(149,352)
Stock-based compensation	12	**-**	1,015,044
Balance, end of the period		**4,316,215**	2,305,000
Cumulative translation adjustment			
Balance, beginning of the period		**1,315,932**	(930)
Translation reserve		**(707,576)**	(2,240,026)
Balance, end of the period		**608,356**	(2,240,956)
Accumulated deficit			
Balance, beginning of the period		**(2,399,474)**	(22,876,378)
Net (loss) income for the period		**(10,228,349)**	28,372,913
Balance, end of the period		**(12,627,823)**	5,496,535
Total shareholders' equity		**$ 24,783,843**	$ 38,636,382

NEW STRATUS ENERGY INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH

(Unaudited; Expressed in Canadian dollars)

For the nine months ended September 30,	Note	2023	2022
Operating activities			
Net (loss) income for the period		**$ (10,228,349)**	$ 28,372,913
Adjustment for non-cash items:			
Depletion and depreciation		**441,954**	25,869,994
Stock based compensation	12	**-**	1,015,044
Write off Colombia projects	10	**-**	1,952,358
Foreign currency exchange		**259,338**	1,203,556
Gain on acquisition	4	**-**	(18,010,552)
Payments of employee benefit obligations	13	**(1,359,861)**	-
Payments of asset retirement obligation	14	**(239,541)**	-
Tax credit refund	15	**19,399,222**	-
Net change in non-cash working capital items:	25	**15,194,693**	(37,689,102)
		23,467,456	2,714,211
Investing activities			
Change in non-cash working capital	4	**-**	(959,692)
Purchase of property, plant and equipment	9	**-**	(790,990)
Purchase price consideration paid for business combination	11	**(6,772,000)**	-
Payment to Repsol	11	**(7,139,042)**	-
		(13,911,042)	(1,750,682)
Financing activities			
Warrants exercised	12	**-**	5,094,185
Repurchase of shares		-	(1,558,488)
Options exercised	12	-	322,500
		-	3,858,197
Net change in cash and restricted cash		**9,556,414**	4,821,726
Impact of foreign exchange on foreign currency-denominated cash balances		**(323,012)**	(1,203,554)
Cash and restricted cash, beginning of the period		**21,160,711**	5,466,845
Cash and restricted cash, end of the period		**$ 30,394,113**	$ 9,085,017

See accompanying notes to the interim condensed consolidated unaudited financial statements.

NOTE 1 – REPORTING ENTITY

New Stratus Energy Inc. ("**New Stratus**" or the "**Company**" or the "**Corporation**"), 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 types 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 Petrolia Ecuador S.A. (Spain) (previously 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, Petrolia Ecuador S.A.(Ecuador) Petrolia Ecuador S.A. (the "Branch").
During the three months ended September 30, 2023, the Company acquired two shell companies to hold its future operations in Mexico and Venezuela.

On June 8, 2022, Repsol Ecuador S.A. and its Ecuadorian Branch, completed a corporate name change to Petrolia Ecuador S.A.

NOTE 2 - BASIS OF PRESENTATION

The interim condensed 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

The interim condensed consolidated financial statements of the Company at September 30, 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 and nine months ended September 30, 2023 and compared to the three and nine months ended September 30, 2022.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

Significant judgments, estimates and assumptions made by management in these unaudited condensed interim financial statements are outlined in Note 3 of the Company's audited financial statements for the period ended December 31, 2022. There have been no changes in the Company's judgments, estimates, accounting policies or determination of fair values applied during the interim period ended September 30, 2023, relative to those described in the audited financial statements for the period ended December 31, 2022.

(Unaudited expressed in Canadian dollars except as otherwise noted)

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 September 30, 2023. 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.

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.)

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 was 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 purchase price allocation is:

	January 14, 2022
Cash purchase price consideration as per purchase and sale agreement (USD $5 million)	6,166,000
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.

(Unaudited expressed in Canadian dollars except as otherwise noted)

(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 originally signed between Repsol Ecuador S.A., the other companies making up Consortium Block 16 and Consortium Block Tivacuno (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 Companyis 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.

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.

The companies that signed the Service Contract agreements formed the Block 16 Oil Consortium and the Tivacuno Block Oil Consortium or Block 67, which members and interest percentage are 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. The Government of Ecuador decided that the Company shall revert the blocks to the Ministry of Energy and Mines and forego 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 ended 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 -

(Unaudited expressed in Canadian dollars except as otherwise noted)

environmental, assets, legal and economic issues. All individual commissions have already signed off and no significant concern remains unsolved. The final Minute was signed on July 26, 2023.

The Company has concluded all the environmental audits required by 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 September 30, 2023, some of these obligations and related activities remain outstanding.

The costs estimated for these remaining obligations have been fully reflected in the Company's balance sheet as of September 30, 2023. The Company considers the provision has been recorded based on best industry standards, and complies with all the Ecuadorian hydrocarbons regulations.

NOTE 5 – CASH AND CASH EQUIVALENTS

	September 30, 2023	December 31, 2022
Cash and banks	**$ 29,232,966**	$ 20,135,513
Short-term investments (1)	**650,608**	514,659
	$ 29,883,574	$ 20,650,172

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

Restricted Cash

Restricted cash balance of $0.5 million (December 31, 2022, $0.5 million) is composed of $0.4 million Letter of Credit issued to warrantee Block VMM-18 obligations performance and $0.1 as a deposit on corporate credit card.

NOTE 6 – TRADE AND OTHER RECEIVABLES

	September 30, 2023	December 31, 2022
Trade receivables (1)	**$ -**	$ 9,125,873
Other receivables	**21,193**	206,579
	$ 21,193	$ 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

	September 30, 2023	December 31, 2022
Block 16 & Block 67 Consortiums (1)	**$ -**	$ 829,514
Technical assistance Block 16 Consortium (2)	**-**	6,062,695
	$ -	$ 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 receivables related to the Service Agreement executed on January 14, 2022 with Consortium Block 16 through which the Company provides technical assistance and managerial support. During the nine months ended September 30, 2023, $6,062,695 – ($4,353,396 USD) was collected in relation to the Service Agreement.

(Unaudited expressed in Canadian dollars except as otherwise noted)

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 – RECOVERABLE TAXES

	September 30, 2023	December 31, 2022
Current portion (1)	**$ 21,179,415**	$ 13,039,665
Non-current portion (2)	-	16,619,381
	$ 21,179,415	$ 29,659,046

(1) As at September 30, 2023, the current portion of recoverable taxes include $3.5 million of Ecuadorian VAT tax credits, $7.4 million of Ecuadorian Withholding Income Tax, and a $10.1 million Spanish Income Tax credits for 2022 whichare recoverable from the State Tax Administration in Spain (AEAT). (December 31, 2022, $7.6 million VAT tax credit, $5.3 million Withholding Income Tax).

(2) As at December 31, 2022, non-current recoverable taxes include $6.7 million of Ecuadorian Withholding Income Taxes for fiscal year 2022 and $9.9 million Spanish Income Tax credits for 2022 which are recoverable from the State Tax Administration in Spain (AEAT).

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)
Exchange difference		79,836	79,836
Balance at September 30, 2023	**$ 29,423,598**	**$ 1,222,363**	**$ 30,645,961**
Accumulated depletion and depreciation			
Balance at December 31, 2022	$ (29,423,598)	$ (133,833)	$ (29,557,431)
Additions	-	(441,954)	(441,954)
Balance at September 30, 2023	**$ (29,423,598)**	**$ (575,787)**	**$ (29,999,385)**
Carrying amounts as at:			
December 31, 2022	$ -	$ 1,024,856	$ 1,024,856
September 30, 2023	**$ -**	**$ 646,576**	**$ 646,576**
Cost			
Balance at March 31, 2022	$ 34,341,677	$ 60,681	$ 34,402,358
Additions	-	1,098,008	1,098,008
Asset Retirement Obligation (Note 14)	(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)**
Carrying amounts as at:			
March 31, 2022	$ 26,591,584	$ 60,454	$ 26,652,038
December 31, 2022	**$ -**	**$ 1,024,856**	**$ 1,024,856**

(Unaudited expressed in Canadian dollars except as otherwise noted)

There were no impairment indicators present as at September 30, 2023.

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

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 concluded, 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.

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 earn-up a 100% interest in the Project. New Stratus received the approval of the Environmental Impact Study on August 24, 2022 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 or economically viable.

As highlighted above, 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 the restrictions imposed by ANLA, to which the Company had provided detailed documentation on March 9, 2023. The Company is currently awaiting a reply from the ANH on its application. (See also Note 26- Commitments and Contingencies).

At September 30, 2022 the Company has written off a total amount of $1,952,358.

NOTE 11 – TRADE AND OTHER PAYABLES

Trade and other payable includes the following.:

	September 30, 2023	December 31, 2022
Trade payables	**$ 2,644,671**	$ 9,975,475
Purchase price obligation (1)	**-**	6,772,000
Accrued liabilities (2)	**-**	7,489,898
Current portion trade and other payable	**$ 2,644,671**	$ 24,237,373

(Unaudited expressed in Canadian dollars except as otherwise noted)

(1) As per an Agreement with REPSOL, executed on February 23, 2023, the Company has paid the two installments of the purchase price by January 14, 2023 and May 31, 2023, respectively.
(2) This amount includes:

a. $5,227,984 (US$3,860,000) related to some recoverable taxes in Ecuador
b. $1,911,058 (US$1,411,000) related to compensation from the Government of Ecuador for changes in tax laws during the execution of the Service Contracts.

Both concepts were originally contemplated as contingent payments to REPSOL upon collection by Petrolia. However, on February 23, 2023, the Company entered into an agreement with REPSOL to settle certain matters and differences in connection with the Purchase Agreement of Petrolia Ecuador S.A. As per this agreement, the Company acquired the obligation to pay these amounts until March 31, 2023 and May 31, 2023, respectively. All these amounts have been paid by the stipulated dates.

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 September 30, 2023	**122,913,523**	**$ 31,227,085**

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 September 30, 2023	**$ 0.45**	**14,050,355**	**$ 1,260,010**

On May 30, 2023, a total of 14,050,355 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.

Subsequent to quarter end, in October 2023, 175,000 warrants were exercised at $0.45

(Unaudited expressed in Canadian dollars except as otherwise noted)

Stock based compensation:

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

	Number of Stock Options	Exercise price	Fair value
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)	0.01	(90,992)
Balance at September 30, 2023	**11,790,000**	**$ 0.41**	**$ 3,519,016**

The following schedules describe the stock options available and their remaining contractual life at September 30, 2023 and December 31, 2022:

	Number of Stock Options	Remaining life (yrs.)	Exercise Price
Granted on July 7, 2020	800,000	1.77	0.05
Granted on November 16, 2020	75,000	0.04	0.47
Granted on April 13, 2021	1,290,000	2.53	0.24
Granted on October 1, 2021	3,500,000	3.00	0.30
Granted on December 6, 2021	50,000	3.18	0.56
Granted on January 13, 2022	330,000	3.29	0.50
Granted on April 28, 2022	2,195,000	3.58	0.65
Granted on October 4, 2022	3,550,000	4.01	0.50
Balance at September 30, 2023	**11,790,000**	**3.35**	**$0.41**

	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 nine months ended September 30, 2023 $Nil and three and nine months ended September 30, 2022 $715,251 and $1,015,044, respectively, were charged as stock-based compensation in the consolidated unaudited statements of operations and comprehensive (loss) income.

(Unaudited expressed in Canadian dollars except as otherwise noted)

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	845,739
Payments	(1,359,861)
Balance at September 30, 2023	**$ 562,601**

As of September 30, 2023, the employee benefits include mainly obligations payable to employees for vacations, thirteenth and fourteenth salary, reserved fund, and bonuses for management compliance.

NOTE 14 – ASSET RETIREMENT OBLIGATION

The movement in the asset retirement obligation is as follows:

Balance at March 31, 2022	$ 10,847,772
Change in estimate	(4,918,079)
Payments/uses	(544,901)
Other	366,520
Balance at December 31, 2022	$ 5,751,312
Payments/uses	(239,541)
Other	(14,451)
Balances at September 30, 2023	**$ 5,497,320**

NOTE 15 – OTHER LIABILITIES

	September 30, 2023	December 31, 2022
Cash collateral partners (1)	**$ 334,560**	$ 335,154
Other liability (2)	**20,391,281**	-
	$ 20,725,841	$ 335,154

(1) As of September 30, 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.

(2) On July 12, 2023, the Company announced that the Consortium Block 16 had been notified of a final and definitive ruling by the National Court of Justice of Ecuador, regarding a previous year tax claim, which granted the Consortium the right to obtain a tax credit for $19.6 million (US$14.5 million). Due to the allocation mechanism among the partners in the Consortium, Petrolia is the sole beneficiary of the tax credit refund.

Petrolia considers that the agreements and covenants entered by the Company during past years related to this income tax credit require the recognition of a reserve for contractual responsibilities in the same amount refunded. This reserve is updated monthly with interest.

As described in Note 4, the Company has announced a formal arbitration claim under the terms contemplated in the service contract agreements; however, the Company, during the period of negotiations with the Ministry of Energy, aims to reach an amicable settlement on all the outstanding issues derived from the service contracts, including this fiscal year refund.

(Unaudited expressed in Canadian dollars except as otherwise noted)

NOTE 16 – REVENUE

The following schedule describes the revenues obtained during the three and nine months ended September 30, 2023 and 2022:

	Three months		Nine months	
	2023	2022	**2023**	2022
Services revenue (1)	**$ -**	$ 19,979,898	**$ -**	$ 57,038,029
Carryforward recovery (2)	**-**	7,986,648	**-**	27,952,977
	$ -	$ 27,966,546	**$ -**	$ 84,991,006

During the three months and nine ended September 30, 2023, the Company was able to recover prior years carryforward balances on Block 16 Service Contract of $nil (During the three and nine months ended September 30, 2022 - $8.0 million and $28.0 million respectively). 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.

NOTE 17 – OPERATING EXPENSES

The following schedule describes the operating expenses incurred during the three and nine months ended September 30, 2023 and 2022:

	Three months		Nine months	
	2023	2022	**2023**	2022
Consumption of inventories and purchases	**$ -**	$ 3,452,816	**$ -**	$ 8,445,103
Employee salaries & benefits	**-**	3,406,180	**-**	9,473,096
Insurance premium	**-**	344,449	**-**	1,074,936
Catering services	**-**	216,537	**-**	685,679
Cured oil treatment	**-**	466,685	**-**	1,259,576
Plant maintenance	**-**	534,250	**-**	1,453,195
Short-term leases	**-**	-	**-**	1,326,158
Contribution and other taxes	**-**	689,211	**-**	2,070,328
Office and administration	**-**	2,640,342	**-**	4,011,880
Services received, rental of machinery and vehicles	**-**	4,344,751	**-**	8,548,054
	$ -	$ 16,095,221	**$ -**	$ 38,348,005

NOTE 18 – GENERAL AND ADMINISTRATIVE

The following schedule describes the general and administrative expenses incurred during the three and nine months ended September 30, 2023 and 2022:

	Three months		Nine months	
	2023	2022	**2023**	2022
Insurance	**$ 24,021**	$ 5,366	**$ 48,961**	$ 8,066
Legal and accounting	**241,873**	200,608	**433,411**	607,363
Management fees and salaries	**1,042,755**	441,125	**3,335,456**	1,585,105
Professional fees	**1,310,648**	805,296	**3,584,390**	2,236,986
Office and administration	**1,557,164**	959,237	**1,889,577**	1,522,961
Shareholders information and investor relations	**19,753**	497,185	**89,132**	599,404
Other purchase and services	**109,707**	-	**650,411**	-
Depletion and depreciation	**224,178**	-	**441,954**	-
Taxes	**60,612**	-	**506,056**	-
	$ 4,590,711	$ 2,908,817	**$ 10,979,348**	$ 6,559,885

During 2023, the Company executed 2 settlement agreements with IT suppliers. The payments relate to IT services that ended on December 31, 2022.

(Unaudited expressed in Canadian dollars except as otherwise noted)

NOTE 19 – OTHER INCOME

The following schedule describes other income incurred during the three and nine months ended September 30, 2023 and 2022:

	Three months		Nine months	
	2023	2022	**2023**	2022
Trading operations (1)	**$ -**	$ (95,801)	**$ (171,410)**	$ (735,678)
Settlement of time sheets	**-**	(640,180)	**-**	(472,262)
Discount rate	**-**	392,985	**-**	466,432
Other (2)	**(1,030,455)**	-	**(1,050,345)**	-
	$ (1,030,455)	$ (342,996)	**$ (1,221,755)**	$ (741,508)

(1) Corresponds to additional revenue obtained from oil marketer (RTSA) on each barrel lifted.
(2) Due to Service Contract termination, the Company has reversed in 2023 certain accounts payable on Ministry of Energy tariff and RTSA fees.

NOTE 20 – FINANCIAL (INCOME) COST

The following schedule describes the financial cost (income), net incurred during the three and nine months ended September 30, 2023 and 2022:

	Three months		Nine months	
	2023	2022	**2023**	2022
Financial update on asset retirement	**$ -**	$ 48,213	**$ -**	$ 152,258
Recovery interest on foreign tax	**-**	-	**-**	(137,756)
Other	**435,674**	249,588	**202,607**	232,155
	$ 435,674	$ 297,801	**$ 202,607**	$ 246,657

NOTE 21 – NET INCOME PER SHARE

Basic and diluted net income per share is calculated as follows during the three and nine months ended September 30, 2023 and 2022:

	Three months		Nine months	
	2023	2022	**2023**	2022
Net (loss) income	**$ (4,261,385)**	$ (3,756,711)	**$ (10,228,349)**	$ 28,372,913
Weighted-average common share adjustments:				
Weighted-average common shares outstanding, basic	**122,913,523**	119,439,740	**122,913,523**	115,307,293
Effect of stock options & warrants	**7,863,802**	12,116,461	**7,863,802**	12,116,461
Weighted-average common shares outstanding, diluted	**130,777,325**	131,556,201	**130,777,325**	127,423,754
Basic income per share	**$ (0.03)**	$ (0.03)	**$ (0.08)**	$ 0.25
Fully diluted income per share	**$ (0.03)**	$ (0.03)	**$ (0.08)**	$ 0.22

For the three and nine months ended September 30, 2023 and 2022 stock options and warrants were anti-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 September 30, 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 and nine months ended September 30, 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 and nine months ended September 30, 2023 and 2022. The Company has not generated revenue for the nine-months period ended September 30, 2023, since the termination of its Service contract on December 31, 2022 (See Note 4 Business Combination – Petrolia Ecuador S.A.).

(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 September 30, 2023, the Colombian peso to the Canadian dollar exchange rate was 4,130:1 (December 31, 2022 – 3,585:1) and the United States dollar to Canadian dollar exchange rate was 0.7396:1 (December 31, 2022 – 0.7383:1). Cash held in US dollars at September 30, 2023 was USD $21,679,527, and a change of 1% in the exchange rate would have impacted the Canadian dollar equivalent by +/- CAD $216,795. The Company had no forward exchange rate contracts in place as at or during the three and nine months ended September 30, 2023. Trade and other payables in USD as of September 30, 2023 was $2,450,352 and a change of 1% in the exchange rate would have impacted the Canadian dollar equivalent by +/- CAD $24,503.

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. As at September 30, 2023, the Company has $29.9 million in cash (excluding restricted cash) and taxes recoverable of approximately $21.2 million expected to be received within the first quarter of fiscal 2024. Current liabilities at the same date are $8.7 million.

NOTE 23 – RELATED PARTY TRANSACTIONS

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

	Three months		**Nine months**	
Periods ended September 30,	**2023**	2022	**2023**	2022
Officers and management fees	**$ 444,414**	$ 327,723	**$ 1,281,713**	$ 813,820
Director Fees	**30,753**	37,300	**122,489**	71,993
Consulting fees paid to a director	**58,479**	41,910	**114,411**	69,528
Share based payments	-	318,919	-	828,330
	$ 533,646	$ 725,852	**$ 1,518,613**	$ 1,783,671

(Unaudited expressed in Canadian dollars except as otherwise noted)

On August 23, 2023, the Company and its Chief Midstream and Downstream officer entered into an agreement to terminate the original Officer's contract, signed on February 1st. 2022. As compensation for bridging the original agreement, NSE agreed to indemnify the departing officer the amount of US$151,500, payable in twelve equal quarterly installments of $12,625. The departing officer will continue to act as an independent business development consultant for a monthly fee of $4,500.

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 nine months ended September 30, 2023.

NOTE 25 – SUPPLEMENTAL CASH FLOW INFORMATON

Change in non-cash working capital are as follows:

For the nine months ended September 30,	**2023**	2022
Trade and other receivable	**$ 9,311,159**	$ (4,002,503)
Accounts receivable from consortium partners	**6,892,209**	(23,080,889)
Recoverable taxes	**8,479,631**	(12,298,938)
Inventory	**-**	(1,038,919)
Advances to suppliers and others	**76,560**	(2,078,655)
Other asset	**69,740**	(404,423)
Trade and other payables	**(8,403,687)**	9,071,669
Taxes payables	**(3,068,123)**	146,293
Employee salaries and benefits	**845,739**	2,339,477
Due to related parties	**-**	(15,081)
Other liability	**991,465**	25,962
Defined benefit obligations	**-**	(6,353,095)
Total net change in non-cash working capital	**$ 15,194,693**	$ (37,689,102)

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 10 - 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 $6,760 (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 $2,100,000 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 $4,073,900 (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 $1,381,789 (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 pending for resolution.

Law 122 payment request: On August 14, 2023, EP Petroecuador issued an official letter, granting a period of 15 business days for the payment of $ 22,457,725 (US$ 16,610,743.04). EP PETROECUADOR claims that such amount has not been withheld when performing the tariff payments on a former Tivacuno Service contract that ended in 2011. An administrative claim before EP PETROECUADOR and a special tax action before the Tax Court have been filed by Petrolia Ecuador S.A. (The Company is responsible for 35% of the amounts mentioned above.)

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 $3,486,283 (US$2,578,612) 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. (The Company is responsible for 35% of the amounts mentioned above.)

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 $2,803,484 (US$2,073,583) plus $560,695 (US$414,715) for surcharge and $1,382,694 (US$1,022,703) for interest for the Oil Consortium Block 16 while for the Oil Consortium Block Tivacuno amounts to $249,723 (US$184,706) plus $49,944 (US$36,941) for surcharge and $155,723 (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.

The Group has been advised by its legal counsel that it is possible, but not probable, that the action will succeed. Accordingly, no provision for any liability has been made in the financial statement.

(Unaudited expressed in Canadian dollars except as otherwise noted)

Labor cases

Petrolia has been notified between August and September of 2023 with three judicial actions from former employees, all of them requesting additional compensation to the severance payments done by the Company on December 31, 2022, when the Service Contracts were terminated. The amount claimed by the former employees totals $170,813 (US$126,341). The company has responded these claims before the Labor judges. (The Company is responsible for 35% of the amounts mentioned above.)

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 and nine months ended and as at September 30, 2022:

As at September 30, 2023

	Ecuador	Colombia	Canada	Total
Current assets	**$ 52,198,217**	**$ 404,410**	**$ 1,003,502**	**$ 53,606,129**
Non-current asset	**-**	**73,959**	**572,617**	**646,576**
Total assets	**$ 52,198,217**	**$ 478,369**	**$ 1,576,119**	**$ 54,252,705**
Current liabilities	**$ 7,983,452**	**$ 200,300**	**$ 559,269**	**$ 8,743,021**
Non-current liabilities	**20,725,841**	**-**	**-**	**20,725,841**
Total liabilities	**$ 28,709,293**	**$ 200,300**	**$ 559,269**	**$ 29,468,862**

Three months ended September 30, 2023				
Revenue	$ -	$ -	$ -	$ -
Gross profit (loss)	$ -	$ -	$ -	$ -
Net loss	$ (973,946)	$ (535,119)	$ (2,752,320)	$ (4,261,385)

Nine months ended September 30, 2023				
Revenue	$ -	$ -	$ -	$ -
Gross profit (loss)	$ -	$ -	$ -	$ -
Net loss	$ (1,049,842)	$(1,615,242)	$ (7,563,265)	$ (10,228,349)

Three months ended September 30, 2022				
Revenue	$ 29,492,399	$ -	$ -	$ 29,492,399
Gross profit (loss)	$ 13,889,464	$ (492,286)	$ (8,981,343)	$ 4,415,835
Net income (loss)	$ 12,458,705	$ (793,628)	$ (15,421,788)	$ (3,756,711)

Nine months ended September 30, 2022				
Revenue	$ 88,430,906	$ -	$ -	$ 88,430,906
Gross profit (loss)	$ 51,843,941	$ (1,761,040)	$ (25,869,994)	$ 24,212,907
Net income (loss)	$ 52,252,556	$ (2,178,121)	$ (21,701,522)	$ 28,372,913

As at December 31, 2022

Current assets	$ 37,752,242	$ 372,415	$ 14,043,038	$ 52,167,695
Non-current asset	17,034,664	262,063	762,460	18,059,187
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